



NEDBANK
GROUP

LEADING WITH **PURPOSE**

GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

see money differently

OUR PURPOSE

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

ABOUT OUR COVER

2020 has been a year of ups and downs. In the face of a difficult year, we are proud that we have stayed true to our purpose of using our financial expertise to do good, supporting our clients and employees through the Covid-19 crisis and contributing to society. We have remained resilient on key operational, liquidity and capital metrics, and our leadership has done a commendable job in managing the health and safety of stakeholders, including employees and clients. What Nedbankers have managed to achieve resonates in the fynbos that we find in the South African landscape – it not only survives against all odds, but actually thrives after being faced with devastation, such as drought or fire. It's all about 'natural resilience'. And this is exactly how we balance the challenges we faced in our business, with the strides made in progressing our strategy and building a Nedbank that is more client-centred, more digital, more agile and more competitive. As with the fynbos analogy, if the foundations are strong – like ours – you can withstand the severe conditions and flourish once the environment has improved.

Mike Brown, Chief Executive – January 2021



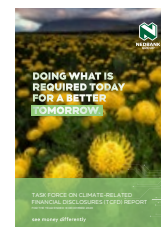
nedbankgroup.co.za

As part of our comprehensive integrated reporting, the 2020 Integrated Report is supplemented by our various online publications and additional information available on our website at nedbankgroup.co.za. In 2020 our suite of supplementary reports were consolidated into three separate reports – a climate, society (social) and governance report.



FINANCIAL AND RISK MANAGEMENT REPORTING

- 2020 Results Booklet and presentation
- 2020 Nedbank Group Annual Financial Statements
- 2020 Pillar 3 Risk and Capital Management Report



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORTING

- TCFD and other climate-change-related disclosures

Nedbank energy policy*

Nedbank climate change position statement*



SOCIETY (SOCIAL) REPORTING

- Sustainable Development Review
- People Review
- Transformation Review
- Stakeholder Engagement Review

Broad-based black economic empowerment (BBBEE) certificate*

Global Reporting Initiative Standards*

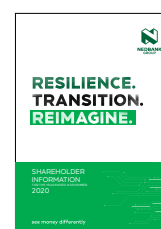


GOVERNANCE REPORTING

- Governance Review
- Ethics Review
- Treating Clients Fairly Review (Market conduct)
- Financial Crime Review (AML, Fraud and Cybercrime)
- Remuneration Review
- Tax Review

Key policies*

Boardmember and group executive profiles*



SHAREHOLDER INFORMATION

- Notice of 54th annual general meeting (AGM)
- Form of proxy

Shareholding profile*

* Available separately at nedbankgroup.co.za.

Contents

2 GOVERNANCE REVIEW

- 2 Board philosophy
- 3 Board responsibilities and key focus areas
- 10 Our board structure and mandates
- 21 Other key areas of responsibilities and oversight
- 24 Disclosure on application of King IV
- 33 Our Group Executive Committee
- 34 2020 Attendance at board and board committee meetings by directors and professional consultants

Overview of the Nedbank Group's board, board philosophy and commitment to the highest standards of institutional governance, ethics and integrity.

36 ETHICS REVIEW

- 36 Our ethics philosophy
- 36 Our culture of ethics
- 37 Governance of ethics
- 42 Our commitment to respect and uphold human rights in business
- 43 Whistle-blowing
- 45 Our commitment to driving ethical conduct among our employees and upholding human rights in our employment practices
- 45 Our commitment to driving ethical conduct and the respect of the human rights of and by our clients
- 46 Our commitment to driving ethical conduct by our suppliers, upholding human rights in our supply chain and partnering with ethical suppliers
- 47 The year in review
- 47 Focus on 2021 onwards

Overview of our governance and management of ethics in line with our ethics philosophy to do business responsibly and ethically.

48 TREATING CLIENTS FAIRLY REVIEW (MARKET CONDUCT)

- 48 Nedbank's approach to market conduct
- 55 Client financial protection provided by Nedbank during the Covid-19 pandemic
- 57 Privacy
- 57 Committed to responsible lending

Overview of our commitment to the best market practices to ensure that clients and stakeholders receive fair treatment.

60 FINANCIAL CRIME REVIEW

- 60 Integrated financial crime risk management

Overview of our integrated approach to preventing, detecting and responding to financial crime risk.

66 REMUNERATION REVIEW

- 66 Chair's report
- 71 Remuneration policy
- 80 Implementation report

Assessment of the group's performance, the resulting impact on remuneration and forward-looking changes.

108 TAX REVIEW

- 109 Nedbank Group's approach to tax
- 110 Tax governance and tax risk management
- 112 Stakeholder engagement and the tax landscape
- 114 Tax numbers and performance
- 115 Economic contribution of taxes paid

Overview of our strategic approach to tax and tax-related processes, tax governance and the tax risk management framework, stakeholder engagement and our tax contributions.

NAVIGATION ICONS

Our stakeholders



Clients



Employees



Regulators



Shareholders



Society

Other icons



King IV



Top 12 risks



This icon directs the reader to pages or supplementary reports with more information.

GOVERNANCE REVIEW

Board philosophy

Nedbank's governance is supported by the tone at the top, the example the board and management set and the values and behaviours embraced by employees in the organisation. As part of our culture journey over the past two years, we have revisited our required culture in the context of our strategy, the new world of work and the digital transformation of financial services. Our top leadership is driving and enabling new leadership mindsets and capabilities required to manage and thrive in an agile, digital, fast-paced, client-centred and competitive environment. In addition, the group's people promise, which influences the Nedbank culture, is fully endorsed by the board. Recent culture shifts are positive, as is evident in the outcomes of leadership in digital innovation, being resilient and agile, and the improved levels of client satisfaction scores.

LEADING THE WAY FOR VALUE CREATION AND PRESERVATION THROUGH GOOD GOVERNANCE

2020 will be remembered as an extremely turbulent year for individuals and for business as the global pandemic tested the resilience of many industries, including the banking industry. Our robust governance practices contributed to Nedbank Group remaining resilient during this challenging period.

The board and group executive strive to create maximum shared value by delivering on our purpose and ensuring relevance and sustainability of our business model by monitoring the macro environment, the availability and quantity of capital inputs, and stakeholder needs, all of which inform the strategy of the group. This strategy, through our strategic focus areas, enables the group to maintain focus in conducting operations underpinned by good governance, and at the same time delivering our financial targets. During the Covid-19 pandemic and lockdown restrictions that emerged in March 2020, the board was particularly focused on value preservation and a sustained ethical culture while minimising value erosion.

OUR GOVERNANCE PHILOSOPHY

IV

Nedbank is committed to the highest standards of governance, ethics and integrity. We embrace world-class banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure and stable. We review these practices and frameworks on an ongoing basis, being mindful of the dynamic landscape, influenced by, among other factors, health and economic changes (such as the impact of the Covid-19 pandemic), cultural shifts in the workplace, digital trends such as artificial intelligence, geopolitics, enhanced data safety and security requirements, and climate change risks, to ensure that we act in the best interest of all our stakeholders.

Banks are expected to adapt to regulatory changes quickly, which means we have to entrench good governance practices, while retaining the flexibility to respond proactively to the fast-changing regulatory environment. However, governance within Nedbank Group entails far more than legislative compliance and best-practice principles. We believe that good governance can contribute to living our values through enhanced accountability, strong risk and performance management, transparency and ethical and effective leadership.

The board's governance oversight is guided by its commitment to its responsibilities and governance objectives achieved through applying the principles and practices as articulated in King IV.

Board responsibilities and key focus areas

KEY BOARD FOCUS AREAS IN 2020

IV

Given the unprecedented impact of the Covid-19 pandemic, the following areas received heightened focus in 2020:

- 1 Nedbank's response to the Covid-19 pandemic, including risk management.
- 2 Pivoting the group's strategy.
- 3 Driving innovation.
- 4 Reputational matters.
- 5 Strengthening our response to climate change.

1 Nedbank's response to the Covid-19 pandemic

During times of crisis the role of the board is important as it provides appropriate guidance and oversight. In 2020 the board oversaw the group's strategic decisions and responses relating to the Covid-19 pandemic. This included support to stakeholders (protecting value and minimising value erosion) while remaining aligned to shifts and pivots that are required in strategy (creating value). The board received updates on how clients and suppliers were managing through the pandemic, and considered actions to ensure the health and safety of the group's employees and other stakeholders. Members of various board subcommittees remained actively involved in overseeing and monitoring the group's response to the pandemic and levels of lockdown, including the management of business, operational and cyber risk, as well as the group's balance sheet, which entailed liquidity, credit, capital and market risks.

As the Covid-19 pandemic emerged in March 2020, increased focus was placed on business risk (in particular the macroeconomic impact of the lockdowns), keeping employees and clients safe and invoking business continuity plans to ensure essential services continue. During the first few months of the crisis heightened focus was on business (and country), people and operational, liquidity, credit, capital and market risks. Many of these risks have subsided with business, credit, strategic execution, capital and cyber risk (top five risks as shown below). In 2020 we also added climate risk as a separate risk to our top 12 risks, reflecting the increasing importance of climate change and our increased focus on it.

The change in risk focus means that resource allocation shifts increased towards key risks, and in 2020 this was evident in additional independent oversight that was provided, additional meetings held and increased analysis and reporting. From a financial capital perspective, resource allocation shifts were evident in the strengthening of liquidity buffers, strong capital ratios and not declaring a dividend in 2020.

Our top five risks

January 2020 (before the crisis)	March 2020 (incorporating Covid-19)	2021
1 Business (and country) risk	1 Business (global and country) risk	1 Business (global and country) risk
2 Strategic execution risk	2 People and operational risk	2 Credit risk
3 Cyber risk	3 Liquidity risk	3 Strategic execution risk
4 Credit risk	4 Credit risk	4 Capital risk
5 Operational risk	5 Capital risk	5 Cyber risk

2 Pivoting the group's strategy

- Strategy is a key responsibility of the board and although the board maintains its independence, it is important to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels.
- As the Covid-19 pandemic emerged, the board worked closely with management in pivoting the group's strategy to 'Resilience' (the immediate focus in Q2 2020 as we managed the crisis) followed by 'Transition' (from Q3 2020 as we enabled recovery) and 'Reimagine' (strategising for value creation in a new environment).

Primary focus on the health and safety of our employees, continuing to serve our clients, as banking is an essential service, and supporting clients when they manage their finances through this difficult period.



Following the annual strategy session between the board and Group Exco in July 2020, where the board debated and provided input to the strategy framework, the group's three-year business plan and relevant risk appetites were signed off in November 2020. The group's 'Reimagine' strategy includes value drivers (growth, productivity and risk and capital management) that aim to create, preserve and reduce the erosion of value as we seek to meet our revised medium-term targets (2023). These targets are for, among other things, diluted headline earnings per share (DHEPS), return on equity (ROE), cost-to-income ratio and net promoter score (NPS).

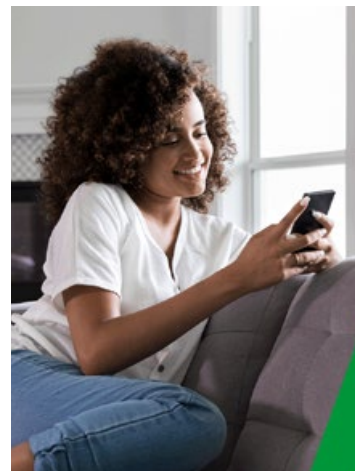
Value creation is enabled by five strategic issues to unlock: delivering market-leading client solutions, initiating disruptive market activities, focusing on areas that create value (SPT 2.0), driving efficient execution (TOM 2.0) and creating positive impacts.

3 Driving innovation

The digitisation of banks means that innovation, disruption and cybersecurity remain top of mind in banking, and this trend has accelerated during the Covid-19 pandemic.

To remain relevant and competitive in this digital age the board has been proactive and enabled innovation from the top as one of its governance responsibilities. Over the past few years the board has promoted and enabled innovation by actively participating in Board Technology Days to stay abreast of local and global trends. The board attended various presentations on cyber risk management, disruptive fintech strategies and risk management in digitally enabled banks, engaged in platform strategy discussions and appointed a subcommittee to act as a sounding board for management on digital platforms.

Nedbank has seen an acceleration in the launch of digital innovations and CVPs over the past two years. Ecosystems and platforms were top of mind in 2020 as we repurposed our Avo super app to enable clients (consumers and suppliers) to procure and supply goods and services during lockdown. A significant increase in digital activity was underpinned by heightened focus on system stability and availability, while significant investment and resources continue to be allocated to our technology systems, platforms, as well as digital innovation generally. The board, through the Group Information Technology Committee, oversees the group's approximately R1,9bn annual IT cashflow spend and progress on digital programmes, ensuring an appropriate return on investment.



4 Reputational matters

Investigative journalism has played an important role in the exposure of state capture and corruption in SA. Nedbank has zero tolerance for corruption, and we expect our employees, clients and service providers to conduct themselves with integrity.

Under the oversight of the Nedbank Board and the Directors' Affairs Committee (DAC), we commissioned detailed internal forensic investigations of all of the transactions referred to in the amaBhungane article of 8 February 2021 and, in the case of the Transnet-related matters, this was supplemented with an external legal review of specific conclusions of the internal forensic investigation. These investigations found no evidence of any Nedbank or Nedbank employee dishonesty, corruption, collusion or breaches of any laws or regulations. At the time of entering into these transactions, Nedbank was not aware of and did not suspect any unlawful or corrupt conduct by Regiments or collusive relationships between Regiments and the state-owned-enterprise clients they were advisors to. In all cases Nedbank's returns were reasonable and market-related for the risks assumed. The media article refers extensively to an 'Introduction of Derivatives' agreement between Nedbank and Regiments that was concluded in 2009. The last transaction (other than the payment of trail fees legally due for deals concluded before 2011) done under this agreement was in 2011, at which stage Regiments was in no way linked to state capture. A further transaction was introduced to Nedbank in 2012 by a party to whom Regiments was a joint-venture party, with full client disclosure. In respect of the Transnet transactions in 2015 and 2016, this matter has been aired extensively at the Zondo Commission, and Nedbank paid no fees to Regiments.

We will continue to support and cooperate with the relevant authorities and commissions. Deep dives and lessons-learnt exercises continue to be top of mind for the board.

2020 KEY BOARD DISCUSSIONS

Besides our regular agenda items, such as detailed feedback from the chairs of board committees on the deliberations of those committees, comprehensive presentations by the Chief Executive on top-of-mind items (incorporating, among other things, discussions about the competitor landscape, key reputational risk matters, progress on significant programmes underway in the organisation, and the status of key strategic actions) and presentations by the CFO on our financial results and forecasts at regular intervals, the board also had the following important discussions in 2020.

JAN/FEB

- **Approved** the Nedbank Group **Recovery Plan**.
- **Considered** the group's **climate-change resolutions** for the 53rd AGM.
- **Approved** the group's 2020–2022 **financial forecasts** post 2019 year-end.
- **Participated** in a **bespoke board training programme** addressing topics such as geopolitics, rethinking change management, conduct risk and lessons for boardmembers using case studies, disruptive technologies in digital transformation, and occupational health and safety (OHS) training.

MAR/APR

- **Approved** the **2019 annual financial results and final dividend**.
- **Approved** the **2019 integrated report**.
- **Approved** the **2019 Pillar 3 report**.
- **Considered** the **impact of Covid-19 and lockdowns** on Nedbank's stakeholders and response.
- **Instituted** regular ad hoc **Covid-19 board calls**.
- **Oversaw** the group's strategy pivot to Resilience, Transition and Reimagine.
- **Reconsidered** the group's solvency and liquidity test and the final 2019 dividend in the context of the PA guidance note 4 (G4/2020).
- **Monitored** payment holidays for clients.

5 Strengthening our response to climate change

Nedbank Group has an excellent track record and strong credentials in leading the change required to address climate change, and our leadership in this area has been endorsed by the board over the past 30 years. As our sustainability journey continues to grow and mature, from being the first African bank to adopt the Equator Principles in 2005 and the first African bank to become carbon neutral in 2010 to being the first commercial bank to launch a renewable-energy bond on the JSE in 2019, the board acknowledges that, in the context of the Paris Agreement and the rising impact of climate change, more needs to be done.

As part of our journey as a purpose-led business, we are committed to playing a leading role in addressing climate change, and the risks and opportunities that it presents, in ways that are sensitive to the local socioeconomic context and climate vulnerability. Banks play a central role in driving sustainable socioeconomic development for the benefit of all stakeholders by providing capital where it is needed most. Banks' financing choices can serve to enable the necessary transition to a low-carbon economy and contribute to building climate resilience through the financing of adaptation measures.

At our 2020 AGM we reached a key milestone as we proactively tabled two climate-change-related resolutions (resolution 6.1 to disclose an energy policy no later than April 2021, and resolution 6.2 to report on our approach to measuring, disclosing and assessing our climate-related risks by the same date). Both these were passed with 100% votes of approval.

During the year we appointed a Group Climate Resilience Committee (GCRC) to provide independent oversight of the adequacy and effectiveness of the Climate Risk Management Framework (CRMF) and the Social and Environmental Risk Framework (SERF) in line with the Enterprisewide Risk Management Framework (ERMF), which include key risks, performance indicators as well as branding, market positioning, opportunities and strategy in relation to social, environmental and climate-related risks and opportunities.

Our inaugural 2020 Task Force on Climate-related Financial Disclosures (TCFD) Report was published in April 2021 and embraces four key pillars: governance; strategy; risk management; and metrics and targets. Our disclosures relating to resolutions 6.1 and 6.2 are available in this report and at nedbankgroup.co.za.

FOCUS AREAS OF THE BOARD IN 2021

IV

Many of the key focus areas of 2020 will continue to be a priority in 2021, particularly as the Covid-19 pandemic continues to impact all aspects of our business and stakeholders. Key focus areas for 2021 include:

- Nedbank's ongoing response to the Covid-19 pandemic;
- credit risk, collections and capital management;
- operating efficiencies enabled through Managed Evolution;
- achieving enterprise agility through TOM 2.0;
- growing the transactional banking franchise through SPT 2.0;
- key reputational issues; and
- retention and attraction of talent.

Additional focus was placed on monitoring the effect of Covid-19 on the group's stakeholders, while brand, technology, liquidity and capital were also ongoing discussion points at board meetings in 2020. Nine additional board calls were held in 2020, dedicated to considering Nedbank's response to the Covid-19 pandemic.

MAY/JUN

- **Approved** Nedbank's participation in the **bilateral loan guarantee scheme** with the South African government.
- **Approved** the group's updated **capital plan, revised capital targets, recovery plan triggers and early-warning indicators**.
- **Approved** the annual appointment of the **Group Chairman**.
- **Approved** the **annual strategy planning session** focusing on Resilience, Transition and Reimagine.
- **Held** the group's seventh annual **ESG roadshow** with shareholders.
- **Held** the group's **first virtual AGM**.
- **Monitored** ETI's liquidity and capital position.
- **Interrogated** the commencement of **TOM 2.0**.

JUL/AUG

- **Approved** the group's 2021–2023 **strategy framework**.
- **Approved** the group's **2020 interim results**.
- **Monitored** progress on **SDG 4 and 7**.
- **Monitored** progress on the **commercialisation of data**.
- **Monitored** progress on **Managed Evolution**.

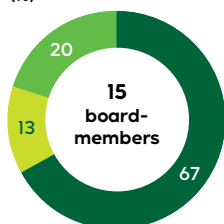
BOARD PROFILE

Banks and financial services companies need a broad range of skills to ensure and create value in the interest of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in Nedbank's own long-term strategy. Having the appropriate mix of skills and experience ensures that the board, as a collective, is well equipped to guide and drive the bank's strategy into the future and thereby create value.

Over the past three years we have expanded and strengthened our board skills and experience specifically in retail and investment banking, other financial services such as insurance; large corporates; accounting and auditing; human resources (HR); strategic planning; mining, resources and infrastructure; IT innovation, digital and cyberresilience; and doing business in emerging economies.

The size of the Nedbank Board, at 15 members, is influenced by the demands of a vast and complex banking industry. The size gives the board adequate membership for its 10 board committees, of which four are statutory, while maintaining adequate levels of independence. In addition, it ensures board and management capacity and time to guide the group's strategy. Every year our board considers whether its size, diversity, demographics and gender representation are appropriate to ensure its effectiveness.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS (%)

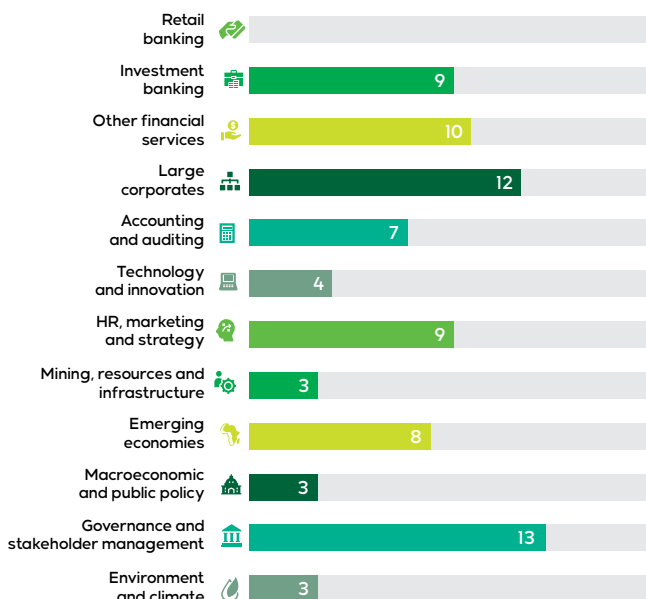


- Independent non-executive directors
- Non-executive directors
- Executive directors

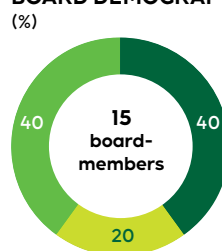
Nedbank policy: Maintain board structure comprising a majority of non-executive directors, of whom a majority should be independent non-executive directors.

BOARD SKILLS AND EXPERIENCE

(Number of boardmembers with experience)



BOARD DEMOGRAPHICS (%)



- White male
- ACI female
- ACI male

Nedbank policy: Maintain board membership that represents the demographics of SA.

2020 KEY BOARD DISCUSSIONS

SEPT/OCT

- **Held** annual meeting with the PA and the FSCA to discuss the group's medium- and long-term strategy (including any changes due to Covid-19), projections for the next 18 months, as well as risk management.
- **Approved** the board ethics statement.
- **Approved** the Nedbank Group ERMF.
- **Appointed** Mike Davis as CFO and Executive Director, as well as Debt Officer in terms of debt listing requirements.
- **Monitored** progress on SDG 8 and 12.

NOV/DEC

- **Approved** the 2020 Internal Capital Adequacy Assessment Process (ICAAP) report.
- **Interrogated and approved** the Nedbank Group business plan for 2021–2023.

IV

The primary role of our Chairman is to provide ethical and effective leadership to the Nedbank Boards, set the tone for its performance and undertake the management thereof. Our Chairman regularly engages with boardmembers, both as a collective and separately, and with the non-executive directors through one-on-one meetings as well as at regular non-executive director dinners to maintain the collegiality among the directors. This year's engagements were mostly held virtually.

As contemplated in King IV, in the absence of the Chairman, our Lead Independent Director leads the board. He acts as intermediary between the Chairman and other members of the board if necessary, and chairs discussions and decision-making by the board on matters where the Chairman has a conflict of interest.

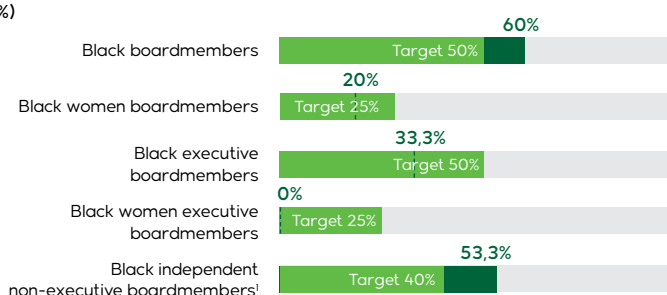
Our board continuity programme incorporates Nedbank Group's board appointment policy, the policy on the promotion of diversity, and the requirements of Directive 4 of 2018 issued by the South African Reserve Bank's PA in terms of section 6(6) of the Banks Act, 94 of 1990.

Our board of directors continues to provide ethical leadership and strategic guidance aimed at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of robust and effective controls that supports the establishment of an ethical culture.

The framework enables continuous assessment and management of emerging risks and opportunities to ensure long-term sustainable development and growth. The board retains ultimate accountability and responsibility for the performance and affairs of the company and ensures that the group adheres to high standards of ethical behaviour.

In a fast-transforming society, board diversity is important so that the board can remain relevant and sustainable. Studies have shown that diversity matters. Companies that embrace gender, race and ethnic diversity achieve better financial performance. Nedbank is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board that closely reflects the demographics of SA. Nedbank Group's Board targets for race and gender diversity are aligned with the Amended Financial Sector Code (FSC). Nedbank's achievement against its diversity targets at board level dropped following the departure of Raisibe Morathi, and the targets for black women, black executive, and black women executive boardmembers no longer meet Nedbank's own targets. Increasing gender and race diversity is a key focus area of the board's succession plan.

PROMOTION OF DIVERSITY AT BOARD LEVEL (%)



¹ Not measured under the amended FSC but retained as a Nedbank Group Board diversity target.

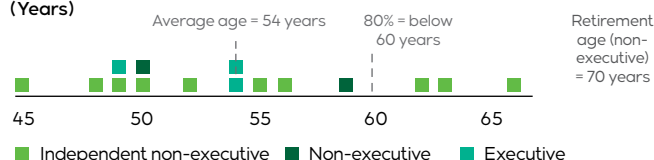
SUCCESSION PLANNING

Our board appointments are conducted in a formal and transparent manner by the board as a whole, assisted by the Group Directors Affairs Committee (DAC). The board makes use of its existing networks in identifying suitably qualified candidates and, where appropriate, briefs search consultants to help in this regard. Board appointments are subject to regulatory approval.

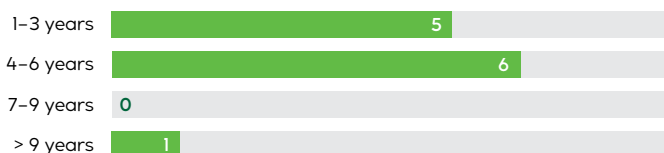
A director may accept other board appointments with the prior agreement of the Chairman, provided that these appointments do not conflict with the group or adversely affect the director's duties. To ensure Nedbank directors are able to devote sufficient time to their responsibilities, a boardmember may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

Non-executive directors are not given a fixed term of appointment. All directors are subject to retirement by rotation in terms of the company's memorandum of incorporation.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS: AGE (Years)



NON-EXECUTIVE DIRECTORS: TENURE



Mike Davis and Iain Williamson were appointed by the board after the AGM held in 2020 and make themselves available for election by shareholders at the AGM to be held on 28 May 2021. Mpho Makwana has been on the Nedbank Group Board for more than nine years and his tenure has been extended while the board succession plan continues to be progressed. Mpho will also retire at the AGM and make himself available for re-election. Neo Dongwana and Mfundo Nkuhlu will retire by rotation at the AGM and make themselves available for re-election.

An executive director is required to retire from the board at age 60 and, unless otherwise agreed by the board, a non-executive director is required to retire at the first AGM that follows their reaching the age of 70 or after nine years of being on the board as a non-executive director.

Brian Dames (Chair of the Group Climate Resilience Committee), Dr Mantsika Matoane (Chair of GITCO), and Mpho Makwana (Lead Independent Director and Chair of the Group DAC), Group Transformation, Social and Ethics Committee >

SUCCESSION PLANNING **continued**

(GTSEC) and Group Related-party Transactions Committee (GRPTC) retire in the next three years. The board's succession plan, which is looking to increase its members with expertise in areas such as legal, retail banking and complex accounting, will also look to replace the skills that will be lost with these retirements, including digital and technology, climate risk, large corporate, HR and marketing.

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

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

The following changes were made to the board in 2020 and early 2021:

Peter Moyo resigned as a non-executive director on 19 March 2020.

Joel Netshitenzhe retired on 22 May 2020.

Iain Williamson was appointed as a non-executive director on 1 June 2020 and his appointment will be put to a shareholders' vote at the AGM on 28 May 2021.

Raisibe Morathi, our CFO for 11 years, resigned to pursue an external opportunity and stepped down as CFO and executive director of the Nedbank Group boards with effect from 30 September 2020.

Mike Davis was appointed as Group CFO effective from 1 October 2020, in terms of the Nedbank Group succession planning process. Mike was an existing member of Group Exco as the then Group Executive: Balance Sheet Management (BSM). Mike has significant industrywide experience in finance, asset and liability management and capital management. He has been with Nedbank for more than 20 years and in that time has established the trust and confidence of the Nedbank Board and the executive leadership and is well known to shareholders and the investment community. His appointment will also be put to a shareholders' vote at the AGM on 28 May 2021.

Mpho Makwana, our Lead Independent Director, reached the end of his nine-year tenure on 17 November 2020 and ordinarily would retire at the AGM scheduled for 28 May 2021. However, regulatory and board approval has been obtained for Mpho to remain on the board as Lead Independent Director for the time being, subject to shareholders re-electing him at the forthcoming AGM.

- On 22 January 2021 Vassi Naidoo was granted medical leave of absence and, in line with our board continuity programme, Mpho Makwana seamlessly stepped in as acting Chairman.

The board has agreed there is no need to appoint an acting Lead Independent Director, but in instances when the acting Chairman is conflicted, another independent boardmember will act as Chairman in respect of any board discussions for that particular matter.

HOW THE BOARD FUNCTIONS

IV

Nedbank is committed to the highest standards of governance, ethics and integrity. The board charter serves as a guide for the performance by the directors of their duties in accordance with the requirements and the principles of good corporate governance, the appropriate legislative requirements and codes of conduct. It outlines and informs the directors' roles and responsibilities, the establishment of board committees and delegation of authority to those board committees. It also sets out those matters that are reserved for the board.

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

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

The board regularly reviews and monitors management's execution of Nedbank's values-based strategy, practices and frameworks, being mindful of the dynamic landscape, influenced by, among other things, digital demands, geopolitics, enhanced data safety and security requirements and climate change risks. This approach enabled Nedbank to act swiftly in responding to the emerging Covid-19 black-swan event, which not only resulted in an unprecedented impact on the economy in general, but also threatened the interests of our stakeholders. We believe that our mature governance structures, based on enhanced accountability, strong risk and performance management, transparency, strategic agility, effective leadership, people management and lived values, contributed to our response and resilience.

Nedbank has a rolling three-year strategy focused on value creation for our shareholders, clients, employees and communities where we operate. The major macro trends in our operating environment are informed by politics, macroeconomy, society, competition, technology, regulators and the environment. Continued engagement with material internal and external stakeholders takes place and their needs and expectations are considered to ensure value creation. Material matters are ranked according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with our stakeholders. Risks and opportunities emanating from these material matters are continuously assessed and tested against our vision to ensure that our strategy remains relevant.

The board ensures that the group, being a responsible corporate citizen, practises responsible investment to promote good governance and value creation for our shareholders. The group follows the responsible investment guidelines based on the key elements of the United Nations Principles for Responsible Investments (UN PRI); the Code for Responsible Investing in South Africa (CRISA) as well as ESG requirements. The board not only ensures the protection of shareholder interests, but also the protection of communities in our operating environment. Our policies focus on agriculture, mining, oil, gas, natural capital, waste and recycling of hazardous substances, asbestos and contaminated land. We explain our approach in this regard in our Sustainability Development Framework.

Nedbank's response to the challenging environment confirms and gives comfort that our governance practices are fully integrated across the group. Working in unison, the board provides groupwide oversight of the governance processes and frameworks while our executive management implements policies and procedures through which governance is applied within the organisation. During 2020 Nedbank Group Limited, as the parent company, was able to exercise appropriate governance oversight over its subsidiaries while maintaining the independence as well as the legal and governance responsibilities that apply to each subsidiary.

The board and executive management demonstrated their commitment to the highest standards of governance, ethics and integrity based on world-class banking practices and robust institutional governance and risk frameworks, which ensured the security and stability of Nedbank's banking services.

TRAINING AND INDUCTION

All new directors must undergo induction. The induction includes a briefing on essential board and company information, as well as updates on changes and trends in business, the banking industry, financial markets, and the economic, political, social and legal climate.

Directors regularly attend courses, conferences and seminars to ensure that they keep abreast of changes and trends. During 2020 the directors received comprehensive updates and training on various topics, including the following:

- An overview of the geopolitical environment.
- Rethinking change management conduct risk – lessons for boardmembers using Royal Australia Commission/Commercial Bank of Australia as a case study.

- Disruptive technologies in digital transformation – asking the right questions.
- Directors' oversight of climate transition strategies.
- Training on anti-money-laundering, combating the financing of terrorism and sanctions.
- Key emerging trends in remuneration.
- Get fluent in IT (GetFIT) – open banking with a focus on payments.
- GetFIT: migration to data centres – a reflection on best practice and Nedbank's strategy in this regard.
- Amendments to the JSE Listings Requirements.
- Delivery of purpose through Sustainable Development Goal (SDG) 4: Quality education.

- SDG 7: Clean and affordable energy.
- SDG 8: Decent work and economic growth.
- SDG 12: Responsible consumption and production.
- BSM education – thematic balance sheet review: February 2020 versus February 2019.
- Corporate and Investment Banking (CIB) equities update, understanding value-at-risk (VaR) procyclicality (impact of Covid-19) and X-value adjustment.

A bespoke board training day for Nedbank employees who are directors of group subsidiaries is arranged every year. In 2020 this training included topics such as company law issues, cybercrime, the Personal Protection of Information Act, and the implications of telecommunication licences held by banks.

BOARD OF DIRECTORS

Independent non-executive



VASSI NAIDOO 66
Chairman: Nedbank Group and Nedbank Limited
5 years on the board



MPHO MAKWANA 50
Lead Independent Director
Chair: DAC, GRPTC, GTSEC
> 9 years on the board



HUBERT BRODY 56
Chair: Remco
3 years on the board



BRIAN DAMES 55
Chair: GCRC
6 years on the board



NEO DONGWANA 48
3 years on the board



ERROL KRUGER 63
Chair: GRCMC, GCC
4 years on the board



LINDA MAKALIMA 52
3 years on the board



PROF TSHILIDZI MARWALA 49
1 year on the board



DR MANTSIKA MATOOANE 45
Chair: GITCO
6 years on the board



STANLEY SUBRAMONEY 62
Chair: GAC
5 years on the board

Non-executive



ROB LEITH 58
4 years on the board



IAIN WILLIAMSON 50
< 1 year on the board

Executive



MIKE BROWN 54
Chief Executive
16 years on the board



MIKE DAVIS 49
CFO
< 1 year on the board



MFUNDO NKUHLU 54
COO
6 years on the board

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

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

Board changes since the 53rd AGM

Additions Iain Williamson (Old Mutual Limited nominee in terms of the relationship agreement), Mike Davis (CFO)

Retirement Joel Netshitenzhe **Resignation** Raisibe Morathi (CFO)

Board nominees for the 54th AGM

Election Iain Williamson, Mike Davis (CFO) **Re-election** Neo Dongwana, Mfundo Nkuhlu and Mpho Makwana (given that he will have been on the board for longer than nine years, he will put himself forward for annual election by shareholders).

**YOUR VOTE
IS NEEDED ON**
Director elections



Our board structure and mandates

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

The board committees assist the board in the discharge of its duties and responsibilities. Each board committee has formal written terms of reference that are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. These terms of reference are available at nedbankgroup.co.za. The board monitors these responsibilities to ensure effective coverage of and control over the operations of the group. Details of the committees' considerations and focus areas during and for 2020 are covered in the following reports by the chair of each committee. We also provide the board's meeting attendance register that shows how well the board and committee meetings were attended.

Nedbank Group Limited and Nedbank Limited Board

Chairman: Vassi Naidoo

■ Attendance

■ % of committee members who are independent directors

Group Audit Committee (GAC)*

Chair: Stanley Subramoney

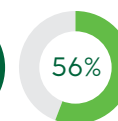
- Assists the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of our internal control systems, accounting practices, information systems and internal auditing applied in the day-to-day management of our business.
- Manages the relationship with the external auditors and assesses their independence and effectiveness.
- Facilitates and promotes communication between the board, executive management, the external auditors and the Chief Internal Auditor.
- Introduces measures to enhance the credibility and objectivity of financial statements and reports.



Group Credit Committee (GCC)

Chair: Errol Kruger

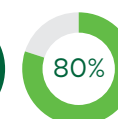
- Assists the board in fulfilling its credit risk oversight responsibilities, particularly with regard to the evaluation of credit mandates and governance, policies and credit risk.
- Confirms the adequacy of credit impairments.
- Acts as the designated committee appointed by the board to monitor, challenge and ultimately approve all material aspects of the group's credit rating and risk estimation systems and processes. The Prudential Authority requires that the GCC is chaired by a non-executive director.
- The current membership includes five independent non-executive directors, one non-executive director and three executive directors.



Group Information Technology Committee (GITCO)

Chair: Dr Mantsika Matooane

- Oversees the execution of the board's approved IT and digital strategy.
- Performs reviews and monitors enterprise IT matters to ensure appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a group basis (eg cyberthreats and other regulatory risks).
- Ensures alignment and implementation of a well-coordinated, efficient, effective and properly resourced IT strategy, which enables the organisation to remain highly competitive.
- Assumes ultimate accountability for the effectiveness of all governance functions pertaining to the group's technology capability, as required by the Banks Act, 94 of 1990, and in support of the requirements of the Group Audit Committee.



Group Remuneration Committee (Remco)

Chair: Hubert Brody

Enables the board to achieve its responsibilities in relation to the group's Remuneration Policy, processes and procedures, and specifically enables the group to do the following:

- Meet the requirements of section 64C of the Banks Act.
- Operate remuneration structures that are aligned with best market practice.
- Conform with the latest thinking regarding good corporate governance on executive remuneration.
- Align the behaviour of executives with the strategic objectives of the group.



* In terms of the Companies Act the GAC members are appointed by shareholders. However, the Banks Act views the GAC as a board committee subject to SARB oversight.

** Attendance is reported excluding Peter Moyo, one of our then non-executive directors, whose attendance was impacted by a litigation process before his resignation from the board (effective 19 March 2020).

**BOARD MEETING ATTENDANCE
(2020)**

Total
number
of board
and board
committee
meetings

71

Through the annual board committee evaluations, the board is able to satisfy itself that the board committees are operating effectively, are aligned with King IV and that the statutory committees are aligned with the Companies Act and Banks Act, where relevant.

■ Attendance

■ % of committee members who are independent directors

Group Risk and Capital Management Committee (GRCMC)**Chair: Errol Kruger**

- Ensures the identification, assessment, control, management, reporting and remediation of risks across a wide range of the organisation's ERMF.
- Sets and owns Nedbank's risk strategy and monitors conformance with risk management policies, procedures, regulatory and internal limits and exposures, and processes and practices. The monitoring of the group's key issues control log (KICL) is paramount to GRCMC's oversight role.

**Group Related-party Transactions Committee (GRPTC)****Chair: Mpho Makwana**

- Considers, reviews, evaluates and oversees related-party transactions of all types and approves, ratifies, disapproves or rejects related-party transactions.
- Determines whether related-party transactions are fair and in the best interests of Nedbank.
- Reviews, revises, formulates and approves policies on related-party transactions.
- Conducts a review of all related-party transactions concluded throughout the group at least once per year.

**Group Transformation, Social and Ethics Committee (GTSEC)****Chair: Mpho Makwana**

- Advises on, oversees and monitors Nedbank Group's activities with regard to social and economic development, ethics, transformation, sustainability, corporate citizenship, environment, health, public safety, stakeholder relationship, labour and employment matters.
- Applies the recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate.

**Group Directors' Affairs Committee (DAC)****Chair: Mpho Makwana**

- Considers, monitors and reports to the board on reputational risk and compliance risk, application of King IV and the corporate governance provisions of the Banks Act, 94 of 1990.
- Acts as the Nominations Committee for the board.

**Group Climate Resilience Committee (GCRC)****Chair: Brian Dames**

- Enables the board to achieve its responsibility in relation to the group's:
 - » identification, assessment, control, management, reporting and remediation of all categories of the climate-related risks and opportunities; and
 - » adherence to internal risk management policies, procedures, processes and practices.

**→ INTERDEPENDENCY OF BOARD COMMITTEES**

Following the constitution of the Group Climate Resilience Committee, the Nedbank Group Board has 10 formal board committees. Board committees report in detail on key discussions and activities at each Nedbank Group Board meeting, and the minutes of board committee meetings are also subsequently made available to all boardmembers. The Group IT Committee and the Group Credit Committee also report to the Group Audit Committee on the adequacy and effectiveness of the group's information system controls, and the group's internal financial controls with respect to credit risk, respectively. The Chairs of the Group Risk and Capital Management Committee and the Group Remuneration Committee also meet separately to consider remuneration risks, and there is a formal process between the Group Remuneration Committee and the Group Transformation, Social and Ethics Committee in respect of the consideration of the ethics of remuneration.

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP AUDIT COMMITTEE (GAC)



‘The fundamental role of the GAC is to assist the board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting. In response to the challenges posed by Covid-19, the GAC responded through enhanced engagements with management, Group Internal Audit and the external auditors to allow additional time to consider key accounting judgements and to ensure a robust audit thereof.’

Stanley Subramoney (Chair)

Ensuring and protecting value in 2020

- Monitored the impact of Covid-19 on the overall group performance with key focus on credit risk.
- Continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external audit firms’ senior leadership.
- The GAC considered the control deficiencies identified via the group’s three lines of defence (first line via cluster finance and risk functions, second line via Group Finance and Group Risk and third line via GIA), as well as the appropriateness of management’s response including remediation, reliance on compensating controls and additional review procedures.
- Approved the external auditors’ 2020 audit plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved findings.
- Reviewed the audited 2020 Annual Financial Statements and related disclosures and recommended them to the board for approval.
- Ensured that Group Internal Audit performs an independent assurance function and monitored the effectiveness of the Group Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Assessed compliance with all statutory requirements in terms of the Companies Act, 71 of 2008, King IV, JSE Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence.
- Considered and recommended to shareholders the appointment of Deloitte & Touche and Ernst & Young as joint external auditors.
- Considered the appropriateness and operating effectiveness of financial reporting procedures across the consolidated group.

Focus for 2021 and beyond

- Continue to focus on ensuring that the group’s financial systems, processes and internal financial controls are operating effectively.
- Monitor accounting implications arising from credit impairments, hyperinflation accounting in the Nedbank Zimbabwe subsidiary, accounting implications from the significant investment in ETI and goodwill impairment assessments.
- Continue to monitor the requirements arising from mandatory audit firm rotation that will require Deloitte & Touche to rotate after the 2023 financial year-end.
- Ensure, through the College of Audit Committee Chairs, that there is meaningful engagement between the GAC chair and the chairs of subsidiary audit committees.
- Review and consideration of management’s plans in respect of future changes to the IFRS and other regulations, most notably IFRS 17, which will replace the current limited guidance contained in IFRS 4: Insurance Contracts.
- Monitor audit firm rotation at a subsidiary level.

Stakeholders

- Employees
- Regulators
- Shareholders

Top 12 risks

- | | |
|--------------------------------------|---------------------------------------|
| 1 Business (global and country) risk | 7 Liquidity risk |
| 2 Credit risk | 9 Reputational (and association) risk |
| 5 Cyberrisk | 12 Regulatory and compliance risk |
| 6 Operational risk | |



A comprehensive GAC report is available online in our 2020 Nedbank Group Limited Annual Financial Statements on our group website at nedbankgroup.co.za.

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP CREDIT COMMITTEE (GCC)



‘The Covid-19 pandemic is an unprecedented health, economic and social challenge that has hurt the struggling South African economy and ability of borrowers to meet debt obligations. The committee oversaw the successful implementation of a comprehensive Covid-19 credit programme by providing independent oversight of changes in the credit risk policies, procedures and credit models, and active credit risk management to ensure the credit portfolio remains resilient, optimally managed and adequately impaired.’

Errol Kruger (Chair)

Ensuring and protecting value in 2020

- Supported our clients in managing their finances by offering payment relief or holiday arrangements and Covid-19 restructures, which enabled them to create room for liquidity.
- Tracked and monitored the implementation of SARB Directive 3/2020 pertaining to credit restructures and their classification and performance in light of Covid-19.
- Approved the Covid-19 Credit Policy to govern the treatment of restructured credit exposures in response to Covid-19, which enabled payment relief or holidays of more than R120bn in loans.
- Approved the implementation of the Covid-19 SME Credit Fund Policy to ensure consistent treatment of Covid-19 loans.
- Continuously reviewed and approved changes to macroeconomic forecasts and associated probability weightings of economic scenarios.
- Approved the review, adjustments and overrides of credit models to avoid undue short-term volatility and excessive procyclicality of impairments and capital requirements.
- Monitored the changes in macroeconomic projections and post-model adjustments to ensure that the overall portfolio was adequately impaired.
- Applied effective credit risk mitigation strategies, including early identification of distressed portfolios and proactive management of all watch list clients.
- Provided oversight of Covid-19-related adjustments that incorporated bottom-up client review, product and sector or industry analysis, and risk assessment of the wholesale portfolio.
- Tracked and monitored the key drivers that impacted the year-end 2020 credit loss ratio (CLR) and credit risk-weighted assets impacting capital ratios.
- Ensured comprehensive governance and proactive coordinated assurance across all three lines of defence in the Covid-19 credit risk audit programme.
- Monitored counterparty credit risk exposures and derivative instruments in a volatile environment.
- Ensured that climate risk developments were well considered and incorporated in the credit risk appetite and policies.
- Considered the impact of further sovereign-credit-rating downgrades on the sovereign exposure credit portfolio of the bank.

Focus for 2021 and beyond

- Oversee ongoing active credit risk management across all businesses to optimise the outcome of the cost of credit and the CLR in 2021 and beyond.
- Continue to support our clients and the broader economy during this difficult period.
- Oversee the delivery of ongoing market-leading client experiences and innovative digital solutions backed by integrated credit processes.
- Continue to review and approve the Covid-19 overlays and adjustments thereto to ensure impairment estimates remain appropriate under the prevailing macroeconomic environment.
- Continue to focus on the management of single-obligor credit concentration risk and watch list clients.
- Continue to focus on early-identification strategies with regard to distressed portfolios, industry-specific concentration risks and proactive key-watch list clients management.
- Review the credit risk appetite, including CLR target ranges, in light of the post-Covid-19 environment.
- Ensure that climate risk developments remain top of mind and are embedded in credit strategy, risk appetite and policies.
- Continue to focus on the sovereign fiscal challenges and impact of possible further sovereign-credit downgrades on the credit portfolio.
- Oversee the implementation and optimisation initiatives of credit risk-weighted assets.
- Ensure best practise is embedded in the management of model risk in the credit portfolio.
- Embrace changes brought by new technology and big data in enhancing the credit operating model.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 12 risks

- | | |
|--------------------------------------|-----------------------------------|
| 1 Business (global and country) risk | 10 Climate risk |
| 2 Credit risk | 12 Regulatory and compliance risk |

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE

GROUP INFORMATION TECHNOLOGY COMMITTEE (GITCO)



‘GITCO oversees the implementation of Nedbank’s enterprise IT strategy and monitors the effectiveness of governance functions pertaining to the group’s technology capability. Our responsibility has been elevated during the Covid-19 pandemic. In this context, we continue to leverage our risk and cybercapabilities for differentiation and market outperformance. A mature, evolving IT capability and technology stack ensured operational excellence during this volatile and uncertain year, while having enabled enterprise agility, an exciting innovation cadence and delivery of great client experiences, digitally.’

Dr Mantsika Matooane (Chair)

Ensuring and protecting value in 2020

The intense competition, complexity and uncertainty in the IT operating environment, exacerbated by the Covid-19 pandemic and lockdown, presented challenges as well as opportunities for market outperformance. Pleasingly, Nedbank’s mature IT assets and capabilities supported operational performance and enabled ongoing innovation and deployment of services and solutions that enhance client experiences at a high delivery cadence, in response to systemic developments.

Fulfilling our mandate necessitated the following oversight during 2020:

Resilience

- Ensured that Nedbank offered suitable digital solutions to support and enable clients, ie helped clients continue to transact and remain financially stable through the Covid-19 pandemic.
- Oversaw the enablement of the ongoing effectiveness of employees as they worked remotely, with interventions conducted across remote access, team collaboration and risk management.
- Monitored the integrity, stability and availability of our systems with heightened focus on cyberrisk.
- Scrutinised enterprise IT spend.

Transition

Reviewed the effect of Covid-19 on organic operations, business support and innovation programme delivery to minimise the impact on the business and clients.

Placed emphasis on managing the path to production, with increased vigilance and diligence performed on deployment practices.

Monitored the ongoing rationalisation and simplification of our enterprise IT landscape.

Investigated opportunities to reprioritise or rescope innovation spend focused on delivering innovation and new digital client solutions.

Reimagine

- Reviewed and approved Nedbank’s technology three-year plan.
- Oversaw the public launch of the pivoted Avo in the South African market.
- Performed oversight of the ongoing rollout of Eclipse, Nedbank’s primary onboarding system.
- Further explored the opportunity to optimise our pan-African operations.
- Monitored the accelerated adoption of agile practices with the aim of adopting a new way of being – and not just a new way of working – and optimising core business operations and innovation delivery.
- Challenged value realisation across our data investments spanning artificial intelligence, machine learning and robotics.

Focus for 2021 and beyond

GITCO will oversee and monitor the following to ensure the continued focus on the digitisation and delivery of gold-standard client journeys and services across all distribution channels:

Continue to ensure that system availability and stability are maintained.

Continue executing the group’s digital strategy, which contains the pillars ‘Digitise’, ‘Delight’ and ‘Disrupt’ and remains the key driver supporting the bank’s aspiration to be the number one digital financial services provider in Africa.

Perform oversight of the last-mile delivery of the Managed Evolution programme as well as track the realisation of planned benefits.

Deliberate on the orchestration of enterprise technology assets to ensure the continued focus on the digitisation and delivery of gold-standard client journeys and services across all distribution channels.

Oversee the convergence of operating-model considerations and technology advancements to offer a material differentiator in support of the Nedbank investment case.

Remain aware of the roles that technology, people and brand play, as they come together in our selected operating model, in enabling the delivery of great client experiences.

Evaluate the progress and value provided by the Avo platform, with scaling and enhancements scoped into the 2021 plans.

In reimagining the future, remain committed to using our digital expertise to enhance the Nedbank investment case in support of market outperformance as enabled by technology.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 12 risks

- 3 Strategic execution risk
- 5 Cyberrisk

- 6 Operational risk
- 12 Regulatory and compliance risk

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP REMUNERATION COMMITTEE (REMCO)



The Group Remco is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.

Hubert Brody (Chair)

Ensuring and protecting value in 2020

- Deliberated on the most appropriate way to remunerate our people for their outstanding effort under the most difficult of circumstances during 2020.
- Ensured that any resultant changes to the remuneration arrangements maintain a healthy balance between the interests of our shareholders, regulators and society at large while addressing retention risk.
- Applied a holistic assessment of performance that included non-quantifiable aspects and emphasized resilience-based factors in determining the short term incentive pool.
- Reviewed and approved changes to the LTI and Matched Share Scheme CPTs and weightings.
- Ensured oversight of fair pay outcomes and was satisfied with the outcome of this year's annual analytical exercise for 2020, which demonstrated that, while some variances had been identified for remedial action, pay differentials were justifiable and not attributable to gender or race bias.
- Approved the overall remuneration spend for all employees, as well as individual remuneration proposals for the Chief Executive and Group Exco members.
- Reviewed the findings of the annual external independent review of the Remuneration Policy and its implementation. The findings remain positive, providing comfort that our remuneration practices are in accordance with the policy and that the policy is aligned with applicable legislation, regulations and governance codes.
- Reviewed the annual reports of the Chief Risk Officer (CRO) and Group Internal Audit (GIA) which were also approved by the Group Risk and Capital Management Committee (GRCMC) which provide input as to whether the financial and strategic objectives of the 2020 STI and the 2018 to 2020 LTI schemes have been achieved in a sustainable and risk-appropriate manner. The Group Remco was satisfied that appropriate consideration was given to these inputs and that there were no issues to warrant the implementation of malus or clawback.
- Reviewed benchmark remuneration data from Mercer, PwC Remchannel and published data from the financial and telecoms sectors that are considered our peer groups for maintaining competitive remuneration.

Focus for 2021 and beyond

- Ensuring the Remuneration Policy and resultant outcomes support our strategic objectives and that these are appropriate to the changing environment.
- Reviewing annually the LTI CPTs, vesting ranges, and weightings between performance and time vesting, seeking to ensure appropriate balance between shareholder interests and retention risks.
- Monitoring changing regulatory interventions as a result of Covid-19.
- Maintaining continued dialogue with shareholders with the aim of ensuring the relevance and appropriateness of the Remuneration Policy.
- Ensuring that remuneration is implemented in accordance with the Remuneration Policy.
- Ensuring that the requirements of the charter continue to be fulfilled.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 12 risks

- 1 Business (global and country) risk
- 6 Operational risk
- 3 Strategic execution risk

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE (GRCMC)



‘Despite the radically heightened external risk environment, the outcomes and state of risk and capital management continued to be excellent throughout 2020, confirming Nedbank’s agility and effectiveness, and the strong risk culture. Nedbank has been resilient throughout the Covid-19 pandemic and has pivoted its strategic focus, business operations and risk strategy successfully, in light of the significant risks in this unprecedented environment. Nedbank has focused primarily on the health and safety of its employees, and on support to, and the service of, its clients. It has managed people, operational, market, credit, capital and liquidity risks proactively, and ultimately ensured business continuity. Significant risks that continue to be monitored very closely include credit and capital risks, together with the continuing external uncertainty.’

Errol Kruger (Chair)

Ensuring and protecting value in 2020

- Oversaw Nedbank’s Enterprisewide Risk Management Framework (ERMF) and ensured its agility, plus oversaw additional governance structures established during Market Crisis 2020 and the Covid-19 pandemic.
- Monitored Nedbank’s risk universe heatmap, risk trends and groupwide key issues.
- Oversaw the effective management of the impact of Market Crisis 2020 and Covid-19, with a specific focus on Nedbank’s Covid-19-adjusted top 12 risks.
- Reviewed revised capital and liquidity plans and targets in response to the volatile environment and ensured compliance with minimum regulatory requirements in line with revised directives.
- Monitored progress of Nedbank’s Regulatory Change Programme (RCP), which was successfully completed in all material respects by end-2020.
- Focused on anti-money-laundering and combatting the financing of terrorism (AML/CFT), which was retained as a thematic, and ensured that management worked proactively on initiatives to manage financial crime risk. Other thematics included cyber, conduct, people, exchange control and capital risk.
- Oversaw cyberresilience, enabling Nedbank to respond effectively to cyberattacks. The effective management of cyberrisk ensured there were no breaches of Nedbank’s own defences.
- Ensured market risk remained monitored closely, well managed and within board-approved risk appetite and limits, despite the increased market volatility experienced.
- Oversaw the effective monitoring and management of operational risk, including that there were no breaches in the approved limits for net operational risk appetite and that IT risk remained stable and resilient.
- Ensured that an end-to-end review of risk appetite was performed, incorporating the impact of Covid-19.
- Monitored that the board-approved 2020 risk strategy and risk appetite (in line with the 2020 to 2022 group business plan) and the pivoted top 12 risks for 2020 were managed successfully.
- Reviewed and approved the annual internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP), and associated stress and scenario testing outcomes. The stress and scenario testing results help GRCMC to understand and respond to possible variations in Nedbank’s forecast earnings, impairments, liquidity and capital positions in macroeconomic environments of mild, high and severe stress, and specifically designed ad hoc stress scenarios.

Focus for 2021 and beyond

- Ensure ongoing organisational resilience of Nedbank in the wake of the 1-in-100-year event (Covid-19 health and economic crisis).
- Monitor progress of Nedbank’s strategic portfolio tilt (SP 2.0) as approved in the 2021 to 2023 group business plans to ensure it translates into targeted and responsible market share growth in selected assets, transactional deposits and an uplift in transactional banking generally.
- Monitor thematics, which will at a minimum include capital risk, cyberrisk, conduct risk, internal control environment (ICE), strategic execution risk, AML/CFT and market risk, and ensure Nedbank is changing and transforming safely in the Fourth Industrial Revolution.
- Monitor the ever-changing external environment and internal risk universe heatmap, risk trends and management’s response.
- Monitor the implementation of the 2021 to 2023 risk strategy, risk appetite and risk management plan, as approved by the board, with specific focus on Nedbank’s top 12 risks.
- Review and approve the 2021 ICAAP and ILAAP.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 12 risks

- | | |
|--------------------------------------|-----------------------------------|
| 1 Business (global and country) risk | 7 Liquidity risk |
| 2 Credit risk | 8 Market risk |
| 3 Strategic execution risk | 10 Climate risk |
| 4 Capital risk | 11 Conduct risk |
| 5 Cyberrisk | 12 Regulatory and compliance risk |
| 6 Operational risk | |

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE**GROUP RELATED-PARTY TRANSACTIONS COMMITTEE (GRPTC)**

“The GRPTC remained focused on related-party transactions oversight and ensured that they were fair and in the best interest of Nedbank. The protection of shareholder interests remains central to the GRPTC’s role.”

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- The GRPTC oversaw the accurate disclosure of on-balance-sheet transactions in the annual financial report in terms of IAS 24: Related-party Disclosures.
- The GRPTC oversaw the Nedbank and Old Mutual commercial business transactions supported by Old Mutual’s strategic shareholding in Nedbank. This entailed:
 - » monitoring the Relationship Oversight Committee, which governs the commercial relationship between Nedbank and Old Mutual;
 - » ensuring that the mutually beneficial commercial arrangements were at arm’s length, commercially viable and compliant with all regulatory requirements, including competition law requirements; and
 - » considering new business transactions.
- The GRPTC continued to monitor unclaimed odd-lot offer funds.

Focus for 2021 and beyond

- Monitor and review all related-party transactions with Old Mutual.
- Monitor and review the Relationship Oversight Committee.
- Monitor and review all related-party transactions above R50m and those below R50m at the GRPTC’s discretion, if required to do so.

Stakeholders



Regulators



Shareholders

Top 12 risks

- | | |
|--|--|
| 3 Strategic execution risk | 11 Conduct risk |
| 9 Reputational (and association) risk | 12 Regulatory and compliance risk |

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE

GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (GTSEC)



‘At Nedbank, we use our financial expertise to do good. Our ethical and inclusive culture delivers innovative, market-leading client experiences based on relationships of trust with our internal and external stakeholders. Our employee value proposition, which we launched as our People Promise, guides the lived employee experience and is supported by our commitment towards authentic transformation throughout our organisation.’

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- Reviewed CSI contributions of R14,8m towards Covid-19 relief operations. Nedbank employees and clients contributed R4,7m towards the Solidarity Fund.
- Reviewed our new leadership philosophy and framework to enable a necessary shift in culture to meet prevailing context and demands.
- Oversaw well-being initiatives to provide support to employees during the Covid-19 pandemic.
- Reviewed and evaluated remuneration practices overseen by the Group Remuneration Committee to ensure fair and ethical remuneration outcomes.
- Monitored progress and guided practice to enhance successful progression towards our employment equity plans.
- Oversaw management of the impact of the Amended FSC against the industry targets to measure BBBEE contributor status. We maintained our level I status in 2020.
- Oversaw an independent external ethics risk assessment (ERA) conducted by The Ethics Institute across our South African operations.
- Approved an enhanced Code of Ethics and Conduct, which provides detailed guidance to employees on values and conduct.
- Noted the development of our Ethics in Digital Technology and Artificial Intelligence Policy.
- Oversaw a plan to enhance policies and processes in relation to the implementation of human rights principles in business.
- Continued to monitor progress towards delivery on our purpose as guided by our Sustainable Development Framework.
- Received updates on progress made in terms of delivery on the UN SDGs, which are referenced as measures of purpose delivery.
- Oversaw awareness initiatives undertaken to enhance the enterprisewide understanding of the agenda around sustainable development.
- Received reports on social, environmental and other non-financial risks.
- Oversaw our participation, cooperation and consultation on environmental and social matters with governments, national and international organisations, supranational authorities, other companies and other environmental and social bodies.
- Received reports on our facilitation of discussion and business exchange across the entire energy and ICT value chain with regard to our role as a thought leader.

Focus for 2021 and beyond

- Oversee the enhancement of our Human-centred Leadership philosophy.
- Monitor and oversee the impact of the People Promise and culture shift.
- Monitor the retention of talent in general and African talent in particular in middle and senior management.
- Monitor the support for employees through well-being initiatives during the Covid-19 pandemic.
- Monitor remuneration practices to ensure ethical outcomes.
- Monitor talent practices that support sustainable access to necessary skills and leadership that are aligned with our strategic intent.
- Oversee the YES initiative.
- Monitor the impact of the FSC, specifically focusing on amendments resulting from the industry review process.
- Oversee benchmarking of our ethics management against best practice, and oversee implementation of action plans in response to recommendations from the ERA conducted in 2019/2020.
- Oversee enhancement of policies and processes in relation to the implementation of human rights principles in business.
- Oversee the enhancement of our sustainable finance offering as the key lever for enabling delivery on our purpose.
- Ensure our response to the sustainable-development agenda remains sufficiently ambitious to enable positive impact.
- Implement the Green Economy strategy, with a specific focus on water, waste, energy and agriculture.
- Implement the monitoring and evaluation framework across the group so we help solve social challenges and measure the outcomes of our interventions.
- Bring expert speakers to Nedbank platforms and beyond to discuss initiatives that are needed to unlock the economic and human potential of SA.

Strategic focus areas

- Supporting the national agenda to advance transformation.
- Facilitating thought leadership engagements that provoke thought, dialogue and strategising on issues relevant to the industry and society at large.

Stakeholders



Clients



Shareholders



Employees



Society



Regulators

Top 12 risks



- | | |
|----------------------------|-----------------------------------|
| 3 Strategic execution risk | 11 Conduct risk |
| 6 Operational risk | 12 Regulatory and compliance risk |
| 10 Climate risk | |

BOARD OVERSIGHT – CREATING AND PROTECTING VALUE**GROUP DIRECTORS' AFFAIRS COMMITTEE (DAC)**

'Compliance of the future means making the best use of technology, being agile, ensuring that compliance management is integrated in the business and embracing challenges.'

Mpho Makwana (Chair)

Ensuring and protecting value in 2020

- Oversaw the activities of the compliance function as contemplated in the Banks Act, 94 of 1990, ensuring effective management of regulatory and supervisory risks.
- Approved adjustments to and oversaw completion of the compliance coverage plan.
- Approved a principles-based compliance framework.
- Provided input into the group's pandemic scenarios.
- Oversaw the activities of the Regulatory Advocacy and Policy office on Covid-19 and other regulations, as well as its participation at industry associations.
- Received reports on Covid-19 measures, activities and inspections.
- Led efforts aligned with strategies aimed at mitigating risks arising from increased uncertainty and volatility in the macroeconomic environment due to the pandemic.
- Oversaw interactions with regulators.
- Maintained oversight of the privacy programme.
- Ensured the fair treatment of clients by tracking market conduct compliance, breaches, complaints, and remediation.
- Managed reputational risk created by association with persons implicated in commissions of inquiry, journalist publications, and reports in the public domain, all through the Group Reputational-risk Committee (GRRC).
- Oversaw continued cooperation with the Zondo Commission.
- Oversaw enhancements to the Reputational-risk Management Framework and Reputational-risk Policy.
- Approved a Modern-slavery Act Statement aimed at ensuring that slavery and human trafficking are absent from the group's supply chain and business.
- Continued to set the tone at the top and ensured that the group is led ethically, effectively, and responsibly within acceptable risk parameters, and in a manner that protects the group's reputation while building investor confidence.
- Conducted board succession planning and advised on senior succession plans.
- Monitored progress made with corporate governance objectives, including a corporate governance review of the subsidiaries.
- Received management reports across the DAC's functions, enabling oversight of its activities.
- Monitored anti-money-laundering, combating-the-financing-of-terrorism (AML, CFT) and sanctions compliance levels, as well as inspections by regulators (including relating to the group's offshore entities and subsidiaries).
- Advised on the group's strategic risk framework and risks that may impact strategic delivery.
- Constituted a Group Climate Resilience Committee and approved the Climate Risk Management Framework.

Focus for 2021 and beyond

- Supporting the use of technology, digital tools, and specialist skills to enhance the compliance function's efficiencies and effectiveness.
- Retaining focus on the fair treatment of clients by assessing compliance findings relating to consumer legislation and tracking the requirements of the Conduct of Financial Institutions Bill.
- Continuing to monitor regulatory developments, including those relevant to market conduct and reputational risk.
- Tracking the activities of the Regulatory Advocacy and Policy office.
- Supporting compliance so that it is entrepreneurial and agile within the confines of the law and supervisory requirements.
- Monitoring the group's strategy for open finance (this broadly refers to the extension of open-banking data-sharing principles that enable third-party providers to access clients' data across a broad range of financial services and products, including savings and investments).
- Continuing to receive updates from the GRRC on reputational-risk matters.
- Continuing to support initiatives to improve data and management information on reputational-risk matters, with a view to facilitate proactive reputational-risk management.
- Maintaining oversight of AML, CFT and sanctions compliance levels and outcomes of the SARB AML and CFT inspection.
- Considering feedback from the Institute of Directors in South Africa on how to enhance the effectiveness of the board.
- Planning for succession due to retirement of non-executive directors.

Stakeholders



Clients



Regulators



Employees



Shareholders

Top 12 risks

- | | |
|--|--|
| 3 Strategic execution risk | 11 Conduct risk |
| 9 Reputational (and association) risk | 12 Regulatory and compliance risk |
| 10 Climate risk | |

BOARD OVERSIGHT – ENSURING AND PROTECTING VALUE
GROUP CLIMATE RESILIENCE COMMITTEE (GCRC)



‘Climate change is a financial risk and therefore an integral part of the responsibility of the board. A dedicated GCRC has been established, effective from March 2021, that will ensure Nedbank transforms, optimises and effectively manages climate-related risks and opportunities across its operating, lending and investing activities.’

Brian Dames (Chair)

Looking ahead: Organisational resilience in 2021

- Guide and oversee the optimisation of the market positioning and brand equity of Nedbank as a leader in sustainability, specifically relating to climate change and the associated significant climate risks and opportunities.
- Ensure that climate-related risks and opportunities are managed in line with global best practice to ensure that risks are properly identified, evaluated or stress-tested, managed, monitored, and reported, and that opportunities are maximised.
- Monitor the implementation progress of the Climate Risk Management Framework (CRMF), Climate Risk Plan and the commitments of the group.
- Review compliance with the group climate risk appetite, limits and authority levels, as well as provide oversight to evolve climate risk appetite setting.
- Monitor the identification and management of physical and transition risks that could result in financial implications for the group and impact the overall group strategy. Through early adoption of climate change mitigation actions, these risks can be minimised and translated into reward opportunities over time.
- Provide guidance to develop information for reporting, metrics and targets in relation to the operations, lending, investing and insurance business of the group.
- Ensure that management facilitates the implementation of systems for the capturing of climate-related risk data for enhanced planning scenarios and reporting.
- Make recommendations to the board and other board committees on climate-related risks and opportunities, and the integration into other risk types and related matters, such as credit risk.
- Ensure that the board receives ongoing training to enhance their skills and knowledge with respect to climate change.

Stakeholders

- Clients
- Shareholders
- Employees
- Society

Top 12 risks

- 1 Business (global and country) risk
- 2 Credit risk
- 3 Strategic execution risk
- 10 Climate risk



Our 2020 TCFD Report is available on our group website at nedbankgroup.co.za.

Other key areas of responsibility and oversight

SHAREHOLDER RIGHTS

IV

Shareholding in banks and controlling companies of banks is strictly regulated. In SA no person is permitted to acquire shares in a bank of which the total nominal value, together with the total nominal value of shares already held by the person, amount to more than 15% of the total nominal value or the total voting rights for all the issued shares of the bank without first having obtained permission from the Registrar of Banks.

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

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

BOARD ETHICS STATEMENT

IV

Our boardmembers acknowledge and sign the Board Ethics Statement every year. Thereby they demonstrate their continued commitment to the Nedbank Group values and the ethical conduct we embrace.

CONFLICT OF INTEREST – MANAGING EFFECTIVELY

IV

Under the Companies Act, 71 of 2008 (Companies Act), a director of a company must use their power and perform their functions in good faith and for a proper purpose. A director must also use their power and perform their functions in the best interest of the company. This includes the duty of a director to avoid a conflict of interest. Section 60 of the Banks Act, 94 of 1990, also provides for the fiduciary duties of directors and executive officers of a bank. Nedbank Group's Conflict of Interest Policy, available at nedbankgroup.co.za, sets out the processes that Nedbank Group directors and executive management must follow to declare their interests, as well as how any potential conflict must be managed and evaluated.

Before a director accepts additional commitments, that director must discuss and agree on them with the chairman to ensure that they do not present a potential conflict of interest that would affect the director's ability to exercise their fiduciary duties.

A director or prescribed officer is prohibited from using their position or confidential and price-sensitive information to benefit themselves or any related third party, whether financially or otherwise. Directors and officers must also inform the board timeously of any conflict or potential conflict of interest that they may have in relation to particular items of business or other directorships. At the start of each board meeting, at the request of the chair, all boardmembers must declare any actual and potential conflict of interest with matters to be considered at that meeting. Comprehensive registers of individual directors' interests in and outside the company are maintained, updated and signed by the directors, with details noted by the board at each board meeting.

Iain Williamson, CE of Old Mutual Limited, recuses himself from all board discussions that include Nedbank Wealth's business strategy, given certain conflicts with Old Mutual Limited.

The board assesses the independence of directors on appointment and continuously during their tenure. Each director gives an annual attestation of their interests, conflicts and independence and get the opportunity to declare their interests throughout the year. None of our directors have an interest in Nedbank that exceeds 5% of the group's total number of shares in issue or that is material to their personal wealth. Only executive directors participate in the group's share incentive scheme.

SUBSIDIARY GOVERNANCE

IV

Nedbank's response to the challenging environment confirms and gives comfort on how well our governance practices are integrated across the group. Working in unison our board provides groupwide oversight of the governance processes and frameworks, while our executive management implements the policies and procedures through which governance is applied within the organisation. Accordingly, Nedbank Group Limited, as the parent company, was able to exercise appropriate governance oversight over its subsidiaries while maintaining the independence as well as the legal and governance responsibilities that apply to each subsidiary. The DAC considers the status of governance on subsidiary boards every year.

Close ties with the subsidiary boards are also achieved through the Chairperson's College, CEO College and Group Audit Committee Chairs College.

OUR COMPANY SECRETARY

IV

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

BOARD AND COMMITTEE EVALUATIONS

IV

Our board and board committees are monitored for effectiveness and transparency every year. The overall positive outcome and results from the 2019/20 board effectiveness review were the following:

- 97% of responses indicated that the board provides ethical leadership.
- 97% of responses indicated that the board exercises effective control.
- 90% of responses indicated that the board achieves good performance.
- 98% of boardmembers believe the board fulfils its mandate as provided in the board and board committee charters.
- 88% of boardmembers are generally satisfied with how management supports the board.

Coming out of that review, recommendations on board reporting and scenario planning after Covid-19, as well as enhancements to the board's non-executive succession plan, have been addressed.

The Nedbank board and board committees, including the board and committee evaluations for certain subsidiaries, will be conducted independently by the Institute of Directors South Africa NPC in 2021.

NEDBANK'S RELATIONSHIP WITH STAKEHOLDERS

The board continuously monitors the group's relationship with its stakeholders and also engages directly with employees, clients, regulators and shareholders from time to time. There was increased focus on employee and client wellness in 2020, given Covid-19, and the board is pleased with the improved levels of employee engagement and client satisfaction levels.

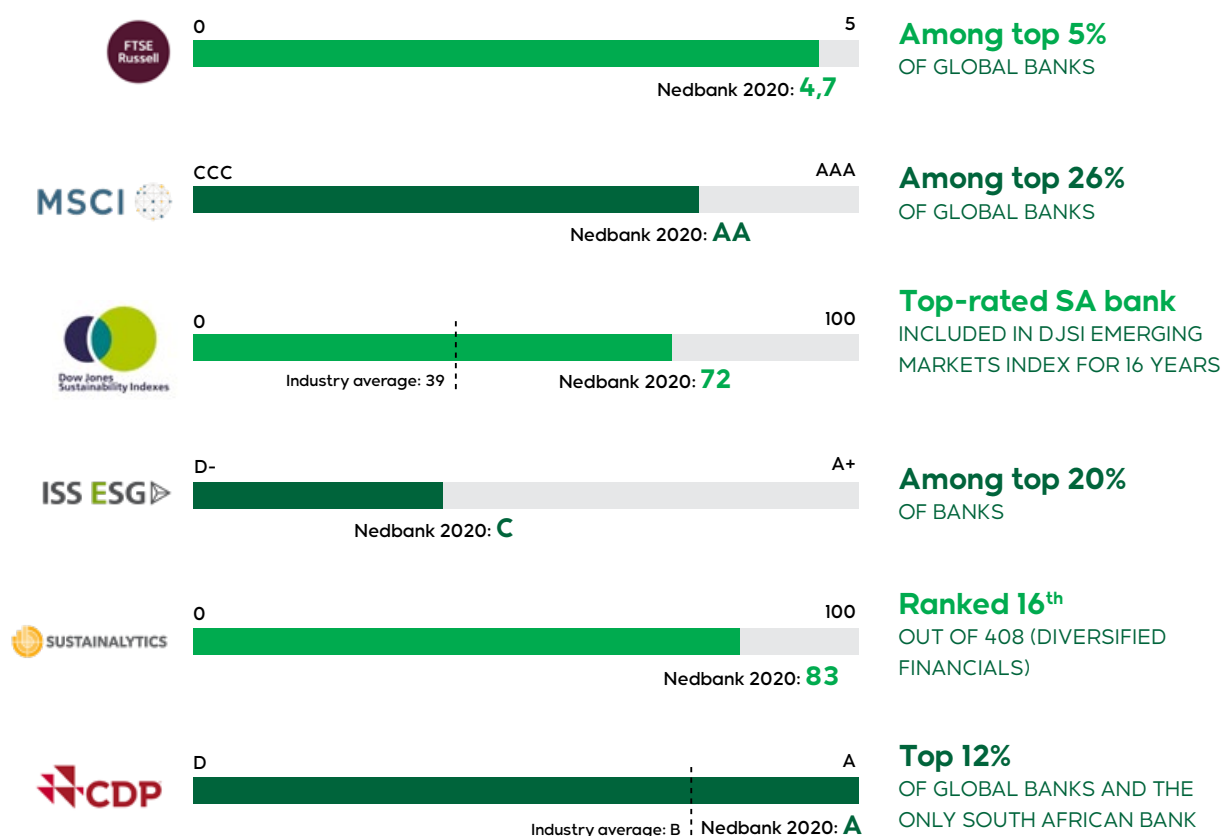
We continually engage with shareholders on ESG and strategic matters, enabling our board to exercise constructive influence, as and when appropriate, and to protect the interests of our minority shareholders.

Nedbank Group's seventh ESG shareholder roadshow in April 2020 was hosted virtually by Vassi Naidoo (Chairman) and Mpho Makwana (Lead Independent Director), and this year we also included Errol Kruger (Independent Director and chair of our two board risk committees) given the significantly heightened risk environment. As in prior years, the overall response from shareholders was that Nedbank Group is highly regarded for its ESG practices and disclosures, the proactive nature of engaging on ESG matters and for always considering shareholder input. In 2020 the following key topics were discussed: Nedbank's response to the Covid-19 pandemic, including governance, strategy, risk management and stakeholder initiatives (such as support for employees, clients and society), board and executive changes and succession planning; mandatory audit firm rotation plans, strategic progress of Nedbank's digital journey; Nedbank's relationship with Old Mutual Limited; as well as components of the Nedbank Remuneration Policy, including the negative impact of the crisis on both short- and long-term incentives and corporate performance targets. In addition, Nedbank proactively engaged with stakeholders on climate change ahead of the 53rd AGM, resulting in both resolutions passed with 100% votes of approval. In the first quarter of 2021, management engaged with shareholders on reputational matters that emerged in the media, and the board responded to specific shareholder questions.

The outcome of the group delivering its purpose of using its financial expertise to do good, a deliberate focus on progressing ESG matters, as well as transparent disclosures and open communication, continue to be reflected in Nedbank's ESG ratings, being globally within the top quartile across all major ESG ratings agency scores.

INDEPENDENT ESG RATINGS – Nedbank is highly rated among its global peer group

----- Peer benchmark



OLD MUTUAL RELATIONSHIP

IV

Nedbank and Old Mutual Limited continue to work together on an arm's-length commercial basis and, where possible, seek new commercial opportunities within regulatory and legal confines. Regular joint meetings are held to pursue potential collaboration benefits while acknowledging that there remain areas where we compete.



Our relationship with Old Mutual is governed by the 2018 Relationship Agreement available on our group website at nedbankgroup.co.za.

FAIR AND RESPONSIBLE REMUNERATION

IV

The Group Exco holds management accountable for ensuring that total remuneration is distributed fairly, while the board, through the Remco, is committed to ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. The Remco helps the board with discharging its responsibility in relation to board and executive remuneration.

GOVERNANCE OBJECTIVES FOR 2021

IV

The group will continue to deliver on the corporate governance objectives listed below:

- The board will continue to set the tone and lead the group ethically and effectively. This means that in their decision-making, individual boardmembers should act with independence, inclusivity, competence, diligence, courage and with the necessary insight and information.
- The board will continue to provide leadership and vision to the group that will ensure sustainable growth and appropriate corporate citizenship for the benefit of all stakeholders of the group.
- The board will continue to ensure that there is a framework of prudent and effective controls, which enables risk and opportunity to be assessed and managed effectively.
- The board is ultimately responsible and accountable for the performance of the group and should support the group in setting its purpose and achieving its strategic objectives. These responsibilities include:
 - » having oversight of risks arising from the execution of Nedbank business strategies, decision-making practices and processes, client interaction, product lifecycles relating to product design, targeting, distribution and after-sales services that cause detriment to Nedbank clients, stakeholders, suppliers and markets;
 - » delegating management of the group to a competent executive management;
 - » governing technology;
 - » governing information;
 - » governing cybersecurity;
 - » ensuring compliance with appropriate legislation (including regulations), supervisory codes and appropriate best practices;
 - » governing disclosures so that stakeholders can assess the performance of the group effectively;
 - » safeguarding the interests of the group's stakeholders;
 - » ensuring fair, responsible and transparent people practices;
 - » monitoring the geopolitical risk exposures of the group;
 - » considering advances in digitisation, robotics, and other innovations and disruptive technologies from an industrywide perspective; and
 - » driving talent, diversity and inclusiveness.
- The board is responsible for the sound corporate governance in the group and the governance around the board and its performance. This includes:
 - » evaluating the effectiveness and composition of the board and its committees to improve their performance;
 - » disclosing all outside interests or possible conflicts;
 - » creating governance structures to ensure effective discharging of responsibilities;
 - » having oversight of ethics management, social-purpose governance and the implementation of human rights in business;
 - » focusing on increasing gender and race diversity;
 - » ensuring that the strategic disclosure of climate-change risks from a business (TCFD) and regulatory point of view are regularly on the board agenda and that governance over climate change has been established;
 - » querying what assumptions, judgements and estimates relating to climate risk have been incorporated into the preparation of the financial statements; and
 - » intensifying of the focus on the role of the corporation in society.

HERITAGE

Nedbank, as one of the oldest financial institutions in the country, has a rich and deep-rooted history. The bank takes great pride in preserving the history and telling our story. Before the Covid-19 pandemic we adopted a virtual working model, and the Nedbank Heritage Hub was opened in early March 2020 in Block D on the 135 Rivonia Road Campus. The Hub follows a linear timeline through our Nedbank historical collective to date, with various artefacts and anecdotes from the heritage repository and archive. As our story grows, so too will the Heritage Hub, with the plan for its linear trajectory to meander into Block H to continue the Nedbank narrative. With the past year having been made virtual, Nedbank's art and heritage embraced the digital space eagerly, with publications, live broadcasts and video content to continue our drive and passion in educating Nedbankers about our collections.

2020 saw the establishment of Nedbank's first Art and Heritage Committee. The committee functions as a subcommittee of the Group Property Strategy Committee within the Corporate Real Estate space and comprises 14 cross-functional members from across various clusters and includes two exco members. The purpose of the committee is to allow for a broader input from the group in partnership with the art and heritage of small and medium enterprises to bring a richer dialogue to the portfolios and their respective collections, and how they impact and inform our employees and clients.

Disclosure on application of King IV

The board remains committed to the application of and adherence to the 17 King IV principles in order to achieve their associated outcomes. The detailed application status of the King IV principles in the bank is contained in the table below.

Governance principle		Status	Diagnostic commentary
Leadership			
Principle 1	The governing body should lead ethically.	Aligned	<p>The board of directors provides leadership and strategic guidance, aimed continually at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of ethical and prudent controls, which supports the establishment of an ethical culture.</p> <p>Boardmembers are individually and collectively accountable for their ethical and effective leadership of Nedbank Group and are required to conduct themselves in accordance with the Nedbank Group Board Ethics Statement and their legal duties as company directors under the Companies Act, 71 of 2008.</p> <p>The performance of individual boardmembers is assessed through the board evaluation process. This includes a measurement of achievement of the board objectives.</p> <p>Boardmembers complete a detailed conflicts-of-interest questionnaire annually. The completed questionnaires are tabled at board meetings for full disclosure and transparency. The directors subscribe to the Board Ethics Statement annually, thereby committing to high ethical standards and to conducting themselves honestly, scrupulously and with integrity. The board reviews the group's values annually to ensure it adheres to high standards of ethics and corporate behaviour, and that a code of conduct that addresses conflicts of interest is in place for this purpose. The board makes an annual attestation to the Board Ethics Statement, which reads: 'Ethical leadership and effective leadership should complement and reinforce each other'. In line with this requirement our boardmembers, subsidiaries and group executives are required to acknowledge and sign the statement every year.</p> <p>The Group Transformation, Social and Ethics Committee (GTSEC) receives reports from the Group Ethics Office and monitors all ethical requirements in terms of the Companies Act, Banks Act and regulations and all other such issues in terms of the Nedbank Code of Ethics and Conduct (including compliance by directors and employees with the group's Code of Ethics and Conduct) and related policies.</p>
Organisational ethics			
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Aligned	<p>The Nedbank Group has institutionalised ethics and created a culture of ethics and awareness by incorporating principles of ethics into relevant policies and practices and through ongoing training.</p> <p>The board of directors also provides leadership and strategic guidance aimed continually at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of ethical and prudent controls that supports the establishment of an ethical culture.</p> <p>Refer to the Ethics Review (pages 36 to 47) of this report.</p>

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

Governance principle	Status	Diagnostic commentary
Strategy and performance		
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Aligned	<p>Strategy and performance have always been regarded as primary responsibilities of the board. Risks, opportunities, performance, business model and sustainable development matters, as identified in the strategy development process, are considered in terms of the group's vision, targets, long-term goals and values for annual board approval.</p> <p>The board delegates the formulation of strategy to management. The board-approved Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy.</p> <p>The board ensures that a robust strategy process is defined and executed. The strategy planning timetable entails business planning at Group Exco level and a strategy review by the board, culminating in final approval of the strategy framework by the board in July and final approval of the business plan in November (by both Group Exco and the board). Nedbank has a rolling three-year strategy focused on value creation and underpinned by strategic goals that consider the economy, society and the environment. Management initiates the strategy review and business planning process in January with Group Exco.</p> <p>The major macro trends in our operating environment are identified by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. The effect of these trends on Nedbank's strategic objectives is assessed. Continued engagement with material internal and external stakeholders takes place and their needs and expectations are considered. Stakeholders include employees, clients, shareholders, regulators and communities. This process highlights any material matters – ie issues that have the most impact on Nedbank's ability to create value.</p> <p>The material matters identified are then ranked according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with stakeholders. These material matters are assessed continuously to ensure the strategy remains relevant. Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed. The material matters are also tested against Nedbank's vision, Deep Green aspirations, targets, long-term goals and values. The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.</p> <p>The board annually approves the strategy of Nedbank Group. The board-approved level 1 Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy, in line with our purpose, vision, values, targets and brand.</p> <p>The board-approved Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy. The Nedbank Group Board develops the policy. The policy is reviewed by the Group Risk and Capital Management Committee (GRCMC) and the Nedbank Group Board.</p>

Governance principle	Status	Diagnostic commentary
Reporting		
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	Aligned
		<p>Nedbank Group continues to incorporate the philosophy of integrated thinking in its operations and reporting. The current mandate of the GAC remains effective in its review of the suitability of information made available to stakeholders for them to extract the relevant value from such information. In addition, a validation exercise was conducted by an independent consultancy, and it was found that the disclosure element in this regard meets the King IV objectives and the Company's Act disclosure requirement.</p> <p>Information related to the required disclosures appears in the Integrated Report. This includes matters relating to our strategy and detailed sections about our long-term goals and medium-to-long-term targets in relation to the group's position for value creation. Furthermore, details of strategic key performance areas, as well as progress to date, are provided in the supplementary reports, including the King IV principles report. These are available at nedbankgroup.co.za.</p> <p>The company performance is disclosed annually in the Integrated Report and supplementary reports. The reports are externally validated by the auditors.</p>
Primary role and responsibilities of the governing body		
Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Aligned
		<p>The board has embraced governance practices and principles and has ultimate accountability and responsibility for the performance and affairs of the company, including good governance practices and principles.</p> <p>The board displays adequate alignment with the King IV objective in terms of its oversight functions and monitoring, as well as the roles and responsibilities set out in the respective charters.</p> <p>Board and board committee charters have been reviewed and are aligned with King IV and board committee areas of responsibility. Current audit committee oversight functions have been reviewed against King IV recommended practices for audit committees, including audit committee disclosures.</p> <p>The board has taken steps in terms of its custodianship of governance, which include board continuity and effectiveness reviews, to determine the way forward in terms of strategic direction and to improve the overall well-being of the organisation.</p>
Composition of the governing body		
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Aligned
		<p>The board, through the Directors' Affairs Committee (DAC), reviews its composition on an ongoing basis. The reviews are done based on the criteria set out in the board-approved board continuity programme. The board continuity programme sets the requirements for skills, experience, diversity, conflicts of interest and independence.</p> <p>Where directors are reaching tenure and retirement age, board continuity is ensured through active succession planning. Qualifications of directors and their experience in specific industries are further scrutinised for applicability. Annual reviews are conducted independently and internally to ensure that the board composition remains in alignment with best practice and governance codes.</p> <p>The board composition is aligned with the requirements of King IV regarding the number of executive versus non-executive and independent directors. Skills, experience and tenure of boardmembers are monitored continuously. Refer to the composition of the board on pages 6 to 9 of this Governance Review.</p>

Governance principle	Status	Diagnostic commentary
Committees of the governing body		
Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Aligned	<p>By conducting annual effectiveness assessments, we aim to ensure that board structures are effective.</p> <p>The delegation by the board ranges from the review of committee charters to the recording thereof. Board structures undergo review for effectiveness through independent and internal board evaluations.</p> <p>The current board committees are: the GAC; Group DAC; Group Remuneration Committee (Remco); Group Credit Committee; Large-exposure Approvals Committee; GTSEC; Group Related-party Transactions Committee; Group Information Technology Committee (GITCO); and GRCMC.</p> <p>Accountability is delegated through committee charters for the respective committees, and effectiveness thereof is measured regularly.</p> <p>Delegation of responsibilities and mandates to individuals and/or ad hoc committees are managed through a formal delegation-of-authority process and accompanying board resolutions.</p>
Evaluations of the performance of the governing body		
Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Aligned	<p>Board and committee performance evaluations are conducted every two years and are done either as internal self-assessments or externally by service providers appointed for that purpose. The questionnaires are developed to support continued improvement.</p>
Appointment and delegation to management		
Principle 10 The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities. The governing body should appoint the CE.	Aligned	<p>Nedbank Group adheres to sound practices in respect of board continuity programmes, succession planning, board delegation processes and annual Chief Executive performance evaluation. This includes a professional corporate governance service available to the governing body. Board structures undergo annual review for effectiveness through independent and internal board evaluations. Additionally, Exco charters and subexecutive committee charters undergo annual evaluations to determine the level of effectiveness and to identify areas for improvement.</p>

Governance principle	Status	Diagnostic commentary
Risk governance		
Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Aligned	<p>The governance of risk in terms of the organisation's strategic objectives is a fundamental existing practice in the group.</p> <p>This is evidenced in group policies and processes. A well-defined, enterprisewide risk management function in the bank fully supports the practices required by King IV and minor policy enhancements, where necessary.</p> <p>The board has delegated its governance responsibility to the GRCMC, which has the responsibility to provide independent oversight of the adequacy and effectiveness of the group's Enterprisewide Risk Management Framework, which covers key risks, key performance indicators, and strategic, business and operational risks. The GRCMC meets quarterly and receives reports from management.</p>
Technology and information governance		
Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Aligned	<p>There are various governance forums at board and Group Exco levels for the governance and management of technology and information.</p> <p>The GITCO and the Executive IT Committee (EITCO) are responsible for discharging the governance of technology and information in the organisation.</p> <p>The board has delegated its governance responsibility to the GITCO, which has the responsibility to ensure the effectiveness and efficiency of information systems from a risk and strategic alignment perspective, and to monitor the adequacy, efficiency and effectiveness of all the group's systems relevant to information technology, both operational (as reviewed and monitored by the EITCO) and strategic (as reviewed and monitored by this committee), in as much as these may impact the business strategy, financial performance, risk profile and information technology strategy of the group. The committee receive reports from management and meets quarterly.</p>

Governance principle	Status	Diagnostic commentary
Compliance governance		
Principle 13 The governing body should govern compliance with applicable laws and adopted, nonbinding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Aligned	<p>The accountability and responsibility for compliance risk management in the group rests with the board. The board recognises compliance risk as a material risk for the group and is responsible for reviewing the adequacy of the group's systems of governance and risk, including controls implemented to ensure compliance with legal and regulatory obligations and any applicable codes of good practice.</p> <p>The board has delegated its governance responsibility in respect of compliance to the DAC. The DAC assists the board in ensuring that the group is at all times in compliance with all applicable laws, regulations and codes of conduct and practices. The DAC also ensures that the bank maintains an independent and effective compliance function as part of its risk management framework in this regard. The DAC meets at least quarterly and receives reports from management.</p> <p>The DAC further assists the board in ensuring that the group is at all times in compliance with all applicable laws, regulations and applicable codes of conduct and practices. It ensures that the bank maintains an independent and effective compliance function as part of its risk management framework and receives reports from the Group Chief Compliance Officer on the level of compliance with laws and regulations or supervisory requirements by the bank. A second board committee, the GAC, reviews reports of non-compliance submitted by the Group Chief Compliance Officer and monitors management actions to resolve the matters.</p> <p>Nedbank continues to approach compliance risk through the implementation of proactive and robust mitigation control measures. Being ultimately accountable, the board continually provides guidance to the group on the management of compliance risk.</p>
Remuneration governance		
Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Aligned	<p>The board has delegated its governance responsibility in respect of remuneration to the Remco. The Remco is responsible for remuneration governance, and its groupwide responsibilities are set out fully in the board-approved charter, which is available at nedbankgroup.co.za. The committee applies the guiding principles provided for in terms of the Remuneration Policy as far as it is feasible but retains the right to apply discretion to deviate from this policy in exceptional circumstances.</p> <p>The committee ensures that it remains knowledgeable about the changing remuneration regulatory environment, both locally and globally, and is supported by regular updates from the Group Reward and Performance team and external advisors. This has enabled the committee to ensure full compliance with the regulatory requirements outlined in our Remuneration Policy. The committee also had full access to independent executive remuneration consultants Vasdex Associates Proprietary Limited and Ernst & Young during 2020.</p>

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

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

Our Group Executive Committee

The Nedbank Group Exco is a diverse and experienced management team that comprises the Chief Executive (CE), Chief Operating Officer (COO), Chief Financial Officer (CFO) and 10 other members of top management.

Executive directors



MIKE BROWN ⁵⁴
CE
Exco member since:
17 June 2004
Appointed CE: March 2010
26 years' service at Nedbank



MFUNDO NKUHLU ⁵⁴
COO
Exco member since:
1 December 2008
15 years' service at Nedbank



MIKE DAVIS ⁴⁹
CFO
Exco member since:
1 January 2015
23 years' service at Nedbank

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



Refer to our 2020 Society Report available on our group website at nedbankgroup.co.za for our progress on sustainable development finance.

Frontline MES



ANÉL BOSMAN ⁵⁴
Group Managing Executive: CIB
Exco member since:
1 April 2020
18 years' service at Nedbank



CIKO THOMAS ⁵²
Group Managing Executive: RBB
Exco member since:
18 January 2010
10 years' service at Nedbank

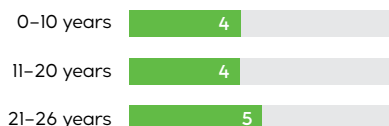


IOLANDA RUGGIERO ⁵⁰
Group Managing Executive: Wealth
Exco member since:
1 May 2015
16 years' service at Nedbank



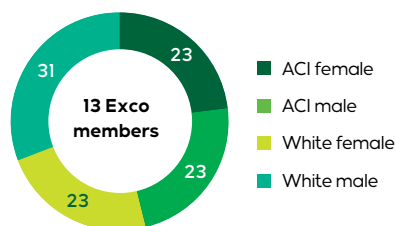
DR TERENCE SIBIYA ⁵²
Group Managing Executive: NAR
Exco member since:
1 April 2020
8 years' service at Nedbank

GROUP EXCO TENURE AT NEDBANK (Number of Exco members)

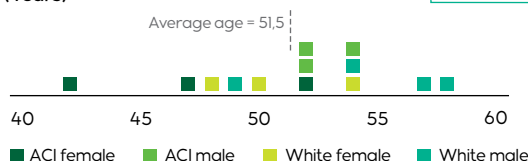


More than 200 years of combined service.

GROUP EXCO DEMOGRAPHICS (%)



GROUP EXCO AGE¹ (Years)



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

Shared services Group Executives



TREVOR ADAMS ⁵⁸
Chief Risk Officer
Exco member since:
5 August 2009
23 years' service at Nedbank



DEB FULLER ⁴⁸
Group Executive: Group HR
Exco member since:
25 June 2018
2 years' service at Nedbank



ANNA ISAAC ⁵²
Group Chief Compliance Officer
Exco member since:
1 January 2019
22 years' service at Nedbank



PRIYA NAIDOO ⁴⁷
Group Executive: Strategy
Exco member since:
1 January 2015
18 years' service at Nedbank



KHENSANI NOBANDA ⁴²
Group Executive: Group Marketing and Corporate Affairs
Exco member since:
15 May 2018
2 years' service at Nedbank



FRED SWANEPOEL ⁵⁷
Chief Information Officer
Exco member since:
1 November 2008
23 years' service at Nedbank

Changes to Group Exco during the year under review

Brian Kennedy (then Group Managing Executive for Nedbank CIB) retired on 31 March 2020. Anél Bosman was appointed to succeed Brian as the Group Managing Executive for CIB and as a member of Group Exco with effect from 1 April 2020.

Dr Terence Sibiya (Managing Executive for Nedbank Africa Regions) was appointed as a member of Group Exco with effect from 1 April 2020.

Raisibe Morathi resigned as CFO of the group on 30 September 2020.

Mike Davis was appointed CFO of the group with effect from 1 October 2020.

¹ Age at 31 March 2021.

2020 Attendance at board and board committee meetings by directors and professional consultants

	Nedbank Group Limited Board	Nedbank Group Limited Board prescheduled	Nedbank Group Limited Board ad hoc/short notice	Nedbank Limited Board	Nedbank Limited Board prescheduled	Nedbank Limited Board ad hoc/short notice	Covid-19 Board call meetings	Nedbank Group Directors' Affairs Committee	Nedbank Group Directors' Affairs Committee prescheduled	Nedbank Group Directors' Affairs Committee ad hoc/short notice	Nedbank Group Remuneration Committee*****	Nedbank Group Audit Committee
NUMBER OF MEETINGS	9	8	1	8	7	1	9	5	4	1	6	10*
DIRECTORS												
Hubert Brody	8/9	7/8	1/1	7/8	6/7	1/1	9/9	5/5	4/4	1/1	6/6	10/10
Mike Brown	9/9	8/8	1/1	8/8	7/7	1/1	9/9					
Brian Dames	9/9	8/8	1/1	8/8	7/7	1/1	8/9	1/1	1/1	0/0		
Mike Davis	2/2	2/2	0/0	2/2	2/2	0/0	0/0					
Neo Dongwana	9/9	8/8	1/1	8/8	7/7	1/1	8/9				6/6	10/10
Errol Kruger	9/9	8/8	1/1	8/8	7/7	1/1	9/9	5/5	4/4	1/1		10/10
Rob Leith	9/9	8/8	1/1	8/8	7/7	1/1	8/9					
Mpho Makwana	9/9	8/8	1/1	8/8	7/7	1/1	9/9	5/5	4/4	1/1	6/6	
Linda Makalima	9/9	8/8	1/1	8/8	7/7	1/1	9/9					
Prof Tshilidzi Marwala	9/9	8/8	1/1	8/8	7/7	1/1	9/9					
Dr Mantsika Matooane	9/9	8/8	1/1	8/8	7/7	1/1	9/9	5/5	4/4	1/1		
Raisibe Morathi	7/7	6/6	1/1	6/6	5/5	1/1	7/8					
Peter Moyo****	0/2	0/2	0/0	0/2	0/2	0/0	0/0	0/1	0/1	0/0	0/4	
Vassi Naidoo	7/9	6/8	1/1	7/8	6/7	1/1	9/9	5/5	4/4	1/1		
Joel Netshitenzhe	3/3	3/3	0/0	3/3	3/3	0/0	4/4					
Mfundo Nkuhlu	9/9	8/8	1/1	8/8	7/7	1/1	8/9					
Stanley Subramoney	9/9	8/8	1/1	8/8	7/7	1/1	9/9	5/5	4/4	1/1	2/2	10/10
Iain Williamson	5/6	4/5	1/1	4/5	3/4	1/1	3/5					
Brendan Olivier**											6/6	
Total	131/137			117/122			127/134	31/32			20/24	40/40
%	96%			96%			95%	97%			83%	100%
% excluding Peter Moyo****	97%			97%				100%			100%	

* Includes annual meeting with SARB.

** Professional Consultant to Group Remuneration Committee from Vasdex Associates.

*** The CFO was unable to attend the meeting but he provided input prior to the meeting.

**** Peter Moyo's attendance during the year was impacted by a litigation process with OML, before his resignation from the board (effective 19 March 2020).

***** Provided feedback via the round robin process, so did not need to attend. The decisions were initiated as a round-robin, but some board members wanted additional information before making a decision, hence called for an ad hoc meeting.

***** Additional ad hoc Group Remuneration Committee workshops were held.

ETHICS REVIEW

Our ethics philosophy

As a purpose-led and values-driven organisation, Nedbank's ethics philosophy is to do business responsibly, ethically and with fair treatment of clients in mind. Having this ethics philosophy became increasingly important in 2020 when all businesses came under unprecedented pressure to demonstrate empathy through their actions amidst the challenges brought about by the Covid-19 pandemic. This ethics philosophy also applies to Nedbank's approach to the use of digital technology and artificial intelligence (AI).

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

Nedbank's ethics philosophy envisages conduct that conforms with our values of 'Integrity', 'Respect', 'Accountability', 'People-centredness', and 'Client-driven' over and above compliance with laws and regulations. We live by this philosophy. Our values underpin and inform our business strategy as well as our internal policies and processes.

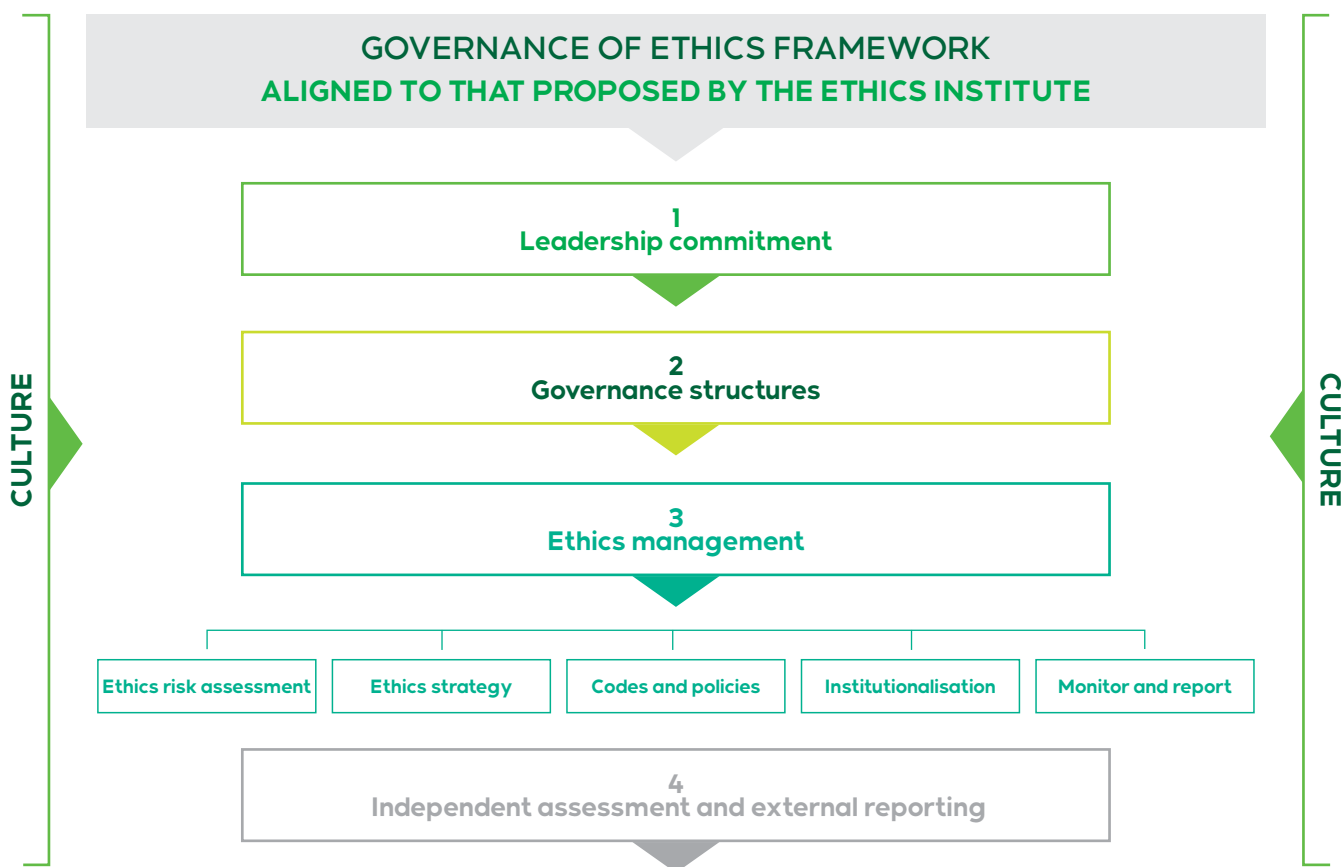
Our culture of ethics

Nedbank's purpose, namely, 'to use our financial expertise to do good for individuals, families, business and society' evidences our culture of ethics. It is a culture that goes beyond compliance with legal and regulatory requirements and codes of best practice. It envisages 'doing good' for individuals, business and society in the larger context. The group remains guided by its values and purpose in responding to new and emerging challenges, trends and opportunities. The Covid-19 pandemic expedited the move towards increased digitisation and brought with it new ways of work. There was a heightened focus on business enterprises in respect of their contribution to the global response to climate change. This, together with the ongoing investigations into state capture and the socioeconomic challenges facing the country, has enhanced the need for a sustained commitment to combatting corruption and conducting business responsibly, and in a manner that is capable of bringing value to all of our stakeholders. These aspects have led to a heightened focus on ethics and human rights in business for the board, the Group Transformation Social and Ethics Committee (GTSEC), the Directors' Affairs Committee (DAC), the Group Risk and Capital Management Committee (GRCMC), the newly formed Group Climate Resilience Committee (GCRC), and executive management.

In managing ethics at Nedbank, we have close regard to, among other things, the relevant provisions of the Companies Act, the Banks Act, King IV, the Basel Committee for Banking Supervision's Corporate Governance Principles for Banks, the United Nations Global Compact (UNGC) Principles and the UN's Guiding Principles on Business and Human Rights, as well as best-practice guidelines and stakeholder expectations.

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

Governance of ethics



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

1 LEADERSHIP COMMITMENT

Leadership commitment is essential in building and maintaining an ethical culture. At Nedbank, ethics is governed in a way that starts with the correct 'tone at the top'. The Nedbank Board sets the tone at the top and leads the group ethically, effectively and responsibly within acceptable risk parameters. This is aligned with the **King IV** principle that 'the governing body should lead ethically and effectively' and formally constitutes one of the 'board corporate governance objectives' against which the board is measured annually.

In support of instilling an ethical tone at the top, the following measures are in place for the Nedbank Board of Directors and executive management:

- Directors are required to acknowledge the **Board Ethics Statement** annually. This statement sets out what is expected of the board in respect of its engagements with Nedbank and its employees, clients, suppliers, shareholders and competitors, as well as governments, regulators and communities. Each of our boardmembers acknowledged the Board Ethics Statement in October/November 2020.
- The Nedbank Board is **measured annually** on its responsibility to ensure sound corporate governance. This responsibility covers a myriad of aspects, which includes, but is not limited to, oversight of ethics management, social purpose, governance and implementation of human rights in business.
- Directors are required to complete **directors' disclosure of interests** and **fit- and-proper questionnaires** annually. In addition, ad hoc declarations (to confirm that they have not been involved in any action that could damage Nedbank's reputation) are requested from boardmembers, where appropriate.
- As an enabler, the Nedbank Board is upskilled on matters of ethics, risk and governance (among other matters) periodically through **training**. Examples of topics include: (i) conduct risk (30 January 2020); (ii) how directors can better oversee their companies' climate transition strategies; (iii) key emerging trends in remuneration (6 August 2020); (iv) AML, CFT and sanctions (16 September 2020); and (v) delivery of purpose through the UN SDGs (4 August and 27 October 2020).
- Nedbank's **letter of representation (LoR)** process, which is conducted to assist the board in complying with regulation 39(18) and 40(5) of the Banks Act to assess corporate governance and internal controls/processes, requires various attestations by relevant group, cluster and subsidiary executives biannually. Included among the attestations required are the following:
 - » That the individual has not been involved in any action nor has knowledge of anything relating to corrupt activities that could cause harm to Nedbank or damage its reputation [other than those reported through Nedbank's Enterprisewide Risk Management Framework (ERMF)].
 - » That the business unit has considered conduct risk and at all times adhered to the highest standards of ethical conduct and best market practice.
 - » That the business has not made any political donations.
- Topics around state capture, corruption and the political state of affairs are discussed at board level. There is information flow from the 'top down' and from the 'bottom up' between the relevant board committees and group executive committees (group excos).

Nedbank continues to support and cooperate with the Commission of Inquiry into Allegations of State Capture (Zondo Commission) and, in particular, in providing information as and when requested. In November 2020 Nedbank was mentioned in testimony led in respect of certain transactions concluded with state-owned enterprises (SOEs) and in which the Regiments Group was involved as an advisor to the SOEs. There were however no allegations against Nedbank of any unlawful or untoward conduct.

Nedbank's activities are conducted in an ethical and transparent manner for the benefit of our clients and stakeholders. Nedbank has zero tolerance for corruption, and we expect all of our stakeholders, including our clients, service providers and employees to conduct themselves in an ethical manner and with corresponding integrity.

2 GOVERNANCE STRUCTURES

Nedbank has implemented a comprehensive governance structure which, among other things, gives effect to the responsibilities of the board in relation to ethics as outlined in the King IV Code. Nedbank's ERMF was developed in accordance with Basel II and III, the Basel Committee on Banking Supervision principles, and the Three-lines-of-defence Model. The ERMF recognises that the board is ultimately responsible for all risks across Nedbank and for setting the risk appetite. The ERMF allocates the 17 key risks that make up Nedbank's risk universe across various board committees and group excos. Whereas the Nedbank Board collectively remains responsible for leading the organisation effectively and ethically, the ethics-related governance functions exist across various board committees, with the primary responsibility for oversight having been delegated to the GTSEC.



3 ETHICS MANAGEMENT

Various functions across Nedbank play a role in the management of ethics and have responsibilities towards creating and maintaining a strong ethical culture. The primary responsibility for ethics management, oversight and coordination rests with Nedbank's

Ethics Office. The Ethics Office falls under Group Compliance and is overseen by the Group Chief Compliance Officer (GCCO). This means that the Ethics Office, through the GCCO, has direct and independent access to the Nedbank Board, its Chairman and its Chief Executive.

The Ethics Office is broadly responsible for developing and coordinating the group's ethics and human rights management strategies and plans. Its functions include, among other things:

- **providing** independent and objective advice and support to employees on ethics-related matters;
- **investigating** harassment, discrimination, assault, human rights abuses, nepotism/cronyism, and any other breach of values-related transgressions of the Code of Ethics and Conduct by employees;
- **creating** ethics awareness and conducting training;
- **participating** as an independent observer in high-risk and high-value supplier tenders (> R10m in value or high risk);
- **reporting** to the TRAHRCO and the GTSEC on the state of ethics and human rights in business; and
- **facilitating** an independent external ethics risk assessment conducted by The Ethics Institute every three to four years.

Ethics strategy

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

Codes and policies

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

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

Conduct that is in accordance with Nedbank's values is at the heart of our approach to business and our interactions with internal and external stakeholders. This is encapsulated in the Code of Ethics and Conduct (Employee Code) to which all employees are required to adhere (including fixed-term employees). The Employee Code is reviewed annually and revised continuously to ensure a progressive ethical culture. The Employee Code was extensively reviewed in 2019/2020 and is being further enhanced and refined further in terms of codifying Nedbank's specific behavioural expectations and aspirations of its employees.

The Employee Code also reflects Nedbank's organisational commitments including, but not limited, to the following:

- » **Political donations and sponsorships are prohibited**

Nedbank does not make political donations or participate in political sponsorships. Donations and sponsorships to political parties made within the course and scope of employment are prohibited. In addition, employees may not use company resources and premises for any personal political activities or political campaigning on behalf of any political party. Confirmation that business has not made any political donations have been included in the attestations required from relevant group, cluster and subsidiary executives, as part of the LoR process.

- » **Bribery, corruption, fraud, forgery, theft, market abuse, common law or statutory crimes, and any other form of dishonest conduct are prohibited**

Nedbank will not tolerate any of the abovementioned dishonest conduct or the concealment of such conduct. Employees found guilty of any dishonesty-related offences are listed on the Register of Employees Dishonesty System database. This includes employees who resign before finalisation of disciplinary proceedings, in which instance a post-termination inquiry is held. A dismissals broadcast is published on Nedbank's internal website at least quarterly to serve as a deterrent, and includes the names and details of employees dismissed for dishonesty-related offences.

- » **Nedbank will not be associated with or facilitate tax evasion**

Employees are prohibited from any conduct, and the giving of any advice to clients, suppliers, and any other third parties, in the course or scope of their employment, that facilitates/supports/results in tax evasion.

- » **Nedbank does not engage in anti-competitive behaviour**

We seek competitive advantage through superior performance and products and never through unethical or illegal practices. In our contact with competitors we will avoid discussing competitive, proprietary or confidential information. We will not attempt to acquire information regarding a competitor's business by disreputable means. We will not engage in restrictive trade practices or abuse any position of market dominance, nor will we unfairly discriminate against any customer or supplier including small and medium businesses or firms controlled by historically disadvantaged persons.

On 1 June 2020 the Competition Commission issued a referral to the Competition Tribunal alleging that 28 banks, including Nedbank, were involved in collusion in the foreign exchange (forex) market. Nedbank's assessment is that the allegations against it are without merit. Nedbank was not cited in the Commission's initial referral to the Competition Tribunal in 2017 relating to the same matter. Nedbank is defending the matter and has filed papers at the Competition Tribunal requesting the dismissal of the Competition Commission's claim against it. Nedbank is fully cooperating with authorities. At the time of this report, further direction is awaited from the Competition Tribunal.

- » **Nedbank's commitment to government and regulators**

We will continue to remain transparent and cooperative with our regulators and we will engage with them constructively to assist with the development of regulation where the financial services sector is concerned. We will never attempt to improperly influence a decision made by a government official or any public or private sector employee.

All our employees are required to acknowledge the Employee Code annually.

The Employee Code is published in English in accordance with Nedbank's Language Policy and as English is written and spoken by all our employees, suppliers and most of our clients.

The Employee Code is available on Nedbank's website. To the extent that any of Nedbank's stakeholders require an explanation of the Employee Code to be provided in one of the other 10 official SA languages, Nedbank will gladly endeavour to accommodate the request.

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

• Gifts Policy

In 2020 Nedbank's rules around the giving and receiving of gifts and entertainment (previously included in the Employee Code) were removed and set out in a stand-alone Gifts Policy. Our Gifts Policy sets out strict rules to which employees must adhere in respect of the giving or receiving of gifts to and from clients, suppliers and other third parties. Our gift and gratuity philosophy entails that employees understand that receiving gifts is not a benefit or perk of employment and is subject to conditions and restrictions. There has been an increased focus on the monitoring and reporting of gifts received from and given to suppliers of the bank. The giving and receiving of gifts is subject to the declaration and approval requirements as set out in the Gifts Policy. Cash and gift vouchers that can be exchanged for cash, and holidays/leisure travel paid for, are prohibited. Strict rules apply to gifts given/received to and from suppliers, State Owned Enterprises, organs of state and public officials. Our rules around the giving or receiving of gifts takes into consideration the provisions of the Prevention and Combating of Corrupt Activities Act, 12 of 2004, and the UK Bribery Act, 2010.

• Policy on Outside Interests and Conflicts of Interest

In 2020 rules around outside interests and conflicts of interest (previously included in the Employee Code) were removed and set out in a standalone Policy on Outside Interests and Conflicts of Interest given, among other things, their importance. Employees are required to declare their outside interests, which are subject to approval requirements as set out in the policy. Employees have an obligation to disclose and avoid all actual or potential conflicts of interest. Where business requirements necessitate more stringent rules, such as with roles impacted by the Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002, and our Corporate and Investment Banking business units, specific outside interest and conflicts-of-interest policies apply to those respective employees.

Percentage of employees declaring either outside interests or a nil return



• Ethics in Digital Technology and Artificial Intelligence Policy

The increasing importance of digital technology and the use of AI in banking and the workplace has given rise to new ethical challenges and opportunities. Nedbank recognises digital ethics as a means to bridge the gap in the lag between developments in laws/regulations and developments in technology. As we enhance our product offerings and risk and compliance processes through the incorporation of new technologies and AI, we recognise the need to reinforce and advocate the responsible use of data and digital platforms.

- In recognition of the need to ensure that digital technology and AI do not infringe fundamental rights and are capable of being used in a manner that contributes to the fair treatment of clients and for the good of society, Nedbank has adopted a new policy aimed at formalising and ensuring the implementation of ethical principles in the design, development and use of digital technology and AI. The Ethics in Digital Technology and Artificial Intelligence Policy was developed in line with global best-practice principles, including the Unesco Draft Recommendations on the Ethics of Artificial Intelligence and other international principles and guideline documents.

Other policies

Appreciating that Nedbank's culture of ethics envisages compliance with the bank's values over and above compliance with laws and regulations, at least 47 of Nedbank's other policies refer to the Employee Code.

Nedbank has a suite of focused policies to which employees are required to adhere and which cover a range of topics that include, but are not limited to, whistle-blowing, compliance, anti-money-laundering, anti-corruption, risk management and market conduct.

Employees are required to acknowledge electronically that they have received, read and understood applicable policies.

Measures to promote ethical behaviour

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

- Recruitment:** In terms of our Recruitment Policy, all prospective employees are assessed against personal integrity management checks.
- Performance reviews:** In 2018 a leadership, values and culture goal was added to the performance scorecards of our Group Exco members, cascaded to a number of cluster executives and divisional executives in 2020, and will be rolled out to all cluster executives and divisional executives in 2021.
- Remuneration:** Our Remuneration Policy is aimed at ensuring that reward processes support and reinforce Nedbank's required culture and encourage ethical behaviour. In addition, there is cross-membership between the Remuneration Committee (Remco) and the GTSEC to ensure healthy interaction in promoting a culture of ethics.
- Consequence management:** Our Disciplinary Code promotes certainty and consistency in matters of misconduct by employees and ensures that our employees are held accountable for their conduct.
- Policy acknowledgments:** Our employees are required to acknowledge policies electronically. Some policies require employees to complete an assessment to demonstrate their understanding. Below are some examples of acknowledgment statistics for 2020:

Employee Code	93%
Outside Interests and Conflicts of Interest Policy	93%
Gifts Policy	93%
Ethics in Digital Technology and Artificial Intelligence Policy	82%
Contact with Regulators Policy	91%
Combined AML and Sanctions Policy	94%
Fraud and Corrupt Activities Policy	89%
Occupational Health and Safety Policy	98%
Privacy Policy	98%
Business Transformation Policy	89%
Enterprise Marketing and Brand Policy	98%
Procurement Policy	96%
Whistle-blowing Policy	90%
Market Conduct Policy	95%

Training: Regular training and awareness workshops are provided for employees (including fixed-term employees). In 2020 a total of 3 018 employees received training on ethics and human rights. Specific training included an overview of the Employee Code and Nedbank's human rights related statements; reporting channels for dishonest or unethical behaviour; unfair discrimination and forms of harassment; sexual harassment; behaviour on social media; occupational health and safety; as well as practical guidance on identifying and managing ethical dilemmas in the workplace.

All our employees are required to undergo mandatory training in respect of specific topics, which takes the form of an online course and assessments. Apart from additional role and/or cluster-specific mandatory training, all employees are required to complete the following awareness training modules every two years:

- Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) and Sanctions.
- CyberSMART Awareness.
- Corruption Risk Awareness.
- Fraud Awareness.
- Privacy.
- Sustainability.

- **Awareness communications:** Communications to employees are disseminated on an ongoing basis to create awareness on various topics. Throughout the Covid-19 pandemic, transparent and timeous communications were disseminated to employees on an ongoing basis to, among other things, inform employees of relevant protocols, encourage responsible behaviour, and raise awareness on reporting channels for Covid-related concerns.
- **Message from the Leadership Desk:** This is a communications initiative in terms of which important messages by the Chief Executive or the relevant Group Exco member are sent to employees for awareness and transparency.
- **Involvement of Nedbank's Ethics Office in certain supplier tenders:** The Ethics Office participates in tenders of more than R10m and tenders considered high-risk (with reference to the supplier or service) as an independent observer.
- **Behavioural/Culture surveys:** Historically, Nedbank has conducted Compass Surveys and Barrett Surveys, alternating each year, which were aimed at measuring behavioural dimensions and employee values respectively. In 2020 these were replaced as part of a new Employee Insights Strategy whereby more regular, simplified and shorter surveys will be conducted throughout the year to provide insight into employee experience and sentiment. The results will provide essential insight to enable continuous improvement and shape a positive and ethical organisational culture.
- **Specific attestations in LoR:** As referred to earlier, Nedbank's LoR process is conducted to assist the Nedbank Board in complying with its Banks Act requirement to assess corporate governance and internal controls/processes. The process includes various ethics-related attestations by relevant group, cluster and subsidiary executives twice a year.
- **Reviews of client and supplier relationships:** Corporate governance, ethics and human-rights-related factors are included in reviewing client and supplier relationships in assessing reputational risk by association.
- **Partnerships and initiatives relating to ethics:** In line with its commitment towards being an industry leader and keeping abreast with best-practice developments relating to the management of ethics within organisations, Nedbank continues to work in close partnership with The Ethics Institute as well as the Coalition for Ethical Operations.
- **Market Conduct and Culture Programme (MCCP):**
 - » Nedbank has been proactive in its approach towards market conduct. The Market Conduct and Culture Programme (MCCP), which was aimed at ensuring that Nedbank could meet the requirements of conduct standards for banks, started in 2017 and was completed in December 2020. The goal of the programme, which had a strong focus on 'market conduct culture', was to embed market conduct principles, policy and good client outcomes so as to ensure that employees are properly informed and understand fair treatment of clients.

» Some of the key deliverables of the MCCP included:

- o **Product design:** Ensuring that client segments are considered, a needs-based approach is followed and products are stress-tested when they are launched.
- o **Advertising:** Ensuring that advertising and marketing are fair, clear and not misleading.
- o **Disclosures:** Ensuring that proper disclosures are made to our clients before a sale, during provision of a service, and thereafter.
- o **Sales:** Mitigating poor selling practices through a sales strategy reinforced by Nedbank's strategy (being the adoption of an ethical approach to delivering fair outcomes for clients), and training that is focused on value-based selling.
- o **Financial markets:** Developing processes, controls and monitoring activities in the financial markets space to ensure that we do not distort financial markets intentionally or inadvertently away from fair trade rates. These processes, controls and activities form part of Nedbank's ERMF and make provision for reporting to senior management on any concerns related to Nedbank's conduct in financial markets.
- o **Complaints:** Implementation of a robust complaints-handling process.
- o **Vulnerable clients:** Enhancing our client vulnerability strategies. We are committed to ensuring that we equip our frontline employees with processes to assess client vulnerability on an ongoing basis. This is done to ensure that these clients are flagged and handled in a sensitive and accommodating way. Continued improvement and enhancement will take place in 2021.
- o **Employee conduct:** Creating increased awareness of misconduct relating to market conduct and mis-selling.

4 AUDITING OF OUR ETHICS PERFORMANCE THROUGH INDEPENDENT ETHICS RISK ASSESSMENTS

Nedbank consistently monitors its performance in relation to ethics. An ethics risk assessment (ERA) is a crucial component in the governance of ethics as it assists an organisation in identifying key ethics risks and ethics opportunities. This enables the development of appropriate ethics strategies and management plans.

The GTSEC commissions an independent ERA every three to four years to identify and measure Nedbank's performance and status regarding ethics. This is done for both its SA, as well as its Nedbank Africa Regions subsidiaries, and is done in addition to any ethics risks that may fall within the ambit of planned internal audits. This assists in enabling the GTSEC to monitor adherence to Nedbank's ethical standards, as contemplated in King IV.

An ERA covering Nedbank's South African operations was conducted by The Ethics Institute on behalf of Nedbank. It started in Q4 2019 and was finalised in 2020. The ERA covered three dimensions, namely ethical culture maturity, ethics behaviour risk and ethics management, and consisted of a qualitative component (ie face-to-face interviews and focus group sessions), as well as a quantitative component consisting of an anonymous online survey that was sent to all our employees. One in three employees participated in the anonymous survey. The results of the 2019/2020 ERA indicated that Nedbank is currently performing well. The outcome has further assisted in identifying areas for sustained focus and improvement over the next few years, which will form part of Nedbank's ethics management plans.

Over and above this, the outcomes of the Nedbank employee behavioural/cultural surveys conducted throughout the year also assist Nedbank in monitoring its ethics culture on an ongoing basis.

Our commitment to respect and uphold human rights in business

At Nedbank, we believe that human rights are an integral part of our business. We recognise that, as a financial institution, we have the potential to impact on human rights, both through our own activities, as well as through the activities of those we do business with. We see human rights as the fundamental rights to which every person is entitled, and reaffirm our commitment to respect human rights as defined in: (i) the Universal Declaration of Human Rights; (ii) the International Covenant on Civil and Political Rights; (iii) the International Covenant on Economic, Social and Cultural Rights; (iv) the International Labour Organization Declaration on Fundamental Principles and the Rights at Work; and (v) the SA Bill of Rights. Beyond this, we continue to seek out actively opportunities to make a positive impact and enhance the realisation of rights, including that we endeavour to implement the UN Guiding Principles on Business and Human Rights.

Nedbank is committed to:

- the prevention and abolishment of all forms of modern slavery, including forced labour (as defined by the International Labour Organization Forced Labour Convention and the UK Modern Slavery Act);
- the protection of the rights of children, and the prevention and abolishment of child labour (as defined by the International Labour Organization Minimum Age Convention and the Constitution of the Republic of SA);
- the prevention and abolishment of all forms of harassment, including gender-based violence, and unfair discrimination on the grounds of race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, birth or on any other arbitrary ground;
- ensuring fair labour practices;
- the protection of the rights of minority groups, including indigenous persons and persons with disabilities; and
- the protection of the environment.

Governance of human rights

In relation to human rights, the GTSEC takes the primary responsibility for the group's activities regarding sustainability and human rights in business. The Ethics Office is responsible for developing and coordinating human rights management strategies and plans across the group, as well as for investigating complaints relating to human rights violations and reporting on the status of human rights in business to the relevant board and executive committees.

Human rights policies and statements

In line with Nedbank's commitment to upholding and respecting human rights in business, we have implemented a number of policies and statements, which have been developed in the context of the recognition that the actions of businesses have the potential to impact (both positively and negatively) on virtually the entire spectrum of human rights – ranging from employment practices, to our lending or investment activities, to supply chain. Our policies and statements are as follows:

- **Human Rights in Business Statement**, which is intended to serve as an indication to our stakeholders of our commitment to respect and uphold human rights, as well as to outline the measures taken by the group to manage its human rights risks, opportunities and impact effectively. The statement also includes Nedbank's position on the extraction of conflict minerals, which is closely linked to the prevalence of instability, widespread corruption, child labour, modern-day slavery and other severe human rights atrocities. Nedbank recognises its role in taking responsibility by increasing its influence through its operations, business investments, and the value chain.
- **Children's Rights Pledge**, which confirms our commitment to supporting efforts to stop child trafficking, child prostitution, child-sex tourism, child pornography, and the deprivation of children's rights, within Nedbank's sphere of influence.
- **Modern Slavery Act Statement**, which provides an overview of the steps taken to ensure that slavery and human trafficking are not taking place in our supply chain and our business. This statement is approved by the Nedbank Board through the DAC, signed by the Chief Executive, and published on Nedbank's website annually, in accordance with the UK Modern Slavery Act of 2015.

Partnerships and initiatives relating to human rights

Nedbank is a signatory to, and active participant in, various initiatives aimed at promoting a respect for human rights in business. These include, but are not limited to, the following:

- The **UNGC**, which is a voluntary initiative aimed at encouraging businesses to commit to universal sustainability principles and actively to take steps to support the goals of the UN. Nedbank is committed to aligning its operations and strategies with the 10 principles that underpin the UNGC and that spans across human rights, labour, the environment, and anti-corruption. Nedbank submits an annual Communication of Progress report to the UNGC in terms of the UNGC disclosure requirements and to confirm Nedbank's continued commitment to the UNGC principles.
- The **United Nations Environment Programme Finance Initiative (UNEP-FI)**, which is a global partnership between the UNEP and the global financial sector to support sustainable development through, among other things, sustainable finance initiatives.
- The **Equator Principles**, which provide a minimum standard for due diligence in project financing and are aimed at enabling financial institutions to meet their responsibilities in terms of the UN Guiding Principles on Business and Human Rights.
- The **International Financial Corporation (IFC) Performance Standards**, which serve as a benchmark for identifying and managing social and environmental risks associated with the lending and investing activities of financial institutions.
- The **IFC Exclusion List**, which defines the types of projects the IFC does not finance, relevant to when we take up credit lines with the IFC from time to time.

Whistle-blowing

Nedbank has a number of channels for the reporting of: (i) grievances relating to employment; (ii) dishonest behaviour (including fraud and corruption); (iii) human rights infringements; and (iv) all other forms of unethical behaviour.

Nedbank prides itself in having an anonymous tip-off line that is managed independently by an external service provider, thus providing complete anonymity should a whistle-blower prefer that.

Any stakeholder who believes there has been a contravention of the relevant ethics and human rights laws, codes or policies, is encouraged to report by using one of the appropriate channels provided.

Reporting channels for employees

- The **Nedbank Group Risk Reporting Line (NGRRL)** is available for employees to report any actual or suspected fraud, forgery, corruption (including bribery), theft, market abuse or insider trading and dishonesty-related conduct. Details of the NGRRL are included in the Employee Code and on Nedbank's website.
- The **Grievance Procedure** is available for employees who wish to report any complaints pertaining to breaches of HR policies and processes, performance outcomes, bonuses/remuneration, work requirements, management practices, and complaints around the employment relationship and the work environment. Details around the grievance procedure are included in the Grievance Policy to which all employees have access.

Reporting channels for employees and external stakeholders

The following reporting channels are available for employees (including fixed-term employees), consultants, clients, suppliers, and other external stakeholders:

- The **Ethics Office** is available for the reporting by internal and external stakeholders of any harassment (including sexual harassment), discrimination, assault, human rights abuses, nepotism and cronyism and other breach of values-related transgressions of the Employee Code by employees. The Ethics Office can be contacted at talktotheethics@nedbank.co.za or on +27 (0)10 227 2086.
- **Tip-offs Anonymous** is managed externally and independently by Deloitte and is available to internal and external stakeholders who wish to report any unethical, dishonest, or corrupt activities by employees. Complainants have the option to remain completely anonymous. They can send an email to nedbankgroup@tip-offs.com; send a letter to Tip-offs Anonymous, Freeport DN 298, Umhlanga Rocks, 4320; visit www.tip-offs.com or call 0800 000 909.
- The **Client Complaint Helpline** is available for Nedbank clients who wish to report client complaints. They can email ClientFeedback@Nedbank.co.za or call +27 (0) 86 044 4000.

Complaints received through the above-mentioned channels are dealt with by the following:

- **Group Financial Crime Forensics and Security (GFCFS)**, which investigates matters involving allegations or suspicions of employee-related dishonesty, such as theft, fraud or corruption and other dishonesty-related conduct or crime.
- The **Ethics Office**, which investigates matters involving harassment, discrimination, human rights abuses, nepotism and cronyism and other breach of values-related transgressions of the Employee Code by employees. The Ethics Office also serves as a mechanism for the provision of information or advice on ethics and human rights-related matters.
- **Line management and HR**, which deal with employment-related grievances and complaints.
- **Specialised client services teams**, which deal with client complaints.

Protection of whistle-blowers

Nedbank is committed to the creation and maintenance of a culture of openness and transparency. Our Whistle-blowing Policy outlines our commitment to, among other things:

- The maintenance of procedures and processes that enable all persons to make full disclosure freely, voluntarily and without fear, favour or prejudice.
- Protection of whistle-blowers in accordance with the Protected Disclosures Act, including the protection of employees against occupational detriment.

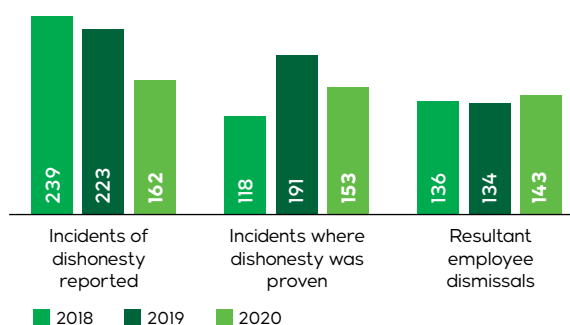
Our employees receive ongoing training on our Whistle-blowing Policy and channels for reporting.

Below are statistics in respect of 2018, 2019, and 2020 pursuant to investigations conducted by GFCFS and the Ethics Office.

Outcome of GFCFS investigations

Below are statistics in respect of 2018, 2019 and 2020 showing: (i) the number of dishonesty-related incidents reported and investigated; (ii) the number of incidents where dishonesty was proven; and (iii) the resultant employee dismissals (taking into account that more than one employee may have been implicated and dismissed pursuant to an incident, and that employees may have resigned/received sanctions other than dismissal).

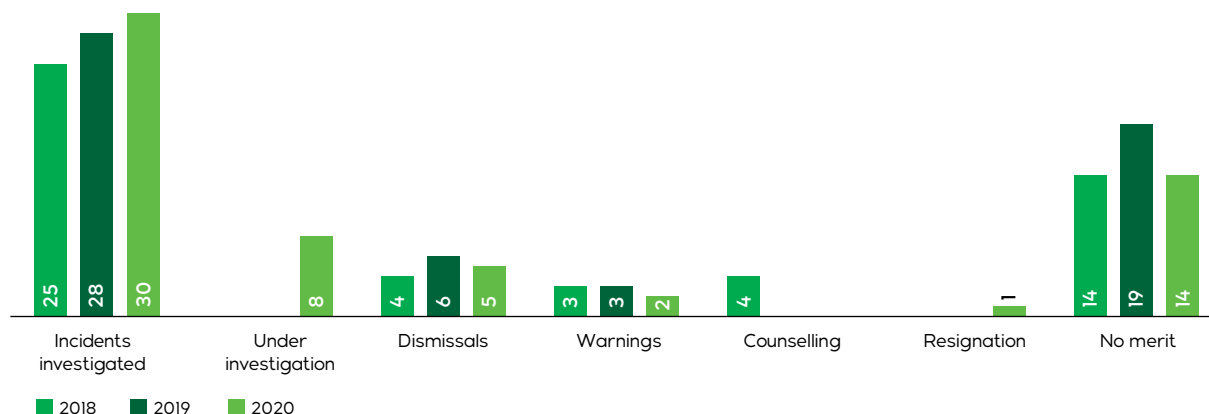
OUTCOME OF GFCFS INVESTIGATIONS



Outcome of Ethics Office investigations

Below are statistics in respect of 2018, 2019 and 2020 reflecting: (i) the number of matters investigated by the Ethics Office (involving harassment, discrimination, racism and other breach of values-related transgressions of the Employee Code), and a number of matters still under investigation at the time of reporting; (ii) outcomes in matters in which merit was found (taking into account that more than one employee may have been implicated in a matter); and (iii) number of matters in which no merit was found in the allegations.

OUTCOME OF ETHICS OFFICE INVESTIGATIONS



Monitoring and reporting on ethics and human rights

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

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

- **Social and ethics:** Involves the monitoring of Nedbank's activities in respect of the 10 UNGC principles; the Organisation for Economic Co-operation and Development recommendations on combatting corruption; the UK Bribery Act; employment equity legislation; Nedbank's good corporate citizenship; Nedbank's adherence to ethical standards; ensuring that ethics and human rights-related investigations are centrally managed and reported on; and monitoring the group's position towards and performance in terms of human rights issues, including the governance of human rights in business, human rights due diligence, screening, investment and projects.
- **Transformation:** Involves monitoring and provisioning of guidance on Nedbank's transformation strategy, targets, and performance across the group.
- **Sustainability:** Involves Nedbank carrying out its purpose through the UN Sustainable Development Goals (SDGs), and matters involving social/environmental and other non-financial types of risk.
- **HR:** Involves monitoring, reviewing and advising on Nedbank's HR strategy design, implementation and business plan.

In addition to our annual communication of progress on the UNGC, our external reporting and disclosures are made in accordance with the Companies Act, King IV, the UNGC principles, the Dow Jones Sustainability Index and other environmental, social and governance (ESG) indices.

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

Our commitment to driving ethical conduct among our employees and upholding human rights in our employment practices

Looking after our employees

Nedbank respects and promotes the rights of its employees and always strives to create an environment in which these rights are practised and observed. We are committed to fair and ethical employment practices that are in accordance with employment laws and regulations, and codes of practice. We protect and take seriously our employees' basic conditions of employment including, but not limited to, leave (statutory and various additional discretionary leave categories), working hours, working conditions, remuneration, occupational health and safety, and the right to participate in industrial action and collective bargaining, and to associate with a trade union. Any retrenchments and restructuring processes are also conducted in accordance with employment law and in an ethical and fair manner.

Nedbank aims to foster a culture of respect for the diversity of beliefs, cultures, and convictions of the people within Nedbank and those we interact with, and are committed to providing our employees, clients, suppliers and other stakeholders with a safe environment for their Nedbank-related interactions. Harassment and discrimination by employees against fellow employees or any other person are prohibited, as set out in our Employee Code.

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

In light of the impact of Covid-19, the mental well-being of our employees has been a particular focus area during 2020. Nedbank partners with ICAS Southern Africa, which provides free and independent counselling to Nedbank employees as a means of ensuring their mental well-being. The GTSEC receives reports on employee well-being annually.

Our Diversity Forums, including the Nedbank Disability Forum, the Women's Forum, and the Lesbian, Gay, Bisexual and Transgender (LGBT) Forum, seek to promote awareness and assist in addressing workplace culture and initiatives for vulnerable groups within Nedbank.

We take the safety of our employees and our visitors seriously. Employees qualified in providing first aid are available at various locations across our campuses and we have partnered with ER24 for cases of emergencies. In response to the Covid-19 pandemic, we have implemented stringent measures to ensure the safety and well-being of our employees, clients, suppliers, and stakeholders. This includes a specific focus on employee vulnerabilities and any accommodations we may need to make.

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

Our commitment to driving ethical conduct and the respect of the human rights of and by our clients

We believe that the fair treatment of our clients through quality service delivery is the cornerstone of our business, and we strive to ensure financial inclusion and accessibility to our products and services. In doing so, we give particular attention to identifying client vulnerabilities and specific needs, so that we can tailor our banking products and services in a manner that is sensitive and accommodating. Our approach to managing human rights in our interactions with clients goes beyond legal requirements to align ourselves with international best practice, including the Equator Principles and International Financial Corporation Standards.

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

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

Transactional monitoring and adverse-media monitoring are existing controls that assist in identifying whether the client is

involved in any unethical or illicit activities (which would include, but not be limited to, financial crime, modern slavery and human trafficking). In addition, reputational risk considerations have been incorporated into our credit and market-trading processes.

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

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

Our commitment to driving ethical conduct by our suppliers, upholding human rights in our supply chain and partnering with ethical suppliers

Nedbank seeks to associate itself with suppliers who share our values, and we expect our suppliers to conduct themselves with integrity and in line with fundamental rights.

Supplier Code of Ethics and Conduct

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

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

Suppliers are prohibited from offering Nedbank employees (or their friends or family members) any gifts, privileges or entertainment that may directly or indirectly influence their independence or judgement, or create a potential conflict of interest. To manage and mitigate against potential conflicts of interest, our employees and our suppliers are required to adhere to strict declaration requirements.

The Supplier Code requires suppliers to report any actual or suspected violations of laws, regulations, or breaches of the Supplier Code. Suppliers are also required to report any actual or suspected dishonest, corrupt, or unethical behaviour or any breach of Nedbank policies by Nedbank employees or other suppliers. Reports may be made anonymously to Nedbank's Tip-Offs Anonymous or the Ethics Office. Nedbank commits not to permit any retribution or retaliation against any individual who, in good faith, reports an actual or suspected violation or incident.

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

Relevant potential suppliers participating in tender processes are given a briefing on ethics in the tender process and are required to complete an Ethics Responsibility Index (ERI) assessment, the results of which are taken into account in the tender process. The ERI assessment includes both ethics and human rights considerations, including, among other things, a consideration of whether suppliers make political donations or sponsorships; whistle-blowing and grievance mechanisms; human rights policy commitments; conditions of employment (including fair remuneration practices), as well as supply chain due diligence.

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

- all Nedbank suppliers are monitored monthly for adverse media on corrupt or unethical conduct;
- checks are done in respect of UN sanctions regimes and politically exposed persons daily; and
- suppliers with whom we spend in excess of R20m undergo annual financial fitness checks.

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

The year in review

- We terminated several relationships with clients and suppliers to mitigate reputational risk to Nedbank that may have arisen from a continued association due to, among other things, human rights violations, corrupt or unethical conduct on their part.
- We published a revised version of the Employee Code, which included more practical rules-based guidance on what we expect from our employees in terms of behaviour.
- We published revised policies on the giving and receiving of gifts, and outside interests and conflicts of interest.
- We developed and published a new Ethics in Digital Technology and Artificial Intelligence Policy.
- We developed two new frameworks, which will go through our internal governance structures for approval in 2021:
 - » An Ethics Governance Framework, which aims to document the way in which ethics is governed within Nedbank, and to provide clarity and contribute towards consistency in relation to the management of ethics risk and ethics opportunities at Nedbank.
 - » A Human Rights Framework, which aims to provide guidance on implementing the UN Guiding Principles on Business and Human Rights, and to align the various policies, processes and activities into a comprehensive system for oversight and management.
- Our board reacknowledged and committed to the **Board Ethics Statement**.
- The DAC signed a revised Modern Slavery Act Statement.
- The GTSEC oversaw and received reports on organisational ethics and ensured that ethics at Nedbank is governed in a way that establishes an ethical culture.
- The GTSEC oversaw and tracked the progress of the implementation of recommendations from The Ethics Institute following an ERA conducted by The Ethics Institute in Nedbank's Africa Region subsidiaries in 2018/2019.
- The Ethics Institute finalised an independent ERA for Nedbank's SA operations. The outcomes of the ERA were presented to Group Exco and the GTSEC.
- We commenced with an in-depth review of the implementation of human rights within business functions and activities, in line with our commitment to respect human rights and with a view of enhancing our performance in this area.
- We revised our Human Rights in Business Statement to bring it in line with the requirements of the UN Guiding Principles on Business and Human Rights and international best practice.

Focus for 2021 onwards

REVISED ETHICS STRATEGY

Following from the outcome of the 2020 independent ERA conducted, we will develop an ethics management plan for the next two to three years to continue to enhance our ethics culture, behaviour and management practices, and continue to act as an industry leader in ethics and good governance.

DIGITAL ETHICS

As the world continues to move towards increased digitisation, we will maintain a close focus on implementing the Ethics in Digital Technology and Artificial Intelligence Policy across business.

PROACTIVE TRAINING

In light of the ongoing requirements for social distancing and new ways of work, Nedbank will continue to focus on delivering relevant and in-depth training on ethics and human rights to employees through new and innovative means to enable us to manage risks and opportunities proactively, and enhance an ethical and socially responsible culture within our organisation.

ENHANCEMENTS TO OUR HUMAN RIGHTS POLICIES, STATEMENTS AND PROCESSES

We will continue with the in-depth review of the group's position and performance in relation to the implementation of human rights in business, and oversee enhancements to our business policies and processes in line with our commitments to respect and promote the realisation of rights and the UN SDGs.

SUSTAINABLE DEVELOPMENT GOALS

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

As a bank with a purpose to use our financial expertise to do good for our clients and society, Nedbank has adopted 9 of these 17 SDGs and have allocated them to our Group Exco members to champion and to be accountable for. This is yet another measure that we use to ensure and drive responsible and ethical business.

GENDER-BASED VIOLENCE AND EQUALITY

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

TREATING CLIENTS FAIRLY REVIEW (MARKET CONDUCT)

Nedbank's approach to market conduct

Nedbank defines market conduct as the client-centred commitment of Nedbank Group to be 'money experts who do good'. In line with this commitment, we always uphold the highest standards of ethical conduct and best market practices to ensure that clients and stakeholders receive fair treatment, appropriate financial services and a positive experience when they interact with the group.

The year 2020 was unprecedented, as the Covid-19 pandemic led to a rapid global economic slowdown and domestic lockdowns had a severe impact on economic activity. Nedbank continues to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis. Our primary focus since the crisis started has been on resilience: ensuring the health and safety of our employees and clients; invoking business continuity plans; ensuring IT systems stability; and supporting our clients in managing their finances through this very difficult period.

The past year saw us demonstrate our brand promise through a number of interventions that sought to provide support to our clients during a time of crisis. And despite the extreme pressures that the financial industry as well as our clients faced, we committed to ensuring that we treated our clients fairly and positively.

This included enabling clients to make debt relief applications through various channels, empowering clients to use and adopt online banking through remote assistance and education, keeping the complaints teams and branches available (essential services) to assist our clients, improving measures for safe queue management, attending to vulnerable clients' needs, and implementing a communications strategy to ensure our clients were kept updated with all developments.

Despite the pressures we faced in 2020, we were able to receive a number of accolades that speak to our continued dedication to doing right by our clients.

We were nominated by consumers as winners of the following awards presented by *The Asian Banker*:

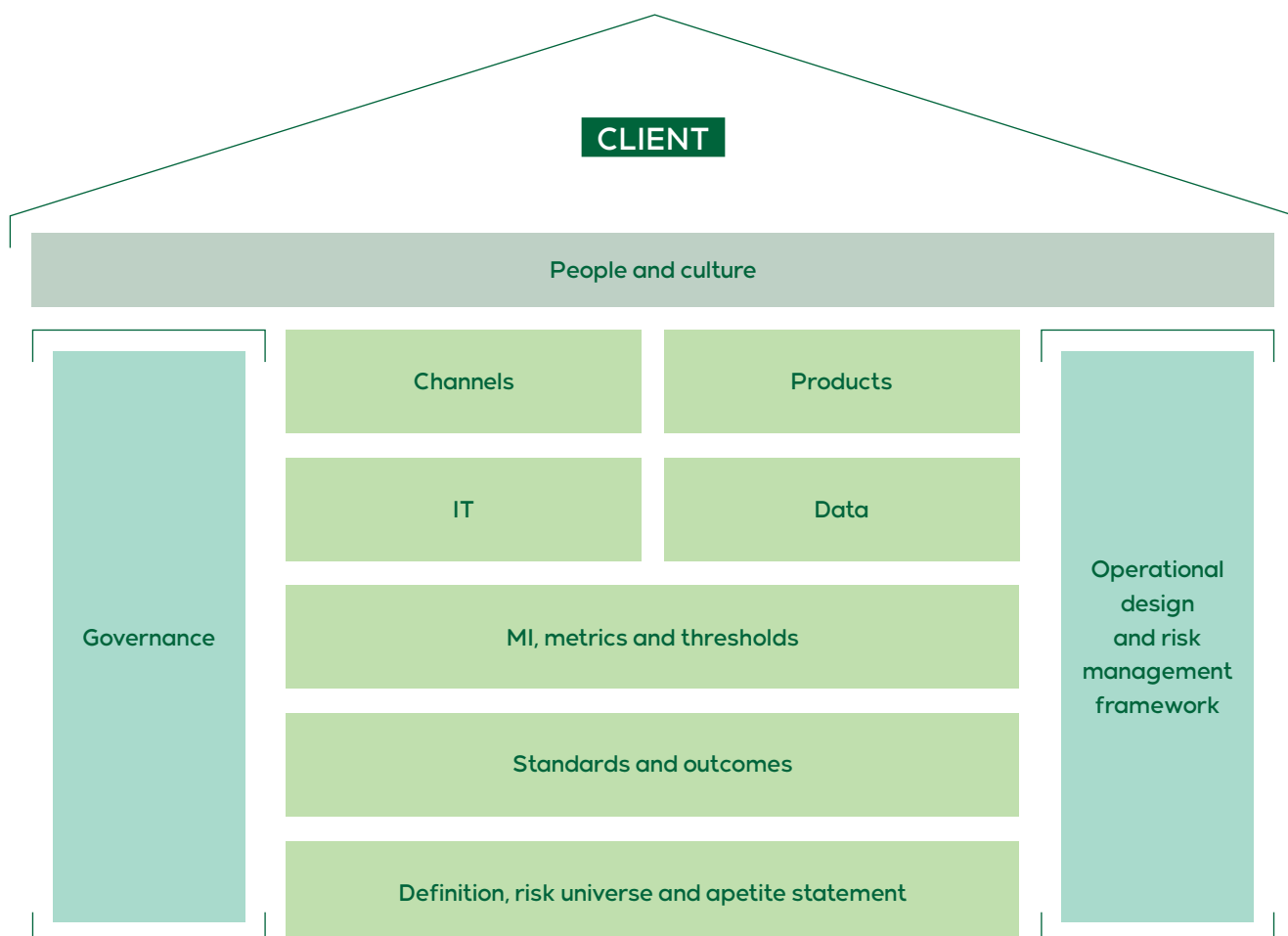
- The Most Helpful Bank in Africa during Covid-19.
- The Most Helpful Bank in SA during Covid-19.
- Most Recommended Retail Bank Credit Card in SA.

In addition, following the completion of the verification process by Mosela Rating Agency, Nedbank once again achieved a level 1 broad-based black economic empowerment (BBBEE) contributor status for the full-year 2020 under the Amended Financial Sector Code.

A few highlights included the following:

- Black representation of our total workforce continued to be more than 78%.
- Our total training spend equated to R924m, with 80% allocated to black employees and 53% to black female employees.
- Altogether 79% of our procurement spend was used to support local South African businesses.
- More than R100m was spent on socioeconomic development and enterprise development initiatives, which assisted in developing small businesses.
- We gave R818m through the Affordable Housing Unit towards students' accommodation, providing 8 929 beds.
- We contributed R16.5m to Covid-19 efforts to assist the Red Cross, World Vision, Doctors Without Borders, Gift of the Givers, Doctors on Call and Ranyaka.
- We won the Youth Employment Services award at the Top Empowerment Awards.

These highlights reflect our ongoing commitment to sustainable transformation in an exceptionally challenging environment.



Nedbank implemented the Treating Clients Fairly (TCF) principles in 2017. After the implementation we sought to enhance and mature our business by benchmarking to international best practice for market conduct. A detailed diagnostic exercise assessed any potential gaps so that we could attain international best practice and align with the South African market and regulatory framework. This culminated in a Market Conduct and Culture Programme (MCCP) journey that started in 2017, integrating enhanced conduct principles and standards in all areas of our business. This initiative was formally implemented by end-2020 through the delivery of the MCCP.

Nedbank remained abreast of all conduct-related regulatory developments including the finalisation of the Conduct Standard for Banks in July 2020, which has ensured that we are aligned with the regulatory landscape, thereby achieving both compliance with and achievement of fair client outcomes. This was given effect by the inclusion of the above-mentioned regulatory principles into the scope of the MCCP throughout its journey, including adapting the scope as the regulation matured.

The key pillars that the MCCP focused on in the complete value chain in relation to client experience and journeys were products, channels, conduct risk and governance, management information and metrics, information technology development in relation to the delivery of market-conduct-related requirements, and people and culture.

CLIENT

The end-to-end client value chain, including the client life cycle, experience and journeys, as well as the touchpoints by the various channels, are assessed and enhanced to ensure that we are equipped to deliver on our brand promise to be money experts who do good.

A few examples of client financial protection initiatives that focused on improving client experiences include the following:

Financial inclusion

Consumer financial literacy

Nedbank financial consumer literacy drives financial inclusion through a range of initiatives aimed at driving basic financial knowledge and skills to empower individuals to better manage their money and to make more informed decisions, particularly in the under-served and under-banked market. Aligned with our purpose of using our financial expertise to do good, our initiatives are focused on addressing the specific financial literacy needs and pain points of communities across the country.

Through a human-centred approach to how we deliver and communicate our content and messaging, our initiatives are delivered and consumed in the language our audience understands. We use platforms such as local radio stations, social media and face-to-face workshops, leveraging technology for scale and increased awareness. The languages used are English, Afrikaans, IsiZulu, IsiXhosa, Swati, Sepedi and Northern Sotho, depending on the regions being targeted.

In 2020 our financial literacy programmes reached over 23,9 million people across SA.

We partnered with small organisations such as Heartlines and African Response that have the experience and specialise in delivering consumer financial education in both urban and rural communities, delivering through platforms such as face-to-face classroom-style training with accredited facilitators, on radio, social media and web platforms. Our target market is the disenfranchised or previously disadvantaged population group.

We aim to create financial inclusion and to see all South Africans become financial savvy through exposure and accessibility to our free financial literacy programmes.

Entry-level banking financial inclusion

Entry-level banking (ELB) drives financial inclusion through the process of creating value in the under-served and under-banked market by delivering value propositions that speak to the insights, pain points and needs of the market. This is delivered through a client-led process that aims to understand the current challenges of the ELB client, including their challenges with financial inclusion from an educational, language and price point of view.

The outcome is the delivery of value propositions that create financial inclusion by providing free or cheap financial solutions for the market – solutions that are accessible both physically and digitally, and that the client can afford. These value propositions also aim to promote financial inclusion through marketing that is constructed in languages and on platforms such as community radio stations that the client can understand. Some examples are the free USSD-based mobile wallet MobiMoney, the group-based Stokvel Account, the affordable housing value proposition and transactional pay-as-you-use accounts, which have no monthly fees.

Nedbank Emerging Payments financial inclusivity

In an increasingly competitive and rapidly evolving payments landscape, Nedbank Emerging Payments is spearheading the development of disruptive digital payments offerings to improve client experience, create easy banking services and include clients that do not have access to financial services.

A fundamental component is to design secure, inclusive and affordable solutions for individuals and businesses across the economic spectrum, and for whom access to traditional financial instruments and services was previously limited. This involves strategising solutions that can be highly interoperable, secure, simple to use and encourage more cashless transactions as a safer means to pay and be paid. The spirit of these initiatives seeks to uphold our commitment of being money experts who do good by researching deeper into our market and ensuring that the services and solutions we deliver are of value to all clients, including those previously unbanked and/or particularly vulnerable.

Examples of these solutions include the following:

Tap on phone

Tap on phone is a new-generation acceptance solution that enables merchants to accept card payments using a compatible smartphone. When looking at introducing tap on phone to the South African market, we noted that there was no local solution available nor a feasible and cost-effective offshore capability. As a merchant acquisition tool, tap on phone is targeted at small and medium enterprises (SMEs).

MobiMoney API

The MobiMoney API enables digital wallet capability for customised payments and disbursements to third parties that are exploring alternative business models for growth and expansion in an increasingly cashless environment.

Nedbank Money Message

Nedbank Money Message is a WhatsApp chat-based payments solution, offered to SMEs enabling them to send a 'request to pay' message via WhatsApp. Their customers can complete the transaction using 3D Secure card transactions and Masterpass (also via WhatsApp). This platform will expand to other chat-based services in future in order to reach a wider market as more businesses migrate to digital payments services.

Masterpass

The Masterpass QR code is a safe, simple, convenient and smart solution that allows customers to pay for goods and services using their cellphones across the broad Mastercard network, making the service highly accessible.

Voice of client management – action-driven insights

Appropriate information relating to complaints and disputes are captured and we follow a fair, transparent client-facing process to resolve them, including redress in cases that involve products and services that have caused financial distress. A complaints committee does root cause analysis on all complaints regularly to determine what is causing client detriment and why. Where we identify potentially systemic issues, we investigate, develop solutions, implement them and monitor them for effectiveness.

Client complaints

Nedbank received 79 135 complaints in 2020, a 9% increase on 2019 (72 506 complaints received). However, these were from only 1% of our total client base and 98,7% of the complaints were resolved within service-level agreement timelines, and only 1,5% were escalated to the Ombudsman Offices.

Nedbank was slightly below the industry average at December 2020, with 65,9% of complaints referred to the Ombudsman being resolved in our favour, as opposed to the industry average of 72,21%. This is a key indicator for Nedbank. It is constantly tracked and issues are addressed when deviations are identified.

In terms of settlements, we made the following payments to clients:

- Altogether 1 985 clients were paid a total of R4,4m out of goodwill in an attempt to reimburse them for any losses suffered, despite the fact that the losses were not due to any failures caused by Nedbank, such as matters whereby clients compromised their banking details by accessing phishing emails and/or acknowledging payments that they did not initiate.
- Altogether 2 062 clients were paid a total of R16m to reimburse them for losses suffered as a result of failures caused by Nedbank in relation to our digital channels.

Client-facing businesses deal with client complaints as an important insight into their experiences with us. All complaints are logged, allocated and tracked until resolution via a central complaints management system to ensure prompt and appropriate resolution, as well as delivering a consistent and seamless complaints management process regardless of which channel a client may opt for to log the complaint.

Nedbank manages various sources of client dissatisfaction, which include the following:

Analysis of sources of complaints

Branch	9 255	11,7%
Client Complaints Helpline	14 885	18,8%
Client Complaints Email	37 802	47,8%
Social media	1 410	1,8%
Money app	13 514	17,1%
Nedbank Contact Centre	93	0,1%
Nedbank Financial Planning	149	0,2%
Card 911	8	0,0%
Ombudsman for Banking Services	2 019	2,6%

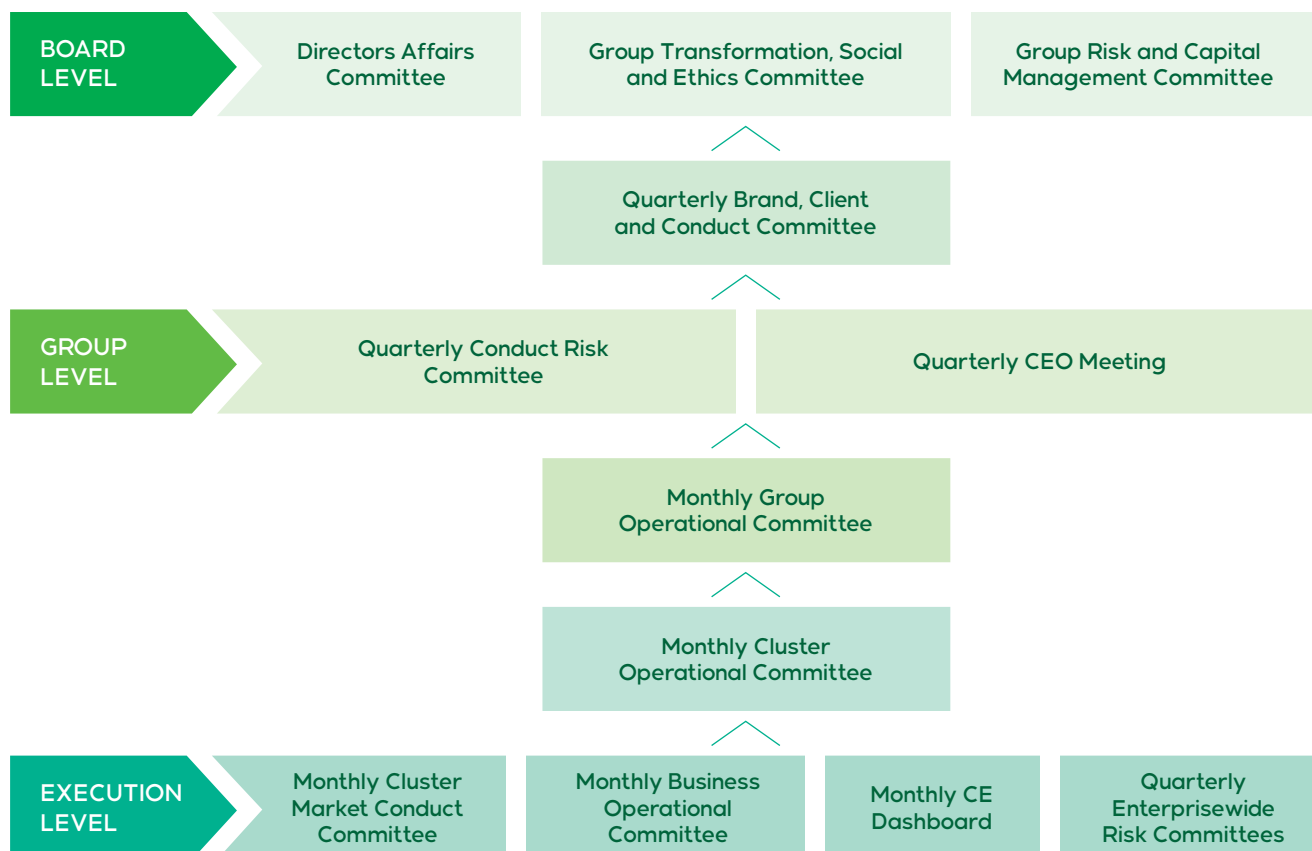
Our businesses use the Client Complaints Helpline as a mechanism to perform root cause analysis of prevalent issues and work strategically towards a more positive and fair client experience. In addition to the complaints received internally, clients may opt to escalate their complaints to various external bodies if they are not satisfied with the outcome reached with us. This is communicated to clients via the various channels available to them.

These external bodies include the following:

- Ombudsman for Banking Services.
- Financial, Advisory and Intermediary Services (FAIS) Ombudsman.
- National Consumer Commission and Tribunal.
- Insurance Ombudsman.

We also analyse client complaints escalated to these bodies to understand if clients were potentially treated unfairly as a result of the execution of the complaints management process, which would give rise to action by the affected businesses.

From an oversight perspective, complaints management is overseen by a clearly defined governance structure that runs from the business to cluster to executive committees to the board, as depicted below.



Social media and client sentiment analysis

Client sentiments on the understanding of products, adequacy of advice received, pricing of products, value for money and fulfilment of expectations both in sales and servicing are tracked via social media.

Both increases and declines in sentiment are analysed to understand our clients' sentiment toward various facets of the client value chain, including:

- service delivery;
- product-related delivery;
- competitions and campaigns;
- developments in news and social media, such as industry watchdogs; and
- the impact in terms of potential issues or non-compliance.

The analysis drives action from our businesses to ensure that we maintain high levels of client satisfaction and an upward or stable trend.

From a market conduct perspective, various areas of the bank, including Group Risk, study trends in client sentiment to identify any materialised or emerging conduct risks that may be detrimental to our clients and require further investigation. These may highlight key areas that need further focus and/or remediation to avoid a recurrence.

Our complaints team tracks all complaints logged on social media platforms as formal complaints, as social media is now a key focus area. Complaints are tracked until resolution via our complaints management system and analysed in the same manner as complaints logged by other means.

PRODUCTS AND PRICING

Product design and delivery

Products, bundles and packages are developed to meet the needs of a specific client or market segment and we have governance structures in place to ensure appropriateness for those segments before our products are launched.

Each business cluster tests and ensures that new products and services meet the principles of good market conduct, thereby ensuring clients are sold products that are suitable to their needs, simple to understand and perform as we have led our clients to expect. Product design and development are conducted in adherence with the Risk and Governance Requirements for Products Policy, which ensures a consistent approach for the management, monitoring and control of risk in respect of products, services and system initiatives that are new and/or amended.

Existing products are also tested regularly to ensure that they continue to perform to client expectations, and if they do not, there are clear processes in place to withdraw such products and to ensure that our clients are advised on more suitable replacements.

Nedbank has well-established governance committees in place at both cluster and group level to review and approve new products prior to launch, as well as to review the performance of existing products.

Application of fair pricing

Fair pricing as it applies to market conduct principles means pricing for products and services that is competitive, equitable (considering the economic realities of the marketplace and the bargaining power of both parties), of good value, and readily and easily understood by the client.

Business clusters ensure that fair pricing is set for all products and services through formal pricing governance structures that are in place to ensure that appropriate decision-making processes are followed in terms of pricing our products and services. Further to this, communication of all pricing to our clients undergoes a stringent review to ensure it is aligned with the principles of fairness and transparency before we launch it to our clients. This means that communication to clients on pricing is clear, simple to understand and is not misleading, which empowers our clients to make informed financial decisions based on the costs per product and/or service.

We revise and release comprehensive pricing brochures annually to ensure that clients fully understand the breakdown of pricing per product and service. This is accompanied by clear disclosures via the digital channels as well as marketing material.

Client feedback is monitored and assessed for pricing comments or transparency and to determine whether there is effective communication about price changes. Based on our analysis of complaints in 2020, pricing was identified as one of the causes of complaints with clients raising issues around being charged incorrectly. These issues were immediately investigated and remediated from a root cause perspective to prevent recurrences of a similar nature.

This feedback is given to the product design team and where issues are identified, remediation is timely and addresses all clients impacted.

Advertising and marketing messaging

Our marketing of products contains fair, clear messaging, is not misleading and incorporates full disclosure of relevant information. We target identified client segments and our messaging is consistent and appropriate across various marketing platforms.

We uphold this commitment through the operationalisation of our Enterprise Brand and Marketing Policy. This policy includes the adherence to regulatory requirements that enforce the above-mentioned principles and ensures that business stakeholders design and deliver advertising and marketing campaigns through which our clients receive appropriate, comprehensive and clearly understood information.

Furthermore, Nedbank has implemented a Market Conduct Policy that is focused on the delivery of fair and positive outcomes for our clients through the execution of our business activities across the entire client value chain, including marketing.

The above-mentioned governance requirements seek to ensure through their operationalisation that clients receive information on Nedbank products and services that is clear, relevant and comprehensive, which empowers our clients to make informed financial decisions.

CHANNEL MANAGEMENT

The design and delivery of products entail that the channels we choose to sell through are appropriate for that product, also regarding product complexity, and targeted at the correct market.

Nedbank, in some cases, uses third parties and intermediaries to provide advice and/or sell products on our behalf. In this context, we have a distribution strategy in place that ensures all intermediaries and third parties are appropriately selected, are competent to offer such services and products, share our values and interact with clients using our clear guidelines and principles. All third parties are subject to our comprehensive oversight to ensure the delivery of our high market conduct standards. If issues are identified, these are immediately raised with the external vendor to ensure an investigation is conducted and issues appropriately addressed.

PEOPLE AND CULTURE



Measured against enterprise, cluster and domain-specific metrics



Nedbank adopted a holistic approach to shaping the Nedbank culture. The intent is to develop and drive a culture that embodies market conduct principles and ensures fair client outcomes. To deliver on this intent, a full review of all people practices was conducted in 2019.

We implemented a new Leadership Framework, which includes six behavioural statements describing the role of the leader. Two of these are directly linked to market conduct:

- Deliver market-leading, trusted and caring client experiences: Placing the client at the centre of everything we do, treating them fairly and always ensuring optimal client outcomes.
- Create a culture of purpose-led, client-centred, and values-driven performance: Proactively delivering client-centred goals with integrity and supporting others to do the same.

Leaders will be measured on these behaviours by means of a leadership, values and culture (LVC) goal assessment that is included in the goal commitment contracts of our leadership. In 2021, the LVC goal will be cascaded to Group Exco, cluster exco and divisional committee employees. The LVC goal is linked to final performance outcomes, demonstrating our commitment to the fact that how we deliver is as important as what we deliver.

Employee training

Nedbank has translated the new competencies, behaviours and skills (both hard and soft) required, in particular with regard to the delivery of good client outcomes, into internal training programmes. We made it available to employees who will need this training, which include our sales and service areas, complaints management teams, and also other areas of business such as product design and employee management. In driving the commitment to be client-centred, all areas of the organisation play a significant role in ensuring we deliver as we have led our clients to expect.

In addition, market conduct principles and standards were integrated into all existing and planned operational training to ensure all employees were empowered with the right tools and knowledge to embody such principles and deliver on their roles appropriately. This has culminated in a comprehensive compulsory training programme for all employees, which as a minimum, includes the following:

- A comprehensive understanding of market conduct principles as informed by policy and regulatory requirements. This took the form of a computer-based training module that was completed by 19 677 employees across the group.
- Knowledge of processes related to the management of market conduct requirements, such as the complaints handling process.

- Identification and management of conduct issues that may arise from the execution of the business strategy, including the conduct of our employees that may result in harm caused to our clients (internal and external – whistle-blowing incidents reported via our Tip-offs Anonymous Hotline).
- Understanding escalation procedures for market conduct issues or incidents.

Whistle-blower protection

Nedbank has committed to ensuring that employees feel empowered to challenge and raise any issues that they become aware of. This remains a key focus area across the organisation and was addressed to enhance the working environment even further through our market conduct and culture initiative.

From a governance perspective, Nedbank has embedded a Whistle-blowing Policy, which provides the minimum standards according to which all whistle-blowers are treated. It provides the strict requirements of their ongoing protection.

We include whistle-blowing as a key focus area of training and awareness plans. These initiatives seek to educate employees on how to report such issues and the processes to escalate and track such issues, including the legal protection they would receive once a report has been made.

We also have a well-established and long-running Tip-offs Anonymous Hotline that is managed and investigated by an external vendor to ensure the utmost confidentiality.

Alignment of sales targets, commissions and bonuses with market conduct objectives

Nedbank has structured its rewards philosophy to ensure the delivery of the following objectives:

- Our remuneration strategy focuses on rewarding behaviours that support best-practice market conduct; this means that we reward employees for delivering on their roles in a manner that ensures the fair and positive treatment of all clients.
- Our leadership rewards policy is flexibly structured with significant focus on a defined set of leadership behaviours related to good market conduct and with due appreciation for how incentives influence culture.
- We ensure that we implement and maintain responsible sales practices by appropriately incentivising frontline employees to sell relevant products to clients and not to focus on a short-term sale only. This is given effect by the businesses instituting quality principles against all sales to ensure incentives do not drive wrong behaviour such as mis-selling and product push.

CONDUCT RISK MANAGEMENT

Some key initiatives from this pillar include the following:

- Nedbank manages its conduct and culture to ensure good client outcomes and positive client experiences. We have defined key market conduct and culture standards that must be considered during our day-to-day business operations to ensure the fair treatment of our clients.
- Conduct risk has been defined as a risk, including financial or reputational loss, arising from the inappropriate behaviour or culture or poor judgement of Nedbank Group or its employees in carrying out business activities or strategy, in a way that results in poor or unfair outcomes for or harm to clients, stakeholders and/or the markets. This definition reflects the culture and values of our organisation and promotes the appropriate behaviours to drive both good client outcomes and commercial objectives.

- We developed a Market Conduct Policy, which defines the principles that govern market conduct and provides a guiding framework within which market conduct practices are carried out and adhered to.
- We embedded a Conduct Risk Management Framework, which formalises the organisation's approach to conduct risk management and defines the roles and responsibilities across the three lines of defence. Conduct risk is classified as a primary risk within our Enterprisewide Risk Management Framework.
- A key process within the framework is the identification and management of conduct issues. All clusters are required to identify and escalate all conduct issues as and when they arise via a conduct issues log, which is submitted to the Group Conduct Risk Oversight function, and is reported via the Conduct Risk Governance Structure, which is unpacked below. These issues are assessed and rated according to a defined conduct risk rating methodology that balances the impact on Nedbank as an organisation as well as the negative impact our business activities could have on our clients. The intention of this process is to ensure each cluster has a holistic understanding of its conduct risk exposure. It informs the conduct risk hotspots on which the business would need to focus first. The number of conduct risk issues reduced significantly during Q4 2020, from 55 open cases in 2019, to 13 in 2020.
- In addition, we have identified and operationalised the tracking and measurement of key risk indicators (KRIs) and associated key performance indicators (KPIs), key control indicators (KCIs) and key behaviour indicators (KBIs) in the universe of assessed metrics that are clearly mapped to the relevant market conduct risk universe. These enable the businesses to track their performance against conduct risk metrics proactively and understand clearly and focus on the remediation of hotspots that may give rise to client detriment.

DIGITAL INNOVATION

Our digital solutions ensure that client needs are overriding throughout the journey. Where we design to be competitive and quick to market, we ensure that we identify the impact on our clients, either positive or negative, and work towards proactively addressing potential detriment.

One example of a client-focused solution is the Avo platform, a new super app developed by Nedbank. It gives users the capability to buy what they need at the tap of a button. It is a digital place with all the essential goods and services that an online buyer may need.

CONDUCT RISK GOVERNANCE

- Nedbank has instituted a market conduct risk governance structure, based on requirements and best-practice principles, which consider market conduct risk and are complementary and coordinated, resulting in coherent and comprehensive oversight.
- Conduct risk is embedded throughout the governance and committee structure and is demonstrably part of a business decision, with a clear split of accountabilities and escalation between different committees.
- Conduct risk and culture have board and executive involvement, with dedicated group executive committees overseeing client and conduct charters, including taking responsibility for the oversight of conduct risk and reporting to the board.
- Our governance structures overseeing market conduct hold top management accountable for understanding, monitoring and managing conduct, and remediation conduct risk that arises.
- We have clear business accountability and ownership of conduct from the top to the bottom of the organisation, with clear roles and responsibilities formalised across our three lines of defence and training.

Client financial protection provided by Nedbank during the Covid-19 pandemic

2020 was unprecedented. The Covid-19 pandemic led to a rapid global economic slowdown and SA remained stuck in the longest downcycle since World War II. The pandemic and resultant domestic lockdowns had a severe impact on economic activity as the GDP declined by 7.0%. Nedbank recognised the difficult circumstances South Africans found themselves in and our key objectives were to ensure our clients were treated fairly and positively despite the difficulties being faced.

We worked on various measures to ensure our clients were kept informed and their changing needs were continually met where reasonably possible, which included the following:

- We enabled debt relief applications through various channels, enabling clients to use and adopt online banking through remote assistance and education, keeping the complaints teams and branches available (essential services) to assist our clients; improved measures for safe queue management as well as attending to vulnerable clients' needs.
- Employee and call centre capability was bolstered to assist clients during the lockdown period. This was done with the intention of ensuring continued and fair service delivery despite the pressures experienced by the financial services industry during this time.
- Contactless card collection was implemented, which enables clients to collect their debit and credit cards at innovative locker collection points through unique PINs provided by SMS, which means no restriction to business hours, no interaction with branch employees and cards are automatically activated once collected from the secure holding points.
- All measures we implemented were accompanied by clear and centrally coordinated communication plans to ensure our clients understood the support available to them as well as the key information that would enable them to make informed financial decisions. These included notifications of branch closures on our website to ensure that clients were aware of the mechanisms available for the delivery of our ongoing support and service to them.
- The lending divisions implemented measures to assist clients with the repayment of their loans during a time when many were facing retrenchment or reduced pay. These measures included payment holidays, minimum card repayments as well as restructures.

While each may differ in their approach and criteria, the overarching objective is to assist our clients in this time of need.

- The South African Reserve Bank introduced Directive 3 of 2020 (D3), which enabled banks to provide debt relief during the pandemic, subject to the loans not being in arrears at 29 February 2020, and if there was a reasonable expectation that the loans would remain in good standing once the relief period had expired. These requirements were imposed to ensure that clients were not placed at a disadvantage due to the circumstances of the lockdown. We supported clients by advancing R210bn in new loans to enable them to finance their homes, vehicles and education, and grow their businesses, and managed them through a difficult period in 2020.
- Under the Prudential Authority's D3/2020 we supported more than 400 000 clients who were in good standing at 29 February 2020, with payment relief (payment holidays) on loans worth R121bn.
- We provided an online portal for clients to access various debt relief programmes by leveraging the onboarding capabilities that we have built, and we digitised debt relief application processes on our digital channels.
- We facilitated the distribution of R300m of loans to small businesses as one of the banks administering the South African Future Trust scheme, at no cost to the fund, while we also waived our normal fees for all loans approved under the scheme. In addition, we created a partnership with SA's largest crowd funder, ThundaFund, which continues to assist small businesses to raise emergency operational funds from their supporters.
- We enabled our employees and clients to contribute R160m to the Solidarity Fund through the Money app, Online Banking and the Nedbank website.
- We waived ATM withdrawal charges for South African Social Security Agency (Sassa) clients, and Saswitch fees for all clients, during levels 4 and 5 of the Covid-19 lockdown.
- We partnered with the Department of Small Business and Development to assist spaza shops and general dealers to access support during the Covid-19 crisis. Through our branches and numerous Boxer stores with a Nedbank presence we issued more than 5 000 procurement cards to spaza shop owners, preloaded with R3 500 each, allowing purchases at selected wholesalers.

- We added the Nedbank Insurance Funeral Plan onto five Nedbank digital platforms, including the Money app, Online Banking, USSD, API_Marketplace and Avo, to provide online access to our clients and enable financial inclusion.

BUSINESS BANKING CLIENTS

Various initiatives were introduced to support our business clients to ensure they could continue managing their business and finances in a manner that maintained their good financial standing despite the extreme pressures they faced. These included the following:

- Short-term overdraft finance to meet monthly repayments of contractual loans (asset-based finance, commercial-property finance and terms loans).
- Bridging working capital finance to meet short-term cashflow pressure requirements as a result of potential late debtor payments.
- The business reviewed existing overdraft limits or trade loans and considered temporary increases to allow stock to be retained for longer periods.
- Extended terms of stock finance facilities and trade finance lines were offered as immediate cashflow support. On maturity these lines were converted to short-term overdrafts.
- We reviewed all franchise clients and provided short-term finance through an overdraft.
- For the good-standing credit clients that had reduced loan-to-value on property, taking back the limit to a high level (in line with the mortgage cover) was considered to provide access to funds.
- In addition, we provided R1.4bn as part of government's Covid-19 Loan Scheme for Small and Medium Enterprises.

TRANSACTIONAL BANKING

From a transactional banking perspective, we participated in industry-aligned initiatives to support clients and ease their financial burdens by doing the following:

- Waiving all Saswitch fees until 1 June 2020.
- Waiving all ATM fees for Sassa clients until 1 June 2020.

Nedbank-specific initiatives included the following:

- Minimum monthly payments were adjusted down to 2,5% to provide additional relief across all credit card products, including Small Business Services credit.
- The majority of credit products were adjusted down from 5%, while certain portfolios saw a larger reduction, eg The Hub (from 7,5%) and American Express Blue (from 10%).
- Students and pay-as-you-use accountholders enjoyed an ongoing zero monthly maintenance fee.
- Clients had the option of making formal repayment arrangements through which the balance on the credit cards were transferred to budget facilities that clients could repay over a period of up to 60 months.
- Collection and recoveries were suspended for an agreed period during which clients were not able to use the card facility. The arrangement was to resume normal payments after an agreed date.
- We adjusted fees – where applicable. Certain monthly or transactional fees were adjusted to assist clients to reduce their costs and continue to service their credit card debt.

SECURED LENDING (HOME LOANS)

- Nedbank Home Loans proactively assisted over 47 000 clients with debt relief, totalling 17% of the book. Clients were allowed to access equity in their homes via a readvance application.
- Clients were allowed access to their NedRevolve facility if they had prepaid.
- Home Loans assisted with restructure initiatives that have kept 42 523 families in their homes (R23,8bn) since its inception.
- At the end of December 2020, R1 037bn had been written off, of which R459m had been forgiven.
- These measures provided great financial assistance to our clients in that they were not placed at a disadvantage because they may not have been able to meet the standing commitments due to retrenchment or reduced pay.

VEHICLE ASSET FINANCE

MFC sought to support its clients by offering the following:

- A two-month interest-only term extension to all Floorplan clients as relief to small businesses, enabling them to have working capital and cashflow once they returned to normal business.
- Financial support by way of payment holiday restructures to approximately 220 000 clients, representing R33bn of loans.
- A case-by-case approach was adopted for taxi owners and drivers to assist them with financial arrangements that met their individual needs.

RETAIL RELATIONSHIP BANKING

The RRB business focused its efforts on overdrafts and providing the following support services to clients:

- Overdraft clients were offered the benefit of a temporary 100 bps rebate on their overdraft. Qualifying clients received a rebate paid directly into their Nedbank account as a credit at the end of each month.
- Clients were still required to manage their Nedbank accounts well over the last six months up to February 2020.
- Clients who had exhausted their overdraft limit and were not able to service their interest for the period of the national shutdown, were offered leniency for some time while they were bringing their affairs in order.
- It investigated and assisted clients with relief packages offered or under development by private-public sector relief programmes and the Loan Guaranteed Scheme.

UNSECURED LENDING

The Unsecured Lending business provided the following support services to clients:

- Overdraft clients were offered the benefit of a temporary 100 bps rebate on their overdraft. Qualifying clients received a rebate paid directly into their Nedbank account as a credit at the end of each month.
- Credit Life Insurance initiatives:
 - » While the normal grace periods would apply, Nedgroup Life Assurance partnered with NBPL to waive any waiting periods for existing clients where a claim was directly as a result of a Covid-19-related event. Claims for partial loss of income were considered potentially covering those who have been forced to take unpaid leave or a reduction in income, provided the impact was more than 20%.

Below are some of the key changes Nedbank Insurance made to support clients from a product perspective:

- Clients who have a Nedbank Personal Loan and who had lost their income could claim against credit life protection, which covers up to 12 months of debt payments (amounting to more than R150m paid in 2020).
- They allowed partial benefits for loss of income, meaning that clients who lost more than 20% of their income, as opposed to 100% for normal policies, could claim on this benefit.
- Clients got discounts on personal lines insurance offerings such as household contents and personal-effects cover.
- Clients could finance their premiums through capitalisation and temporary payment holidays in relation to loan accounts taken up with Nedbank Insurance's contracted credit provider, Nedbank Retail and Business Banking.
- The use of a rolling-average mechanism allowed clients to pay less than the normal office premium, and certain premium increases and changes to terms and conditions were delayed. This enabled clients to maintain their insurance policies in good standing despite the circumstances they may have been placed in during the pandemic.
- Clients received a special concession relating to credit life insurance products associated with personal loans. Although the policy requires clients to suffer a complete loss of income to claim, a large number of South Africans still received a portion of their salaries. The policy benefits were reassessed and adjusted to allow partial-loss-of-income claims as a result of the pandemic. In addition, waiting periods were waived for claims that resulted from Covid-19, provided the cover was in place at the onset of the pandemic. This included the waiting period for retrenchment claims, where clients can normally be considered for a benefit payment only if the retrenchment occurs more than three months after the start of the policy. For the period between March and December 2020 Nedbank Insurance paid out partial-loss-of-income claims to more than 3 500 clients as well as over 5 500 retrenchment claims. In total these claims aggregated to payouts of more than R110m.

Privacy

Nedbank adopted core privacy principles to address every stage of the personal information life cycle, in accordance with the Protection of Personal Information Act, 4 of 2013. The Nedbank Privacy Framework was operationalised, ensuring that the bank is adequately prepared to comply with local as well as international privacy best practice. The Privacy Policy focuses on general privacy principles, capable of being easily adopted across the various jurisdictions in which we operate. The policy provides for the reasonable collection and processing of data as well as the protection and storage thereof. Access to information is governed by the Promotion of Access to Information Act (PAIA), 2 of 2000. Nedbank's PAIA manual contains guidance to interested parties on how to request information and provides contact details of the Nedbank Group Information Officer. To support our commitment to ensure secure stakeholder information, governance structures and processes are in place to investigate and prevent unauthorised access or disclosure of personal information. All relevant privacy breaches are reported to the Information Regulator.

Committed to responsible lending

We recognise that the current economic situation in SA has placed immense pressure on many individuals, families and businesses.

We empathised with our clients who were facing difficult financial situations as a direct result of this challenging economic environment, and we are committed to providing them with the counselling, guidance and assistance they need. As such, we offered a range of voluntary debt relief initiatives, including debt repayment arrangements and debt restructuring.

DEBT COLLECTION, CONSOLIDATION AND RESTRUCTURES

Nedbank has embedded credit risk management into its credit lending businesses through the following key directives:

- Group and cluster-level policies that include all facets of credit lending, such as governance, compliance, responsible stakeholders, debt collection and payment arrangements.
- This is strengthened by cluster-level credit standards and a Collections and Recoveries Framework, setting out minimum standards and guiding principles to the credit lending businesses on which they design their processes and procedures to ensure adherence to and achievement of the best possible client outcomes.

The bank has always made available various measures to assist struggling clients to continue meeting their repayment obligations. Some of these measures are either through regulated practices, eg distressed restructures, debt counselling or ordinary debt collections practices through payment arrangements. The use of these measures form part of steps that are taken by various business units in ensuring that they are collecting and safeguarding assets of the bank in a fair, compliant and transparent manner.

Regulatory processes such as debt counselling and admin orders play a key role in assisting clients in the Nedbank Debt Collections and Recoveries Services (NDCRS) and result in more affordable arrangements being made after accounts have been written off.

However, both these processes are not driven by the bank or NDCRS but can only be suggested to the client with signs of significant financial distress.

Concessions are provided within debt counselling according to the Debt Counselling Credit Policy and a special settlement process is in place on the specialised collections and recoveries strategy with its aim being to provide guidance on the requests for special settlements.

Our Home Loans business, for example, will try its utmost to keep clients in their homes. When a client has confirmed that they cannot meet the current repayment arrangements, agents will work with the client to restructure the home loan and agree to payment arrangements that suit the current financial circumstances of the client. If clients are still unable to honour the above-mentioned payment arrangements, Home Loans will seek to support them through voluntary or assisted sales of the property. If clients need help with the urgent sale of their property because they are struggling to make the monthly repayments, our team in the Home Loans Assisted Sales unit can help them.

Ultimately, we are here to ensure the client comes through the process as financially healthy as possible. We can ensure that clients do not suffer any judgments against them for failing to pay their home loan, which can severely limit their ability to access credit in future. Properties usually fetch higher prices than those possible through a last-resort means of disposal such as a public auction.

Home Loan agents will do a property valuation, set a reserve price and appoint an estate agent to handle the sale. If there is still a shortfall owing after the sale, we may offer to write off some of the debt and even allow clients to pay it off over five to 10 years, without any interest being charged. The repossession of homes are the absolute last resort we would turn to if all other support measures have failed.

DEBT CONSOLIDATION

The debt consolidation practice is predominantly used in the Unsecured Lending portfolio. The aim is to safeguard our clients' financial interests as well as to ensure compliance with the National Credit Act, while maintaining the best possible client value proposition.

Clients who opt to take out multiple loans may often find themselves in stressful situations and require additional funds urgently.

As a financial institution, we have instituted controls to ensure that we proactively identify such clients, disclose relevant key information and advise them in a manner that enables them to make informed financial decisions that do not prejudice them in any way. Currently, affordability and product parameters can determine whether a client can consolidate or not. System controls are built that prohibit over-exposure and disallow high-risk clients the option of consolidating.

The aim of offering consolidations is to enable clients to maintain simple account relations, improve the client experience and assist clients with multiple accounts with a mechanism to combine these and repay a single and affordable instalment.

DEBT COLLECTION

The intention of our debt collection processes is to ensure that we continue to support clients through constant communication and assistance despite the fact that they are in arrears. This is in terms of honouring their payments of loans and understanding the available options regarding payment arrangements and collections. Above all, we want to make sure that our clients continue to receive fair and positive treatment throughout the debt collection process.

Throughout 2020, collections activities were carried out in line with existing policies. Relevant governance steps were followed where adjustments were necessary. In line with policy requirements, the primary aim of the debt collection activity is to rehabilitate borrowers with deteriorating payment profiles who are in payment arrears and likely to default. Various business units defined and documented the classification, triggers, treatment, monitoring and reporting for accounts in the collections environment. For effective and robust collections processes, the business has various levers in place to support and drive efficiencies and to deliver on the right outcomes for our clients, which are focused on placing them in the best possible financial position.

These levers include the following:

- Systems that support the good governance and safeguarding of client data.
- Account segmentation and classification that are designed according to each business unit and its type of clients, thereby not using a one-size-fits-all strategy that may prejudice certain clients.
- Prioritisation and treatment of collection actions based on clear and fair indicators such as delinquency levels, balance at risk, as well as contactability. Differentiated treatment is assigned based on the likelihood to incur risk, eg intensity variation on likely-to-pay segments and targeted offers based on a client's ability and willingness to pay.
- Campaigns and Champion Challenger strategies are run by each business unit and are overseen by the relevant business and cluster credit committees to ensure effectiveness. Any issues are identified and remediated as a matter of priority.
- The entire collections and recoveries strategies are supported by comprehensive management information that tracks the performance of the portfolio segments.

- Various bureau reporting obligations, such as client-adverse listing, enforcement action, adverse bureau profiling or judgment that arise under the National Credit Act (NCA) and through Treating Clients Fairly are carried out on an ongoing basis.
- Clients are issued frequent (monthly, quarterly, etc) statements that clearly detail any action required from them. These are sent via the client's chosen delivery method and in their chosen language.
- Any notices of default sent to the client are compliant and are sent via the agreed method of delivery. These also require proof that delivery to a correct address was successful to be stored for record purposes. Clients are timeously informed of any notices of adverse listing, and this is done according to section 72 of the NCA.

USE OF THIRD PARTIES TO COLLECT DEBT AND ENGAGEMENT PROTOCOLS

The use of third parties is allowed only in instances where NDCRS has been unsuccessful. The relationship with the third parties is managed through service level agreements.

It must be noted that Home Loans does not enter into service level agreements with legal practitioners (LP) in its panel.

This relationship is managed in accordance with the normal standards of the profession and in accordance with all applicable laws. The specific duties are to do the following:

- Conduct recoveries of the outstanding balance or shortfall amounts on behalf of Nedbank business units within acceptable timeframes and cost frameworks.
- Attend to settlement and account closures with balance correction, where required.
- Uplift repossessed vehicles and deliver them to respective storage facilities daily (within 48 hours from having been uplifted).
- Institute legal action, in the court with relevant jurisdiction, for the return of the asset.
- Provide legal advice on matters relating to the recovery of assets and developing legislation relating to legal recoveries.
- Ensure that a monthly reconciliation is conducted by their accounts department to ensure that all invoices submitted to Nedbank for payment has been paid.

- Ensure that any third parties the LP instructs to assist the LP with the legal recoveries process will allow the bank (or the LP on behalf of the bank) to conduct a due diligence on the said third party.

Examples of such third parties are the following: NRB Risk, Legal Track, Bancol, AA and Aucamp & Cronje (Jhb).

To ensure that a particular standard is always achieved, appointed service providers must enter a service level agreement (SLA). This is to ensure that certain legal and other documents linked to the services that need to be collected, delivered, issued or served within defined timelines are protected. It is also to ensure that these services are guaranteed to be delivered at the standards Nedbank will keep from a market conduct perspective.

The controls put in place ensure that service providers are held accountable according to agreed standards, thereby ensuring that the SLAs are upheld and reputational concerns mitigated.

FINANCIAL CRIME AND CONDUCT REVIEW

Integrated financial crime risk management

In recognition of the ever-present and ever-growing threat posed by financial crime to the financial services industry, Nedbank Group has elevated the risk of financial crime to a key risk in the Nedbank risk universe, governed at an executive level by the Financial Crime Committee (FCC) and at board level by the Group Risk and Capital Management Committee (GRCMC). Various subcommittees provide oversight, make recommendations and take decisions at a more granular and focused level for specific types of financial crime.

We consider financial crime to be an economically motivated crime, covering a wide range of illegal activities and regulatory contraventions that may result in fines and/or prosecutions. Financial crime, as we have defined it, includes cybercrime, commercial (ie fraud, corruption), violent crime, money laundering, terrorist financing and sanctions contraventions, exchange control violations, market abuse, tax evasion, and privacy breaches. Financial crime is often committed through a combination of these different crime types, which is why having an integrated view of financial crime risk management enables us to more progressively and holistically identify, assess, mitigate, monitor and manage the risk posed by financial crime.

We have zero tolerance for our and/or our employees' or associated parties' (clients, agents and vendors) intentional participation in any financial crime.

THE INTEGRATED FINANCIAL CRIME RISK MANAGEMENT FRAMEWORK

Through the application of our Integrated Financial Crime Risk Management (IFCRM) Framework and strategy, with the support of the relevant governance forums, these financial crime types are managed on a more integrated basis. IFCRM is the combined and holistic identification and measurement of financial crime risk, as well as the corresponding limitation, control, reporting and mitigation of the identified risks towards our objectives. This integrated approach allows us to identify similarities across the financial crime types, which gives us a more robust view of the real risk we are exposed to and allows us to manage financial crime risk holistically.

The IFCRM Framework sets out how we have embedded sound risk management principles throughout the organisation. The principles on which the framework is built include the establishment of an appropriate organisational culture; the determination of our risk appetite; the functioning of effective governance structures supported by the lines-of-defence (LoD) model with a clear assignment of roles and responsibilities; and the development, implementation and maintenance of group frameworks, policies and manuals that relate to financial crime risk management. Furthermore, the IFCRM Framework requires the appointment and retention of adequate resources to assist in the management of financial crime (both from a headcount and skills perspective) and independent oversight provided through the group's coordinated assurance model. We continuously ensure robust identification and measurement of financial crime risks, thereby managing the risk through preventative, detection, responsive and reporting measures.

Risk appetite (expressed in qualitative and quantitative terms) is an integral part of risk identification and measurement and refers to the type and level of risk that we are willing to take, pursue or retain to meet our strategic objectives. Decisions that impact the financial crime risk profile of the group are taken within the defined risk appetite and approved within the appropriate governance structures responsible for financial crime and operational risk.

RISK ASSESSMENT

Risk identification and assessment is a key activity that allows us to understand where we are more exposed to financial crime inherently and how well controls assist in managing and mitigating these risks. Individual risk assessments are performed not only across the group for each financial crime type, but also holistically in a consolidated enterprisewide integrated financial crime risk assessment. The assessment provides a view of the threats and vulnerabilities that drive or create our integrated or holistic financial crime risk and the effectiveness with which we manage the identified threats and vulnerabilities, including, where appropriate, on an integrated basis.

PREVENTION, DETECTION AND RESPONSE

We manage financial crime risk through preventative, detection and responsive measures, including timeous reporting, an embedded organisational culture of ethics and integrity, and risk management that supports and enables the effective prevention of financial crime. Prevention is supported through various combinations of initiatives that include compulsory training and awareness on different crime types, pre-employment screening, vendor screening, completion of risk assessments, alignment of internal controls with industry standards and international better practice, and identification and verification processes to confirm the veracity of information and authenticity of the documents received from clients and other third parties.

In instances where preventative measures in respect of financial crime are not successful, it is important that we can detect such incidents timeously. Detection includes the analysis of data for the purpose of early identification of instances of crimes. An effective detection programme invariably forms an integral part of a comprehensive risk management strategy and accordingly we adapt and strengthen detection measures continuously as new trends are identified.

Where incidents of financial crime are detected, we respond to minimise our or our clients' losses, reduce regulatory exposure and curtail reputational and

legal risk. Even though crime types are managed by our various business areas, investigations of financial crime incidents are conducted centrally by Group Financial Crime, Forensics and Security (GFCFS), with certain business areas having dedicated specialist investigators responsible for the investigation of product-specific external fraud. Confirmed or suspected financial-crime-related incidents are reported within the required legislative time frames to the South African Police Service (SAPS), relevant regulators and/or industry databases such as those of the South African Fraud Prevention Service (SAFPS) and South African Banking Risk Intelligence Centre (Sabric). We also have an obligation to report on failures to comply with certain reporting requirements (eg Financial Intelligence Centre Directive 3/2014 reporting).

THREE-LINES-OF-DEFENCE MODEL

In addition to the mitigating controls and processes, we manage and mitigate financial crime risk through a strong culture of corporate governance, with a three-LoD model embedded in the organisation. In terms of financial crime, the external fourth line of defence, formed by regulators and external auditors, performs important oversight. In terms of cyber risk, we use a fifth LoD in the form of cyberinsurance or risk transfer. The Nedbank Group Limited Board (board) is ultimately responsible for managing financial crime risk, with reliance placed on cluster senior management, relevant Group Risk functions, Group Compliance and Group Internal Audit (GIA), who provide assurance that such risks are being identified, assessed, managed, monitored and mitigated to an appropriate level, with effective escalation and reporting of material risks. Aligned with our LoD model, a coordinated-assurance approach is in place to provide sufficient oversight of controls that form part of our financial crime risk management. The coordinated-assurance model consists of risk and compliance reviews conducted by cluster assurance, Group Risk, Group Compliance and GIA. The outcomes of such reviews, which focus on how compliant we are with our own policies, methodologies and processes, are reported to the board through the relevant governance forums.

COMMERCIAL AND VIOLENT CRIME

We largely follow a centralised approach to commercial- and violent-crime risk management. As we adhere to the principles of the Basel regulatory framework, commercial and violent crime are classified as operational risks and more particularly as fraud risk (with corruption as internal fraud and violent crime as external fraud), and losses related to these risks are reflected as operational losses.

The strategy for commercial- and violent-crime risk management is underpinned by the legislative and regulatory framework within which we must operate, by appropriate policies and by risk appetite.

We have zero tolerance for committing crime or being used to commit crime, and how much we tolerate being the victim of crime depends on the risk appetite within the relevant business areas in respect of systems, processes and products. However, organisations will always be exposed to fraud. Therefore, our having zero tolerance means we will take all reasonable steps to eradicate fraud and manage its consequences if it happens.

Processes, procedures and controls are put in place to deter, detect and respond to commercial and violent crime committed by internal and external parties. These components form the basis of our commercial- and violent-crime risk management programme.

Prevention

Various prevention initiatives are embedded in Nedbank and include awareness and training programmes for both employees and clients, pre-employment screening, listings of employees who have been found guilty of dishonesty on the Register of Employees Dismissed for Dishonesty (RED) (managed since April 2020 by REDAlert) and risk assessments and process reviews, which include testing of conformance to security protocols in branches and campus sites. Details of employees dismissed for dishonesty (together with details of the transgressions) are published in the group to all employees quarterly to not only create awareness of what type of activities constitute employee dishonesty but also for purposes of deterrence.

We have an ongoing training and awareness programme that includes a focus on the requirements of the United Kingdom Bribery Act (UKBA) 2010, as well as the risk of corruption in general, fraud and security (with specific focus on adherence to process in case of robberies) awareness. This entails online learning, presentations and workshop sessions.

During 2020 a total of 2 165 of our employees underwent face-to-face fraud and corruption risk awareness training (training has been on Skype since the implementation of the national lockdown) and 304 branches received training on security-related procedures. In addition, 37 organisations in our client base received facilitated fraud awareness training (placed on hold since the implementation of travel restrictions and the national lockdown). About 97% of them completed the computer-based training modules on corruption.

Pre-employment screening of employees is completed in accordance with our recruitment policy, with an increasing degree of due diligence dependent on the seniority or risk exposure of the position.

Fraud and corruption risk are assessed by all business units in Nedbank annually as part of the risk and control self-assessment (RCSA) methodology. Fraud and corruption risk reviews (also called 'deep dives') are conducted by GFCFS on business processes, systems and products that have either the potential to facilitate fraudulent and corrupt practices due to poor design or controls, or have inherent fraud and corruption risk due to the nature of the business model of that area. The purpose of these reviews is to identify areas of concern, make recommendations on how to mitigate the identified risks, and track management action to implement or enhance controls to address the risks.

During 2020 all divisions within the group conducted fraud and corruption risk assessments.

In line with requirements of the physical-security policy, regular risk assessments are conducted to identify risks and ensure effective control measures are implemented to reduce or keep exposure to these risks (including the risk of robberies) to or at an acceptable level. These assessments are performed on all ATMs, branches, regional offices and campus sites.

Detection

We recognise fraud detection as an important component of our first LoD to counter fraud perpetrated against us and our clients. Manual fraud detection has existed in Nedbank for several decades.

A risk-based approach is followed to determine where to focus automated fraud detection initiatives. The combined magnitude of probability and materiality (both tangible and intangible, ie financial and reputational risk respectively) of the fraud assist in prioritising detection initiatives.

We see the prevention of card and online banking fraud and related losses as a priority and maintain a mature real-time fraud detection system that has minimised fraud losses. We are countering the innovation of fraudsters continuously through our own innovation in the field of detection. We have a proactive team responsible for the early detection of fraud and fraud attempts.

Although not primarily a detection tool, various reporting channels are available to employees, vendors, service providers and clients. Actual or suspected security, fraud, corruption and other dishonesty-related incidents can be reported at any time through the internal Nedbank Group Risk Reporting Line, which is managed by the GFCFS. Anonymous reporting of such suspicions is facilitated by an external, independently managed whistle-blowing hotline. This hotline is available to employees and clients in SA, as well as in African subsidiaries in Namibia, eSwatini,

A total of 712 reports were received via Tip-offs Anonymous in 2020. After investigation 162 of these resulted in disciplinary action against employees.

Lesotho, Mozambique and Zimbabwe. The service is promoted to both employees and external parties, such as service providers.

We adhere to the Protected Disclosures Act, 26 of 2000 (as amended), and our policies ensure further that all reports are treated confidentially and are not discussed or disclosed other than for the purpose of investigation.

Response

In response to commercial and violent crime (including allegations or suspicions of employee-related dishonesty such as theft, fraud or corruption and other dishonesty-related conduct or crime), we conduct investigations and attempt to recover losses through GFCFS and in certain businesses through dedicated specialist investigators. In line with our zero-tolerance approach to fraud and corruption, disciplinary and criminal proceedings are instituted in all cases where the evidence allows for this.

During 2020, 143 employees were dismissed for dishonesty-related offences and six for corruption-related offences. We, as an entity, were not involved in any corruption-related investigations or cases.

In compliance with section 34 of the Prevention and Combating of Corrupt Activities Act, 12 of 2004, a total of 1 247 reports related to suspected fraud and corruption (where the value was more than R100 000) were made to the SAPS.

We continue to participate in industry initiatives with other financial institutions and law enforcement agencies to ensure that the perpetrators of financial crime activities are identified, caught and prosecuted.

Fraud risk related to digitisation

We have introduced various measures to mitigate the risk of cybercrime.

Given the growing prevalence of fraud committed through electronic means, we maintain a resilient cybercrime capacity.

Corruption risk management in terms of the UK Bribery Act 2010

We have a governance and risk management structure in place to ensure that we comply with the requirements of the various pieces of legislation and guidelines, including guidance issued by the Organisation for Economic Cooperation and Development (OECD) and United Nations (UN). To ensure compliance with these requirements related to corruption or bribery, we have a formal corruption risk management implementation plan in place. Progress against the plan is tracked through the Commercial- and Violent-crime Risk Committee, a subcommittee of the FCC, and significant risks and issues are escalated to the FCC and GRMC. These committees form part of the governance structure related to the management of corruption risk in Nedbank.

The corruption risk management implementation plan, among other things, aims to meet the requirements for a defence of 'adequate procedures' against a criminal prosecution in terms of section 7 of the UKBA. The corruption-related requirements of the OECD and UN Global Compact Principles overlap with those of the UKBA. Initiatives by our Ethics Office in conjunction with the implementation plan enable us to comply with the international guidelines issued by the OECD and the UN Global Compact.

As part of our adequate procedures, all new and existing suppliers are requested to complete a corruption risk assessment questionnaire, either at onboarding or when an existing contract is renewed. The aim of the questionnaire is to identify potential associated persons, as defined in the UKBA. Once identified, the supplier is risk-rated and an appropriate level of due diligence is conducted. In terms of third-party risk management, a process is in place for ongoing and risk-based third-party due diligence. The process is aimed at ensuring that all third parties continue to comply with relevant regulations, protect confidential information, have a satisfactory performance history and record of integrity and business ethics, and mitigate operational risks.

Reporting on the progress and outcome of the corruption risk management plan is both a part of the plan and a basis for determining and revising policies and risk appetite approaches. This reporting also feeds into the risk management objectives as it acts as a checkpoint to determine whether procedures are both adequate and proportionate to the risk exposure. Reporting to senior management is seen as part of the 'monitoring and review' requirement to ensure that an entity has adequate procedures in place to prevent, detect and manage corruption. Oversight and review are part of the responsibilities of the GFCFS's second LoD and GIA's third LoD functions.

Although annual corruption risk assessments conducted in terms of the UKBA are integrated into the RCSA, a separate risk assessment to identify areas that are high-risk for prosecution under section 7 of the UKBA is also conducted annually.

The corruption risk management plan also ensures that both general and targeted awareness relating to the UKBA are facilitated across the group. As part of public demonstration of tone from the top and our zero tolerance for bribery and corruption, a revised anti-bribery and corruption pledge for both executives and all employees will be rolled out during 2021.

ANTI-MONEY-LAUNDERING, COMBATING, THE FINANCING OF TERRORISM, AND SANCTIONS

Our money laundering (AML), terrorist financing (TF) and sanctions resourcing, including that of our foreign branches and subsidiaries, continues to be bolstered in efforts to ensure the adequacy, effectiveness and oversight of the control environment. The board is ultimately responsible for oversight of ML, TF and sanctions risks, with reliance placed on business cluster senior management, GFCFS, as well as our coordinated-assurance providers, Group AML, CFT and Sanctions, Group Compliance and GIA.

We have implemented our R4,1bn Regulatory Change Programme, and R1,6bn of this is dedicated to the anti-money-laundering (AML), combating-the-financing-of-terrorism (CFT) and sanctions programme, which comprises six components. This includes implementation related to requirements of the Financial Intelligence Centre Amendment Act (FICAA), 1 of 2017. The FICAA had an unrealistic implementation time frame of approximately 18 months, requiring enhancements across people, process as well as system controls. Our approach to our FICAA implementation has been integrated with our technology journey through Managed Evolution (ME), specifically Eclipse (enterprisewide client and product onboarding and servicing), which now supports the digital onboarding of individual and juristic clients. ME was formalised in 2016 as our vehicle to deliver our information technology (IT) transformation agenda and sustainable solution to FICAA compliance.

We have consequentially implemented FICAA through the deployment of certain tactical workarounds or interim and sustainable solutions where some system long-term solutions were not yet available to meet the Prudential Authority's implementation date of 2 April 2019. Delivery of strategic FICAA compliance requirements has continued and is managed through dynamic programme management and governed by an AML, CFT and sanctions programme executive steering committee, and the GRMC and Group IT Committee (GITCO).

FICAA requires us to provide initial and ongoing training to all employees to comply with the FICAA and our Risk Management and Compliance Programme (RMCP). At 31 January 2021 about **95% of employees had completed the awareness training for AML, CFT and sanctions risk management, which is above the required 90% Nedbank threshold**. The ongoing identification, assessment and management of ML, TF and sanctions risk are tracked, assessed, evaluated and reported on through various governance committees across the three LoD, including board committees. The AML, CFT and sanctions governance committees ensure that the board is informed of ML, TF and sanctions risk affecting the group, thereby assisting the board in discharging its ML, TF and sanctions risk management obligations. Over and above the aforesaid business-as-usual processes underpinning the above-mentioned governance committees, we conduct an enterprisewide risk assessment (ERA), at least annually, to identify and assess our ML, TF and sanctions risk, enabling us to develop appropriate controls to manage and mitigate such risk exposure.

The South African Reserve Bank (SARB) conducted an onsite inspection from 27 May 2019 to 14 June 2019 in terms of section 45B of the Financial Intelligence Centre Act (FICA), 38 of 2001 (as amended). We await the final report.

CYBERRISK

We understand that the increase in financial crime is due to the challenging macro and political environments and the complexity of increasing digital activity. Our most important cyber risk includes loss of money and client data (at Nedbank or a third party), as well as system downtime to the extent that transactions cannot be processed. We strive to be cyberresilient, protecting our 'crown jewels': critical personal- and client data systems, platforms and infrastructures.

Ever-escalating cyber risk exposure on the back of the fourth industrial revolution and accelerated advances in technology, digital landscapes and interconnectedness have prompted a radically elevated focus on cyber risk management, fast-tracking us from cybersecurity to cyberresilience. The cyber risk environment is dynamic and fast-changing, a situation that is compounded by the Digital Fast Lane programme.

New threat actors

The evolving threat landscape presents significant challenges in how cyber threats and vulnerabilities across complex operational frameworks are managed. Cybercriminals are constantly improving their techniques to compromise networks, forcing us into an adaptive defence stance so that we can mitigate material negative effects should a cyber event occur. For example, threat actors target users with Covid-19-pandemic-themed social-engineering attacks (phishing, vishing and smishing) as well as exploit vulnerabilities in remote working. The most likely avenues for a successful cyber attack are analysed through threat modelling and resilience testing via attack path mapping and red-team testing. Resilience testing is a crucial step in understanding the severity of consequences associated with cyber attacks and in continuously building on the experience of successfully responding to threats. The independent red-team testing programme managed by the second LoD provides assurance on the capability of the first and second LoD to detect and respond to cyber threats. In addition, independent cyber risk management benchmarks by global experts are also performed to assess our progress as compared to global and local peer groups.

Technology

We invest continuously in IT security to detect and respond effectively to cyber attacks, and the assumption is that these attacks will continue across the industry. We apply a variety of strong technical controls such as patching of systems against vulnerabilities, network security controls, perimeter controls, password management controls and software development controls. This is further augmented with non-technical controls such as a comprehensive employee security awareness programme. We apply various measures to counter cybercrime and fraud, including client awareness campaigns, state-of-the-art technology and digital forensic capability to detect and monitor suspicious activity, as well as provide communication facilities where clients can report suspicious activity. We continue to work closely with industry bodies, eg Sabric, peers and law enforcement agencies to combat cybercrime and fraud. We have established the internal Computer Security Incident Response Team as well as the Cyber Crisis Management Team (CCMT) to respond effectively to and, if necessary, recover from cyber incidents and cybercrime.

Monitoring, management and reporting

Cyber risk is continuously receiving the required focus by the board, management and the Nedbank security community so that known and newly identified gaps are addressed through various initiatives that will enhance cyberresilience and reduce residual operational risk. An advanced cyber management information system has been implemented to produce metrics that inform the board and management when cyber risk increases outside of the risk appetite. There is continued implementation of the various components of the Cyberresilience Risk Management Framework (CRRMF) through the cyberresilience programme. The CRRMF has been operationalised and since its implementation significant improvements have been made in the cybersecurity capability at Nedbank, as well as in the alignment with leading practices. Our cyberresilience programme activities are prioritised and agreed to by a cyber leadership group and tracked at a detailed level. The prioritisation is influenced by a focus on 'crown jewels' and threat-modelling input from an external, internal and third-party perspective.

The progress of the cyberresilience programme is reported at several board and executive-level committees as well as cluster risk committees. New initiatives are added as and when threats are identified and in line with changes in the cyber risk environment. The bank's external security (internet footprint) has been rated at an advanced level of maturity by an independent security rating vendor. In addition to the security rating, independent assessment of our cyberresilience also includes international consulting firm benchmarking, GIA annual cyber risk audit coverage, as well as external audit annual cyber risk assessment. We have specific cybersecurity-related insurance.

Be CyberSMART awareness

Ongoing cyber awareness initiatives and testing are a cornerstone of the cyberresilience programme, with more employees reached in 2020 than before. Initiatives included the following:

- A total of 42 awareness training sessions – 10 face to face (pre-Covid-19) and 32 online (attended by approximately 2 600 employees).
- Online cybergames played by 4 100 employees.
- Ten Cyber Talks (by external cyber professionals) attended by 2 108 employees.
- Three vishing, four smishing and 11 phishing simulations.

- Online quizzes answered by 300 employees.
- Various communications on working from home safely and securely, data loss prevention, social engineering, etc.
- **A formal Be CyberSMART eLearning training module and assessment completed by 98% of employees at year-end 2020.**

DATA AND PRIVACY

In line with the Enterprisewide Risk Management Framework, we have a data management master policy that is implemented enterprisewide.

Data is obtained and used fairly, appropriately and for specified business purposes only and with a client's informed consent. We ensure compliance with applicable regulatory, legislative and contractual requirements in respect of data and data management, balancing open access and the release of data with the need to protect classified, proprietary and sensitive data.

The Nedbank Privacy Policy has been adopted and operationalised for several years. The policy is legislatively agnostic and focuses on general privacy principles, easily adopted not only in SA but across the various jurisdictions in which we operate. The policy is focused on the reasonable collection and processing of data as well as its protection and storage. Read in conjunction with other relevant Nedbank policies, the Privacy Policy provides the framework for the reasonable processing and protection of personal information. Consent management has been standardised across the group and this is reiterated in our client and employee engagements on an ongoing basis.

All Nedbank privacy breaches are monitored and tracked continuously and the relevant governance (cybersecurity, data privacy, data management and compliance) structures and processes are in place to proactively identify any relevant risks that may result in client detriment. Once the root causes have been identified, through collaboration by the respective specialist areas and business, relevant control measures are considered and implemented to prevent the reoccurrence of similar breaches. Lessons learnt are taken from each breach and specific change management steps are also considered. In many cases this results in additional internal communication to business areas to ensure that employees are fully aware of their responsibilities in protecting the personal information of our employees, clients and third parties that we may serve.

Specific cybertools have also been adopted to ensure that we are aware of data leaving the environment. Any malicious attempts to transfer data outside of the Nedbank environment are detected by a data loss prevention tool. Appropriate and safe channels have been provided for business to use when a need arises to transfer data to authorised external recipients. Third parties that process personal information on our behalf are required to undergo a thorough cyber- and privacy due diligence process as well as sign formal contracts and data-sharing agreements before any data is provided to them. When required, the relevant regulators and/or industry bodies are notified of high-risk breaches. These notifications include the full scope of the breach as well as all associated remediation activities that were followed to manage the associated privacy risks.

EXCHANGE CONTROL

Exchange control prevents the loss of foreign currency resources through the transfer abroad of real or financial capital assets held in SA and constitutes an effective system of control over the movement into and out of SA, while simultaneously avoiding interference with the efficient operation of the commercial, industrial and financial system.

The Financial Surveillance Department (Finsurv) of SARB is responsible for the administration of exchange control on behalf of National Treasury. The Minister of Finance appoints certain banks to act as authorised dealers (ADs) in foreign exchange, giving those banks the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by Finsurv. ADs are not the agents of Finsurv, but act on behalf of their clients. Accordingly, we have been issued with an AD licence from SARB in terms of which we may buy, borrow, receive, sell, lend or deliver any foreign currency or gold for such purposes and on such conditions as allowed by the governing regulatory requirements.

We have not only developed a comprehensive approach in managing our compliance risk in relation to exchange control, but have also further instituted a comprehensive risk management framework in ensuring adequacy and effectiveness across our control environment in effectively managing our risk and ensuring we discharge our responsibilities as an AD. This is further underpinned by a revised governance structure as well as oversight across the three LoD by the coordinated-assurance providers, which include Group Exchange Control, Group Compliance and GIA.

MARKET ABUSE

We are committed to fighting market abuse in any form, including prohibited trading practices; insider trading; market manipulation; and false, misleading or deceptive statements, promises, and/or market forecasts. We have a zero-tolerance approach to practices that can be seen as or that amount to market abuse. We have embedded various market risk policies, including the Market Conduct Policy – which deals with market abuse and its prevention, detection and monitoring – as well as the Personal-account Trading Policy. These policies refer to prohibited forms of market abuse as covered by the Financial Markets Act, 19 of 2012. In response to possible contraventions, investigations are performed centrally by specialist investigators in GFCFS.

TAX EVASION

Tax evasion and fraud entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability, and includes, in particular, dishonest tax reporting (such as under-declaring income, profits or gains, or overstating deductions). We have a zero-tolerance approach to intentional tax evasion and tax evasion facilitation and are committed to implementing policies and procedures to prevent such conduct by our employees and associated persons. This entails having clear roles and responsibilities in respect of the prevention, detection and response of tax evasion, providing awareness training, promoting ethical behaviour, undertaking risk assessments to identify possible high-risk exposure, and encouraging employees to be vigilant and report any suspicions of tax evasion. Employees are prohibited from engaging in any conduct – and giving any advice to clients, suppliers and any other third parties in the course or scope of their employment – that facilitates, supports or results in tax evasion.

REMUNERATION REVIEW

Chair's report

INTRODUCTION

The Remco has deliberated at length on the most appropriate way to remunerate our people for their outstanding effort under the most difficult of circumstances during 2020. Soon after the onset of the pandemic it became evident that the group's remuneration objectives and the arrangements for motivating and retaining our employees set in a pre-Covid-19 environment were severely compromised by the significantly changed circumstances. The Remco's responsibility is to ensure that any resultant changes to the remuneration arrangements maintain a healthy balance between the interests of our shareholders, regulators and society at large while addressing retention risk to ensure the continued sustainability and competitiveness of the bank from a human capital point of view.

Discretion and discerning judgement by remuneration committees play an important role in this environment where the risk of materially over- or underachieving targets has increased considerably. The Remco held two meetings (in May and June 2020) over and above its six scheduled meetings to workshop these implications and develop what it believes is a responsible and appropriate response. One of the outcomes of our deliberations is that we do not favour any reset or replacement of historical or in-flight incentive awards.

This report sets out our assessment of Nedbank Group's performance for 2020, the resulting impact on remuneration and some forward-looking changes that we believe will help address the 'effectiveness' of remuneration in the near term.

BACKGROUND

As the pandemic unfolded, our response was to shift our immediate objectives to emphasise the short-term operational and financial resilience of the bank, which in turn would enable us to play a key societal role in supporting our clients and frontline employees and mitigating some of the financial and economic consequences of the crisis. The Group Exco Goal Commitment Contracts (GCCs) were accordingly pivoted to reflect this change across three categories:

- Resilience – 'managing the crisis' across key operational elements including the health and safety of our employees and clients; managing liquidity and preserving and optimising capital; supporting and servicing our clients in managing their financial challenges; and ensuring high levels of IT stability.
- Transition – moving from managing the crisis to dealing with the immediate aftermath of the crisis and stabilising the business; containing costs; and protecting revenue with sound risk and compliance outcomes.
- Reimagine – widening our field of vision and conceptualising 'the new normal' that will require a rebased strategy to grow the business and create shareholder value.

This short-term pivot in our financial strategy to 'resilience' therefore changed our emphasis from earnings growth and financial returns to actions that protect the bank's balance sheet and liquidity. Financial performance measured on earnings growth and ROE was therefore only one lens applied in the determination of the STI pool for the financial year. Account was also taken of how well the crisis was managed in a way that protects the long-term sustainability of the business with specific emphasis on care for society, clients and our employees. Needless to say, a significant reduction in the STI pool was applied to ensure appropriate alignment with our shareholders' experience.

We have been fortunate in pursuing these priorities with committed and resilient people, who have worked exceptionally hard to implement business continuity measures for the safety and health of all our employees on the front line. Liquidity and capital levels have been maintained suitably above regulatory minima and within board-approved target ranges and we have achieved positive client retention outcomes. Credit and collections have been managed effectively to manage and minimise impairment losses. IT system stability was outstanding allowing for continued banking operations and for our employees to effectively work remotely. Our financial resilience has allowed us to keep all employees on full pay, including those unable to work because they were self-isolating, caring for dependants or not equipped to work remotely.

SHORT-TERM INCENTIVE

The group's financial performance has been severely impacted by the external events of 2020. Even though we have maintained profitability throughout the year, HE have reduced by 56,5% compared to 2019.

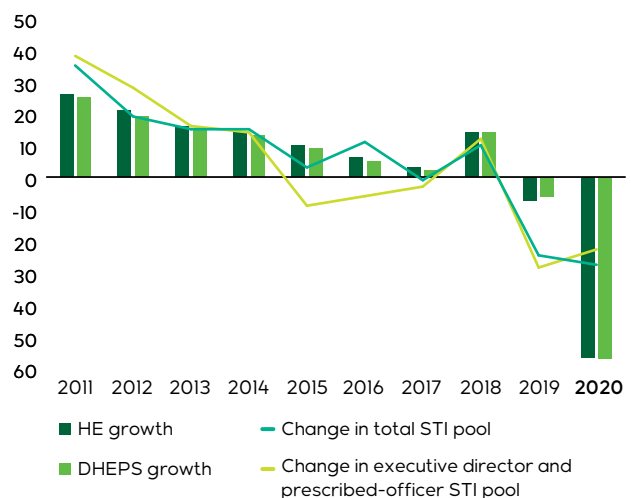
This year, the usual 'on-target' approach to building the group's STI pool was nullified in the pandemic environment as the annual targets set at the beginning of the year were not achievable and misaligned with changed strategic priorities. Consistent with our remuneration policy, the final determination of the STI pool is not driven by a formula, but is also subject to a qualitative approach where the Remco may make discretionary adjustments to make any required corrections. More specifically, this year the Remco has applied a holistic assessment of performance that included non-quantifiable aspects and emphasised resilience-based factors that became our short-term strategic priority. The Remco believes that this approach was necessary to motivate and reward the extraordinary efforts by all levels of employees across the bank during the pandemic.

This 'performance assessment' is detailed on page 81 and has resulted in an outcome that has exceeded expectations on many of the resilience-based elements of performance while shareholder-related factors were disappointing, and below expectations. This assessment results in an STI pool of R1 435m for the 2020 financial year, which is 29% lower than the 2019 pool of R2,028m. The 2019 pool was 22,7% lower than the 2018 pool of R2,625m. The 2020 STI pool represents 16,0% of HE (prebonus and pretax) compared with 10,2% in 2019 and 12,6% in 2018 (see below graphic). This pool of R1 435m also includes an upward realignment of R60m in CIB, to address base issues in the competitiveness of remuneration in the Global Markets division, which significantly outperformed in 2020 with trading income up 16,0% on 2019. This amount of R60m was informed by benchmark analysis against data provided by the AON McLagan Investment Banking Survey, in which the major investment banking firms in SA participate. If we adjust for this R60m, the group STI pool reduced by 32% over 2019.

Consistent with our remuneration policy, 50% of any STI over R1m is deferred in shares over three years, and subject to *malus* and clawback provisions.

Working with the GRCMC, the Nedbank Group Limited Board (the board) has given due consideration to Guidance Note 3/2021 issued by the PA in terms of section 6(5) of the Banks Act, 94 of 1990 (Banks Act). The board is satisfied that the payment of cash bonuses to the group's material risk-takers and senior managers, totalling R149m in respect of the 2020 financial year (0,016% impact on CET1), does not have a material effect on the bank's capital position and is required in balancing the long- and short-term interests of our stakeholders.

ANNUAL % GROWTH IN HE AND DHEPS* VS % CHANGE IN STI POOLS



The Remco is satisfied that the STI pool decreased appropriately after the committee holistically considered the quality of leadership and employee performance over a very difficult period.

HEADLINE EARNINGS

▼ 56,5%

CAPITAL ADEQUACY

CET1 10,9%
(ABOVE 7,5%
REGULATORY
MINIMA)

GP INCREASES

3% FOR GROUP EXCO (0%: 2020)
3% FOR NON-BARGAINING-UNIT EMPLOYEES (4%: 2020)
4% FOR BARGAINING-UNIT EMPLOYEES (6,3%: 2020)
MINIMUM GP INCREASED BY 5,9% FROM R170 000 TO R180 000 EFFECTIVE APRIL 2021.

STI POOL

▼ 29%
AND GROUP
EXCO POOL
▼ 26%

LTI

FOR EXECUTIVE DIRECTORS, 85% OF THE 2018 AWARD, SCHEDULED TO VEST IN 2021, WILL NOT VEST DUE TO UNDER-ACHIEVEMENT AGAINST THE PREVIOUSLY SET PERFORMANCE CONDITIONS. SIMILARLY, FOR GROUP EXCO MEMBERS CURRENT FORECASTS SHOW THAT 84% OF THE 2019 AWARDS AND 100% OF THE 2020 AWARDS WILL NOT VEST. RETENTION RISKS NECESSITATED AN INCREASE IN THE QUANTA OF THE LTI AWARDS FOR SELECTED EMPLOYEES, LEADING TO AN OVERALL INCREASE OF 15,4% IN THE VALUE OF LTI AWARDS.

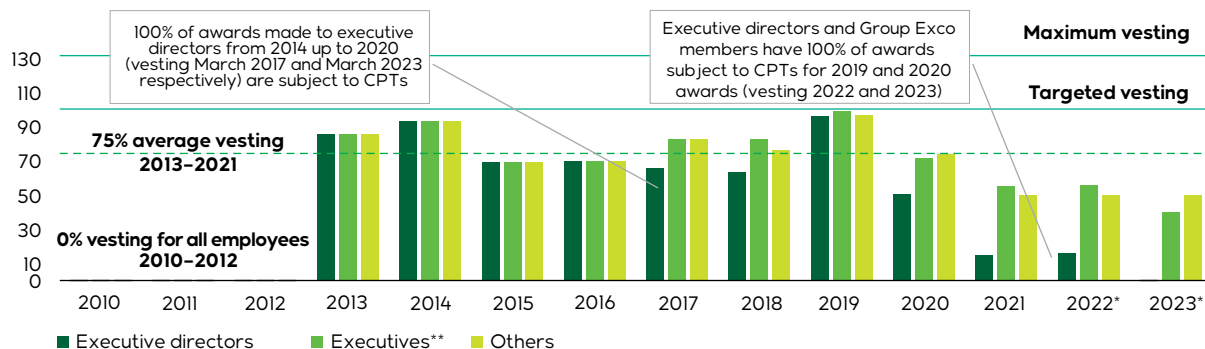
NON-EXECUTIVE DIRECTOR FEES

3% INCREASE
RECOMMENDED
FOR SHAREHOLDER
APPROVAL, EFFECTIVE
JULY 2021 (0%: 2020)

LONG-TERM INCENTIVE

Due to the low achievement against the corporate performance targets attached to the LTI awards, only 15% of the 2018 LTI awards to executive directors will vest in 2021. The impact of this is evident in the single-figure remuneration outcomes of executive directors and prescribed officers set out in the Implementation Report. Furthermore, based on current forecasts, only 16% of the 2019 awards to Group Exco members are estimated to vest in 2022 and 0% of the 2020 awards will vest in 2023 (see below).

LTI VESTING (%)



* These are only estimates for future vesting in 2022 and 2023.

** Includes Group Exco members (other than executive directors) for awards vesting in 2021. Relevant for Cluster Executives only for 2022 and 2023.

Consistent with our remuneration policy, the Remco is of the opinion that the in-flight LTI awards must run their course. Although correct in our view, this approach does create motivational and talent retention risks to the Nedbank Group. These matters, combined with the expected ongoing pandemic-related health risks and economic uncertainties, were carefully considered by the Remco in approving the following measures:

- LTI and deferred STI (DSTI) awards over and above the regular allocations were approved on a highly selective basis to critical and scarce talent. This resulted in LTI awards of R146,7m to 101 employees over and above the normal annual allocation, at face value, and 52 DSTI awards amounting to R34m. Participants in these LTI awards were notified during the financial year that such additional awards would be issued to them during March 2021, together with the regular annual issuance. It was also determined that such allocations will carry the same CPTs and weightings as the annual issuance, which have now been finalised. These additional awards increased the LTI allocations of the group by 15,4% over the regular allocation.
- The CPTs and weightings for the 2021 award were reviewed. After lengthy consideration, the Remco believes that completely rigid projections of targets cannot be responsibly set when economic forecasting risk remains so high in the short to medium term. In this environment, fixed targets have the risk of being materially over- or undershot. ROE and DHEPS will however be maintained as the key financial performance measures with the following revisions:
 - » Vesting against the ROE CPT will be tested in the final year of the three-year vesting period, based on the performance of that year alone. The target for 100% vesting aligns with the medium-term goal of a recovery of ROE to 2019 levels of 15% by 2023. The Remco will retain the right to amend the vesting outcome, should there be a material windfall gain or loss resulting from unforeseen accounting effects or should COE in the final year be significantly different from what is currently projected. Importantly, we have deviated from the usual approach of setting an ROE target relative to COE. This was done with the express objective to create a straightforward target that is easy to convey across the organisation.

» The DHEPS CPT will be determined as a three-year cumulative target. The annual DHEPS targets will be reviewed by the Remco at the commencement of the second and final year of vesting to take into account any significant unforeseen changes in macroeconomic variables. The cumulative target for 100% vesting is aligned with a level commensurate with the medium-term goal of a recovery to 2019 levels.

- Achieving the maximum stretch of both the ROE and DHEPS targets will result in a vesting outcome of 200%, an increase from 130% to align with the peer group.
- The efficiency ratio has been replaced with four 'business recovery' metrics to emphasise the importance of maintaining balance sheet resilience and of navigating a recovery towards achievement of our targets over the medium term. These four metrics will each be rated at the end of the three-year measurement period on a scale from 1 to 5. Maximum vesting, at an overall level of 5 in 2023 on these metrics, will be limited to 100%. To achieve 100% vesting, the Remco would need to be satisfied that the group has made substantial progress over the three-year period in the following areas:
 - » Capital adequacy within board-approved ranges
 - » Liquidity within board-approved ranges
 - » SPT 2.0 according to board-approved plans
 - » TOM 2.0 according to board-approved plans
- In recent years, the proportion of LTI awards to Group Exco members that carry performance conditions has gradually increased to 100%. From 2014, 100% of awards to executive directors have been subject to performance conditions. Similarly, in March 2019 the percentage of awards to all other Group Exco members was increased from 60% to 100%. On careful consideration of the current environment and likely future uncertainty, the Remco has decided that, for the 2021 LTI award to Group Exco members, 20% of the award will not carry performance conditions.

- The following CPT weightings will apply for the 2021 issuance, which will be reviewed again in 2022 for future issuances:

CPT weightings	Group Exco members %	Cluster Exco members %	All other Nedbank LTI participants %
ROE (including goodwill) by 2023	30	20	20
DHEPS, cumulative over 2021 to 2023	30	20	20
Business recovery metrics	20	20	10
% award with performance conditions	80	60	50
% award without performance conditions	20	40	50
Total	100	100	100

- The Matched Share Scheme (MSS) is operated under our approved LTI plan, whereby 50% of all STI awards above the deferral threshold of R1m is compulsorily deferred into shares on a post-tax basis and is subject to *malus* and clawback. Employees may also voluntarily defer up to a maximum of 50% of their post-tax STI under the voluntary bonus share scheme. Participants are offered a share-matching arrangement of up to a one-for-one basis after three years, provided that they are still in service and the matching performance condition is met. For 2021, for all employee levels, 50% of the match will be contingent on the matching condition. This was previously 100% for Group Exco members, and 50% for other employee levels. The matching performance condition will be reset to ROE ≥ COE (previously ROE ≥ COE + 1%), which aligns with a recovery to 2019 levels, and matching will be tested in the final year of vesting.

The Remco believes these changes to the CPTs and weightings will help ensure that the LTI plan will have legitimacy and the desired effect of motivating and retaining executives and employees while at the same time requiring a strong recovery for full vesting. It also recognises that there are macroeconomic risks and opportunities largely outside our control.

The Group Exco members continue to build their shareholdings as indicated in the implementation report and they are all in compliance with minimum shareholding requirements.

ADDITIONAL FOCUS AREAS

In addition to the primary matters raised above and the standard requirements of the Group Remco Charter, the following areas received additional attention from the Remco during the year:

- We reviewed the findings of the annual external independent review of the Remuneration Policy and its implementation, carried out by PricewaterhouseCoopers (PwC). The findings remain positive, providing comfort that our remuneration practices have been implemented in accordance with the policy in all material respects and that the policy is aligned with applicable legislation, regulations and governance codes.
- Ensured oversight of fair pay outcomes. The Remco was satisfied with the outcome of this year's annual analytical exercise for 2020, which demonstrated that, while some variances had been identified for remedial action, pay differentials were justifiable and not attributable to gender or race bias. In line with the People Strategy, management has increased efforts to ensure the 'check and challenge' practice matures to remove any potential for bias from the performance management process.
- Reviewed the annual reports of the Chief Risk Officer (CRO) and Group Internal Audit (GIA) which were also approved by the Group Risk and Capital Management Committee (GRCMC) which provide input as to whether the financial and strategic outcomes of the 2020 STI and the 2018 to 2020 LTI schemes have been achieved in a sustainable and risk-appropriate manner. The

Group Remco was satisfied that appropriate consideration was given to these inputs and that there were no issues to warrant the implementation of *malus* or clawback.

The Group Remco also spent time on the following standard charter requirements:

- Received external training on global remuneration trends as part of the annual education agenda.
- Approved the overall remuneration spend for all employees.
- Approved the performance outcomes of the 2020 annual goal commitment contracts (GCCs) of the Group Exco members as well as the 2021 GCCs of the Group Exco members, taking due cognisance of the extraordinary circumstances.
- Reviewed the remuneration proposals for the Chief Executive (CE) and Group Exco members and recommended these to the board for approval.
- Reviewed benchmark remuneration data from Mercer, PwC Remchannel and published data from the financial and telecoms sectors that are considered our peer groups for maintaining competitive remuneration.
- Approved individual remuneration recommendations of employees in the risk, control and compliance functions (which includes GIA), as well as ensured that their remuneration was independently reviewed and is adequate to attract qualified and suitably experienced employees while seeking to ensure that they were remunerated in a manner that was appropriately independent of the business they oversaw, and commensurate with the function that they fulfilled.
- Approved all STI and LTI awards over 200% (150% in the case of risk, control and compliance functions) and 100% of the guaranteed package (GP) respectively.
- Reviewed the single-figure remuneration outcomes of the executive directors and prescribed officers. The year-on-year decrease in the single-figure remuneration outcomes can be attributed in the main to non-achievement of the CPTs and a lower share price.
- Reviewed employee benefits to ensure they are competitive and prudently managed.

NON-BINDING VOTES ON REMUNERATION POLICY AND IMPLEMENTATION

The 2020 Remuneration Policy and implementation report received a positive vote at the 2020 AGM of 97,74% and 98,40% respectively (2019: 98,45% and 99,07% respectively).

DISCRETION

Our remuneration arrangements are not driven by a fixed formulaic approach to the determination of STI and LTI pools and individual awards.

FUTURE FOCUS AREAS

We have entered 2021 in a position of strength and stability, well capitalised and well positioned to support the real economy in this environment of heightened uncertainty while complying with the prescribed prudential requirements. The pandemic will continue to impact the global and local economy for some time, but as the group has pivoted its strategy, I believe we are well placed to respond to the conditions facing us.

Looking forward, the Group Remco's focus areas will be the following:

- Ensuring the Remuneration Policy and resultant outcomes support our strategic objectives and that these are appropriate to the changing environment.
- Reviewing annually the LTI CPTs, vesting ranges, and weightings between performance and time vesting.
- Monitoring changing regulatory interventions as a result of Covid-19.
- Maintaining continued dialogue with shareholders with the aim of ensuring the relevance and appropriateness of the Remuneration Policy.
- Ensuring that remuneration is implemented in accordance with the Remuneration Policy.
- Ensuring that the requirements of the charter continue to be fulfilled.

GUARANTEED PACKAGE INCREASES IN 2021

The overall budget for GP increases for Group and Cluster Exco and non-bargaining-unit employees was limited to 3% in the 2021 annual pay review. GP increases of 4% for employees at the bargaining-unit level, effective April 2021, have been agreed with Sasbo.

GROUP REMCO COMPOSITION

The Group Remco met eight times in the year (six meetings and two workshops). The majority of the members are independent non-executive directors, including the Chair:

Name	Directorship status	Current membership
Hubert Brody	Independent non-executive director	Chair of Group Remco
Neo Dongwana	Independent non-executive director	Current member
Mpho Makwana*	Lead Independent non-executive director	Current member
Stanley Subramoney**	Non-executive director	Current member

* Also Chair of the Group Transformation, Social and Ethics Committee and appointed acting Chair of the Board on 22 January 2021.

** Also Chair of the Group Audit Committee, appointed from 1 March 2020.

The Group Chairman, CE, Chief Operating Officer, Chief Financial Officer and Group Executive for Human Resources are permanent invitees but are not present in discussions regarding their own remuneration.

There were no material issues identified in the 2020 internal evaluation of the committee, which was undertaken to evaluate the committee's effectiveness against the objectives of its charter.

The Group Remco received remuneration consulting advice from Vasdex Consultants and is satisfied that they acted independently and objectively.

I wish to express my sincere appreciation for the support and wisdom received from each of the members of the Remco, the executive leadership and human resources function of Nedbank over the very difficult year behind us.



Hubert Brody

Chair: Group Remco

Nedbank has been highly resilient through the Covid-19 pandemic and successfully pivoted its immediate strategic focus, business operations and risk strategy in light of the significant risks in this unprecedented environment, to primarily focus on the health and safety of our employees, support and service of clients, proactively managing credit, operational, capital and liquidity risks, and ultimately ensuring Nedbank's business continuity.

Remuneration Policy

SCOPE OF THE POLICY

This policy has been approved by the board. It sets out how total remuneration must be managed in the group and is supported by detailed operating procedures and practices at cluster level.

The policy applies to all entities in Nedbank Group, including wholly owned subsidiaries and subsidiaries and joint ventures in which we have a majority interest, and excludes companies in which we have only a private-equity investment or a minority investment. The policy applies uniformly in all such jurisdictions, except where it conflicts with either local statutes or regulations, in which case such statutes or regulations will apply. Where an 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 ethical 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 employees, 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 distribution of individual remuneration awards to ensure equity and fairness (ethical outcomes) 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.

Fixed and variable remuneration is aimed at enabling the bank to remain competitive and encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration awards. 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 are committed to ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration, with the following arrangements:

- There is a dedicated and skilled remuneration committee to provide independent oversight and direction on remuneration, with clear roles and responsibilities set out in the committee's charter.
- There is crossmembership between the Group Remco and the Group Transformation, Social and Ethics Committee (GTSEC) so that regular and healthy interaction between these committees takes place with the aim of promoting an ethical culture.
- The Group Remco reviews the terms and conditions of service of all employee levels of the group.

- A robust remuneration system is implemented and maintained by management. This system includes the following:
 - » a comprehensive pay structure and earnings ranges;
 - » a clear and transparent process for matching remuneration data to market benchmarks;
 - » careful use of market benchmarks, not as absolute targets but to guide remuneration decisions;
 - » a performance management system that supports our talent management objectives and promotes positive individual and team contribution towards strategic objectives. One of the outcomes of the performance management system is to provide a basis for consistent remuneration decisions across the bank; and
 - » incentives schemes that are well designed, tested and include carefully selected CPTs with sufficient levels of stretch.
- Our stakeholders, specifically shareholders and employees, have opportunities to engage on remuneration matters. Proactive shareholder engagement takes place before material changes to our Remuneration Policy are introduced. Employees are given an opportunity to engage with management on remuneration through membership of a recognised union and other channels.
- Remuneration information provided to our stakeholders is transparent, within the constraints of privacy legislation, and straightforward.

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 meet the requirements of King IV, regulations 39 and 43 of the Banks Act, 94 of 1990, as well as section 64C of the Banks Amendment Act, 3 of 2015. For group operations domiciled in the UK the provisions of the Prudential Regulatory Authority Remuneration Code apply.

An external independent review of the remuneration policy and its implementation is performed each year to obtain comfort that our remuneration practices have been implemented in accordance with the policy in all material respects and that the policy is aligned with aforementioned legislation, regulations and governance codes.

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.

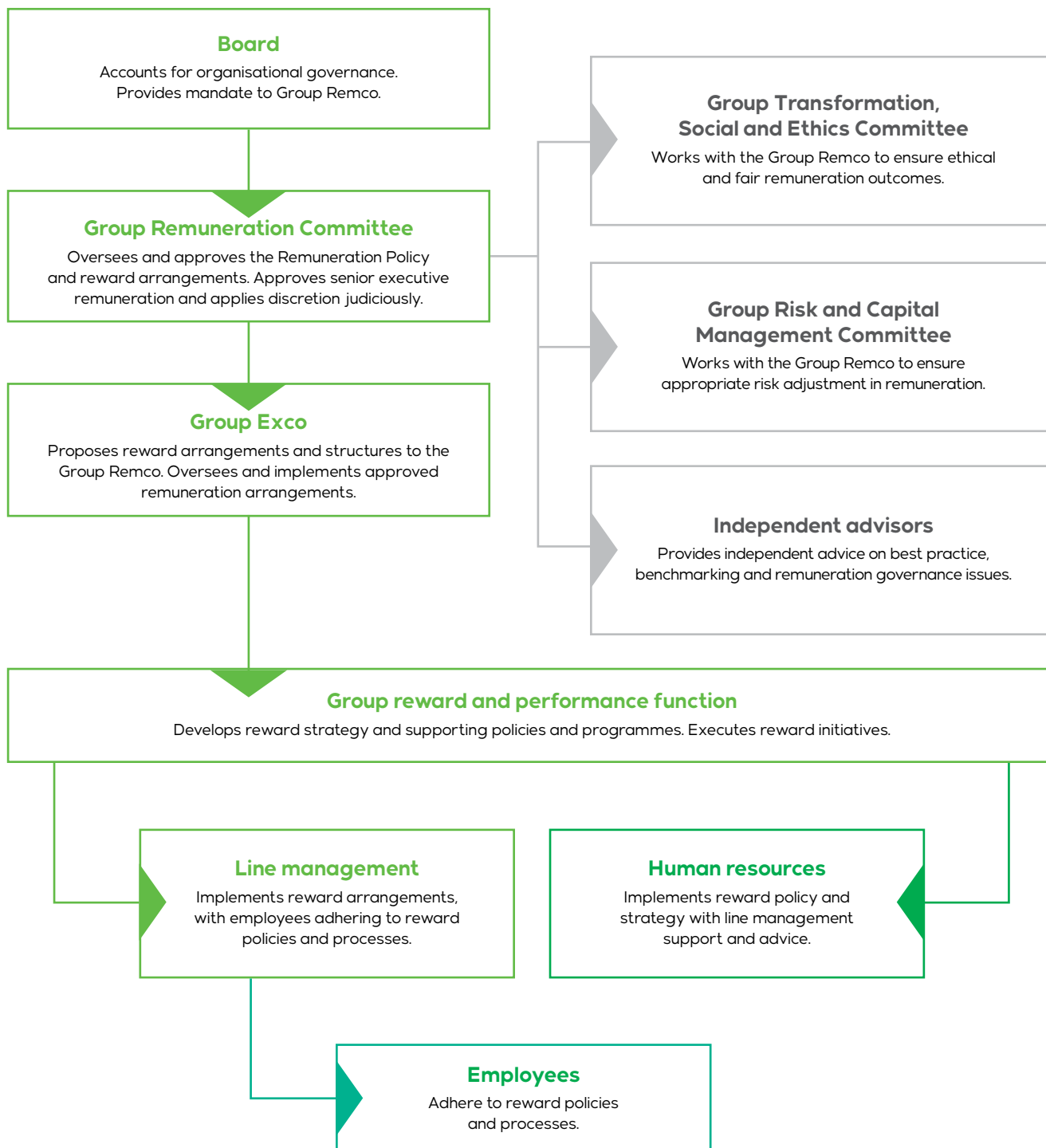
The Group Remco regularly conducts an evaluation of its effectiveness.

Independent advisors provide strategic input and advice on international and local best practice and benchmarking. The Group Remco is further supported by the group reward and performance function.

The Group Remco works closely with the GRCMC to ensure a comprehensive approach to risk and reward.

The Group Remco also publishes a comprehensive annual Remuneration Report as part of our overall governance requirements.

ROLES AND ACCOUNTABILITIES



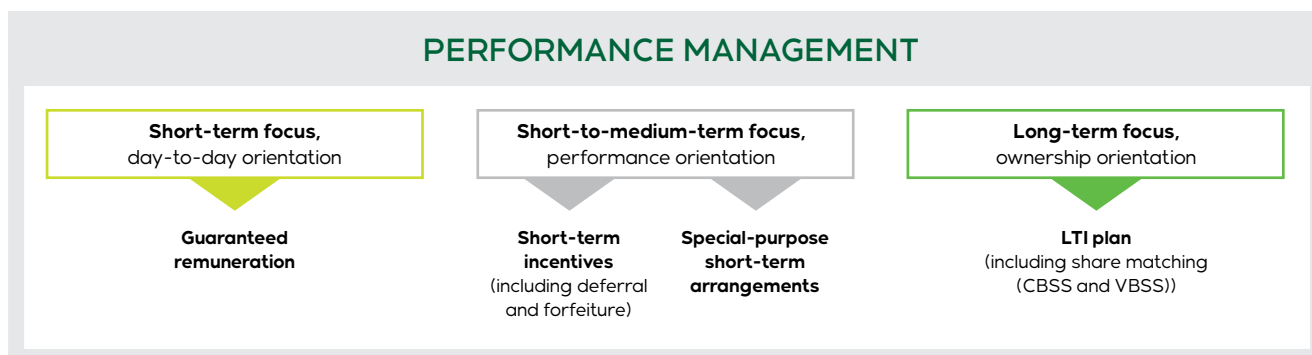
SHAREHOLDER ENGAGEMENT

Engagement with shareholders on the remuneration affairs of the group is an important governance requirement that the board actively endorses. Such shareholder engagement is seen as a necessary and ongoing effort that contributes to fair and responsible remuneration outcomes.

Specifically, if 25% or more of the voting rights exercised by shareholders at an AGM are against the Remuneration Policy or the implementation report or both, the board will engage with shareholders to address their concerns.

NEDBANK'S REMUNERATION FRAMEWORK

Our Remuneration Framework is made up as follows:



PERFORMANCE MANAGEMENT

The aim of our performance management approach 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 feature both financial and non-financial indicators, which are aligned with our strategic imperatives.
- Performance management is an ongoing process through regular conversations.
- 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 other things, of ensuring appropriate differentiation in remuneration based on contribution and performance.
- Individual performance outcomes are subjected to a 'check-and-challenge' practice before finalisation to help promote fair outcomes free of any conscious or unconscious bias.

The priorities of the performance management approach are to:

- ensure that transactional, transformational and values-based goals, as documented in the goal commitment contracts, are focused on and aligned with our strategic objectives;
- ensure feedback cycles are shorter with open and informal performance conversations that build on strengths, instead of only the formal reviews that merely measure and assign a rating for past performance; and
- develop our managers to become performance coaches able to hold forward-looking quality conversations that are integrated with learning and development opportunities and talent management 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-South African operations, this will take the form of a 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
- Motor vehicle benefits

A core principle under a GP approach is that changes to benefit contribution levels are cost-neutral to the group. This means that changes to benefit pricing results 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 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 level, performance, experience and market position are key determinants of the individual's progression within an earnings range.

Adjustments to guaranteed remuneration outside the annual review process are the exception 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.

Employee benefits are regularly reviewed to ensure they remain appropriate and are prudently managed.

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 South African employees are members of the Nedgroup Defined-contribution Pension and Provident Funds, which were transitioned into the Old Mutual SuperFunds (an umbrella fund) in 2015.

All executive directors and prescribed officers are members of the Nedgroup Defined-contribution Pension or Provident Fund. Contributions to the retirement funds form part of the GP.

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

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 in line with our strategy and within an agreed risk appetite and to encourage behaviour that is 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 rule, all STI plans are funded from our overall STI pool. Bespoke plans will therefore result in a drawdown from the pool. Where there is a specific dispensation to exclude a bespoke plan from the overall STI pool (usually in cases of low-guaranteed or 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 and conduct hazards.

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 based on performance, with the overall objective of exceptional reward for exceptional performance. Furthermore, employees performing below a minimum acceptable level are typically not eligible for consideration for an STI award.

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 the Group Remco from time to time, which has been effective since 2010. Such deferrals may be subject to forfeiture at the discretion of the Group Remco. Where forfeiture applies, we will not retest conditions or extend the period over which shares must be held.

Any cash incentive paid and any deferred STI award made from 2016 already released from forfeiture is subject to clawback at the discretion of the Group Remco, 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 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

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

DEFERRAL OF SHORT-TERM INCENTIVES

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

R0 TO R1m



No compulsory deferral.

**COMPULSORY
STI DEFERRAL
> R1m**



Fifty percent of any STI amount in excess of R1m is deferred into the Compulsory Bonus Share Scheme, which is a subscheme of the MSS, over a period of 30 months, with releases from forfeiture occurring in three equal tranches at 6, 18 and 30 months from the date of the award. Deferral is on a post-tax basis.

**VOLUNTARY
BONUS SHARE
SCHEME**



Employees may select to defer a portion of their post-tax STI voluntarily into the Voluntary Bonus Share Scheme, which is a subscheme of the MSS, subject to the total deferral (including the compulsory deferral) not exceeding 50% of the total post-tax STI award.

LONG-TERM INCENTIVE PLAN – NEDBANK GROUP (2005) EMPLOYEE SHARE SCHEME

The group operates one LTI plan, the Nedbank Group (2005) Employee Share Scheme, which has been approved by our shareholders. Under this LTI plan, awards, in the form of matched awards and restricted-share awards, are made.

The number of ordinary shares available for purposes of the LTI plan is capped at 5% of the issued ordinary share capital.

Matched-share Scheme operated under the approved LTI plan

In terms of the approved LTI plan we may offer a share-matching arrangement (matched awards) up to a one-for-one basis on compulsory and voluntary STI deferrals. This allows employees to participate in both potential share price appreciation and the application of matching arrangements. The match is subject to the participant remaining in service on the vesting date and subject to the retention of the deferral in the plan for 36 months. The delivery of matched shares may be partially or wholly contingent upon the achievement of a specified matching performance condition.

The thresholds and matching performance conditions under the Compulsory and Voluntary Bonus Share Schemes are set out in the table below:

STI award	Matching performance condition for deferrals, measured in the final year of vesting	Match
Compulsory Bonus Share Scheme	ROE* ≥ COE**	50%
Deferral on a post-tax basis on 50% of any amount over RIm	In service on vesting date	50%
Voluntary Bonus Share Scheme	ROE* ≥ COE**	50%
No more than 50% of total post-tax STI (including any compulsory deferral)	In service on vesting date	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% before share price movement if the performance condition in the MSS is met.

Restricted-share plan

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

For our international and Africa Regions operations LTIs are made on a phantom basis, mirroring the Nedbank Group (2005) Employee Share Scheme in design and structure. The phantom scheme is also subject to *malus* and clawback provisions similar to those of the Nedbank 2005 scheme. Such arrangements have been implemented to ensure that operations outside SA can also participate in LTI arrangements linked to the group's share price performance, and thereby 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:

- The need to retain key individuals in driving the business strategy
- Talent management 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 restricted-share award arrangements (including phantom restricted share awards):

- Awards 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 subject to CPTs may lapse in full or in part if the conditions are not met. Where awards lapse because of non-fulfilment of the CPTs, the CPTs will not be retested and targets will not be adjusted.
- Awards are subject to vesting over a period of no less than three years from the date of the grant. Where awards lapse, no replacement compensation is issued.
- Employees may not take steps to hedge or otherwise insure themselves against potential losses in respect of their LTI participation before vesting.
- The pool available for allocation under our LTI arrangements is approved in advance by the Group Remco.
- The Group Remco assesses and confirms the CPT outcomes, ensuring that the interests of all stakeholders are appropriately considered.
- Awards from 2016 onwards are subject to *malus* and 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 (2005) Employee Share Scheme:
 - » gross misconduct;
 - » loss to the group due to failure to observe risk management policies; and
 - » presentation or publication of misleading or misstated financial results.
- On-appointment, restricted shares may be awarded at the discretion of the Group Remco to new senior managers and on an exceptional basis to employees who have been appointed to more senior positions and have been recommended for an allocation by the Group Exco.
- On-appointment allocations may take place typically 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).
- Restricted-share awards and matched awards are not, under any circumstances, backdated.
- No retrospective adjustments are made to performance conditions to mitigate the impact of weak performance.

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 employees and holders of scarce skills. These include sign-on awards and DSTI arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment. Sign-on awards are cash-based and 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 to previous employers. 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. Executive directors and prescribed officers are not eligible for DSTIs in the normal course.

We are cognisant of the regulatory concerns raised regarding so-called 'guaranteed variable remuneration' and the potential downside of such payments. A higher level of governance is therefore applied to the operation of the special-purpose short-term variable arrangements, even though they do not amount to guaranteed bonuses. In this regard a specified pool is approved by the Group Remco for each financial year for each of the arrangements. This pool is placed under the direct control of the CE and is subject to review by the Group Remco at each meeting.

EMPLOYEE OWNERSHIP PLANS

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 economy of the respective country. Participation in such plans, therefore, may be limited to certain employees based on demographic specifications. 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.

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.

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.

RISK AND REMUNERATION

We use a three-year budgeting, forecasting and planning process that is integrated with our strategic objectives, risk appetite and capital planning, enabling us to have a forward-looking view of the strategic, financial and risk-and-return 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) are aligned 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 the application of *malus* or clawback.

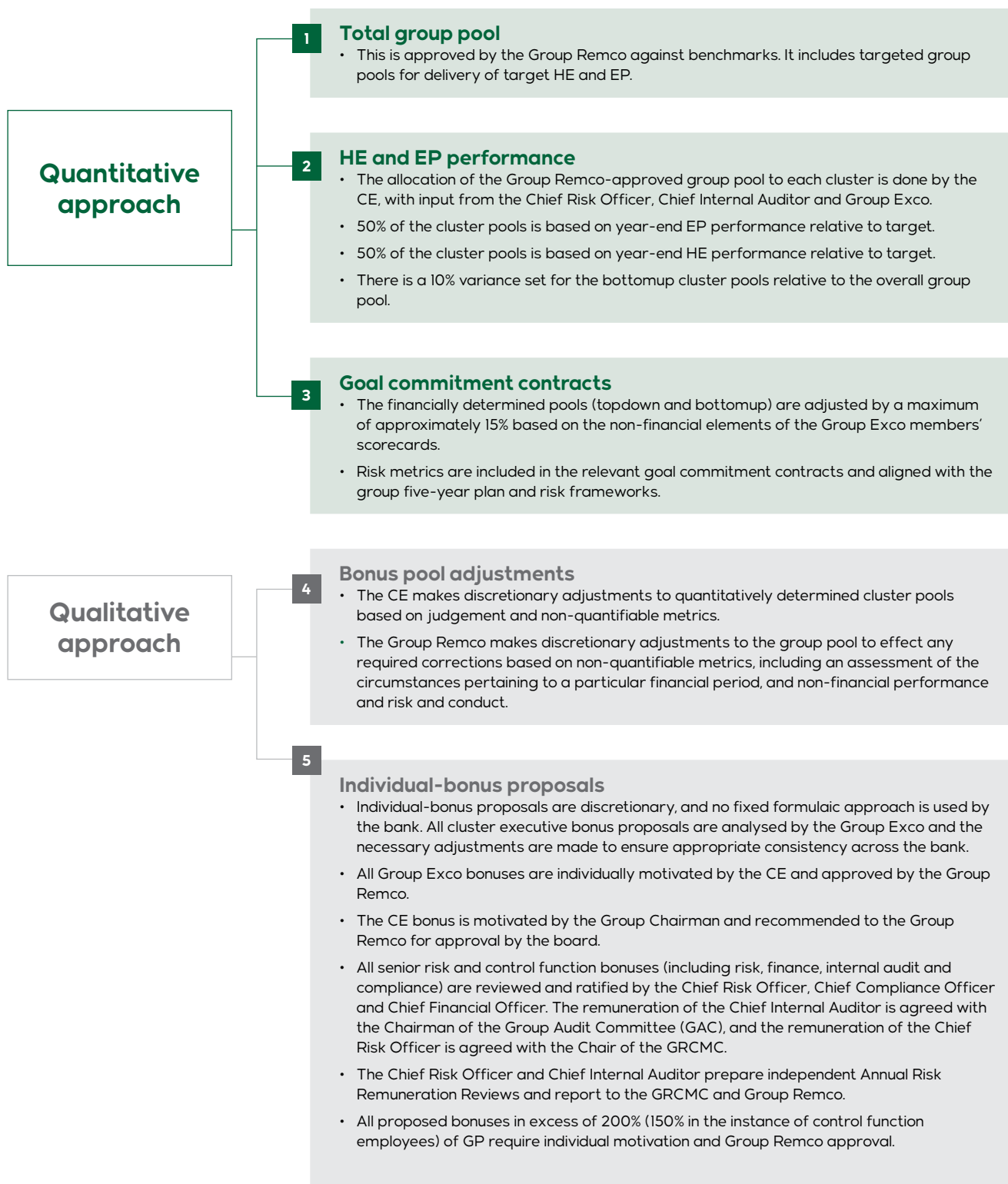
The STI scheme is designed to incentivise a combination of profitable returns, appropriate risk-taking and growth. It is driven by actual economic profit (EP) and headline earnings performance versus targets, using risk-based capital allocation as set out in the Risk and Balance Sheet Review, available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

There is cooperation between the Group Remco and the GRCMC to ensure the overall risk environment is considered when making remuneration decisions, with formal discussion between the Group Remco Chair and the GRCMC Chair of the risk aspects of remuneration taking place. 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 delivery on our strategic objectives. Risk is considered in the remuneration process by including *ex ante* or 'before the fact' risk adjustments.

The Group Remco works with the Group Transformation, Social and Ethics Committee to ensure appropriate levels of oversight of the application of ethical principles resulting in fair and ethical remuneration outcomes.

Short-term incentive pool allocation process

As stated in the Chairman's report, our remuneration arrangements are not driven by a fixed formulaic approach. As is evident below, the Remco may make qualitative adjustments to the STI pool to effect any required corrections based on non-quantifiable metrics.

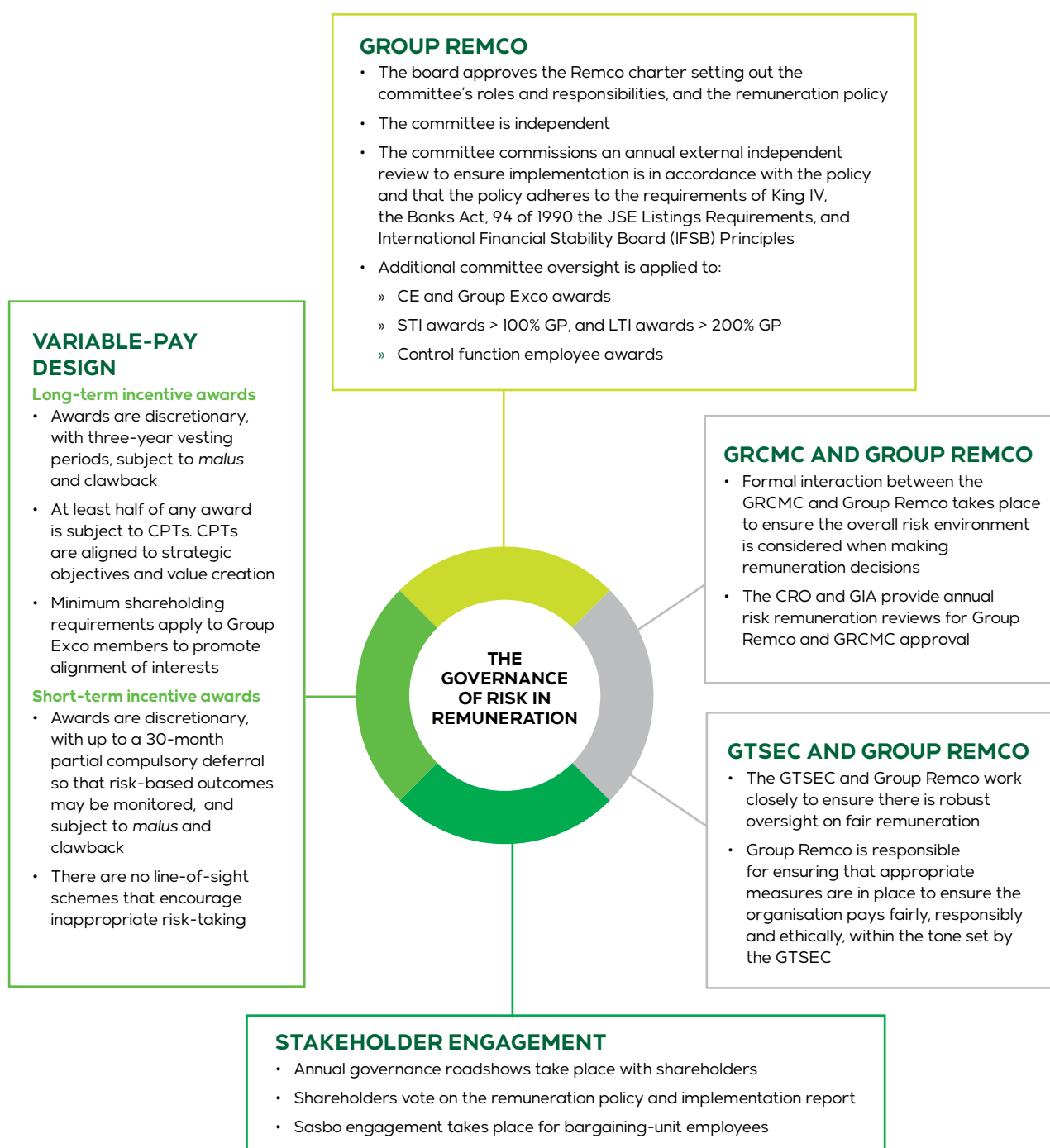


Employees in the following bespoke schemes are excluded from the STI distribution process:

- 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 externally 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.

After due consideration of the principles of substantive and procedural justice, the board has sole 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 sole 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.

Our approach to the governance of risk in remuneration is summarised below:



RECOGNITION PROGRAMME

The Nedbank Recognition programme is aligned with our Nedbank People Promise and enables all our employees to #BeTheDifference through contributions to our purpose to do good.

Employees who deliver performance excellence and role-model the desired behaviours are celebrated informally throughout the year by means of the award of virtual badges, as described below, and formally once a year with the prestigious annual Top Achievers international incentive trip:

Name of badge	Behaviour description
Purpose-led (our core People Promise theme)	Live our purpose and impact our world with passion. Being a force for good.
Service excellence	Always put clients first and deliver service excellence with purpose.
High performance	Make excellence a daily habit.
Growth and development	Be adaptable, flexible and open to new ways of being and doing.
Diversity and inclusion	Show up in every way, every day. Celebrate differences, put the team first and care for others.

The core principles of the recognition programme are as follows:

- Recognition should be ongoing, timely and spontaneous.
- Recognition should promote specific desired behaviours.
- Business units determine how recognition will be conducted in their area within specified guidelines.
- Any awards made under the recognition programme are compliant with the relevant tax legislation.

Working together with the performance management approach, the enhanced recognition programme enables a positive environment in which employees can contribute their best.

MINIMUM SHAREHOLDING REQUIREMENTS

As approved by the Group Remco in 2012, members of the 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 the 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

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.

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, other than the CE, have a standard six-month notice period, which is a requirement for all new appointments.

NON-EXECUTIVE DIRECTORS' 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 engage stakeholders and to make the necessary preparations for meetings and other engagements.

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

Each year, the fees are considered, and proposals are made by an independent committee comprising of the CE and Chief Financial Officer.

Implementation Report

Fair and responsible remuneration

Each year, remuneration differentials are thoroughly tested using a multivariable model that considers a wide range of admissible factors. Variances are identified for remedial action. Based on this exercise, the Remco is satisfied that pay differentials are justifiable and not attributable to gender or race bias.

Executive guaranteed package (GP) increases are set by reference to, among other things, the remuneration of the broader workforce, which is represented by Sasbo, the finance union in SA. Employees have a right to freedom of association and unions representing their interests. At 31 December 2020 a total of 64% of our employees were covered under the collective bargaining agreement with Sasbo.

There are also collective-bargaining arrangements in our subsidiaries in Lesotho, Namibia, eSwatini and Zimbabwe. Care is taken to ensure that salary increase settlements 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 unjustified pay differentials.

In addition to monetary reward, Nedbank provides lower-income employees and their dependants the following benefits to improve their skills and capacity, which should in time translate to higher net take-home pay and a higher-remuneration opportunity:

Nedbank study grants

Employees who earn less than R600 000 per annum qualify for this benefit, which provides a R10 000 once-off study grant for their children who have successfully completed the first year of study at a recognised tertiary institution. In 2020 Nedbank assisted 116 employees with grants to the value of R1 589 339. In 2019 Nedbank assisted 191 employees with grants to the value of R2 746 688.

The Dr Holsboer Education Fund

The fund provides qualifying applicants who earn a joint income between R100 000 and R400 000 per annum with a once-off grant for their children and legal dependants towards the costs of formal primary- and high-school education fees. In 2020 the fund paid out R4 133 020, assisting a total of 2 158 employees. In 2019 the fund paid out R4 134 126, assisting a total of 2 153 employees.

The Dr Holsboer Benefit Fund

The fund supports employees with medical-aid shortfalls. At the end of December 2020, the fund had assisted 936 employees to the value of R2 935 244. In 2019 the fund assisted 1 133 employees to the value of R3 976 176.

The Evergreen Trust

This scheme has 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.

In 2020 R1,8m (2019: R1,5m) was disbursed to support the learnership training in Business Administration and Core Banking (NQF 04), Core Banking and Financial Services (NQF 04) and Generic Management (NQF 05). There are currently 95 learners enrolled for 2020.

Guaranteed package increases in 2020

Following negotiations with Sasbo, the total GP of employees in the bargaining unit was increased by 6,3% effective from April 2020, compared with 4% for the non-bargaining-unit employees and 0% for executives at cluster and group level.

The minimum GP for permanent, full-time employees in SA was increased to R170 000 per annum in 2020, up from R160 000 in 2019, and is significantly higher than the minimum wage in SA.

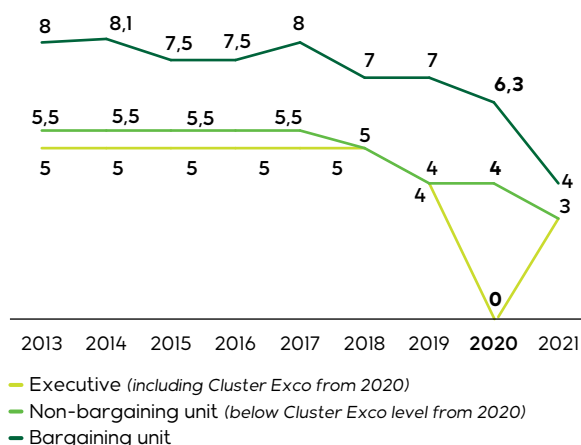
2021

Employees on Group Exco level and non-bargaining-unit employees will receive an increase in their total GP in the 2021 annual pay review averaging 3%. This compares to 4% for the bargaining unit. The minimum GP for permanent, full-time employees in SA was increased to R180 000 per annum in 2021, up from R170 000 in 2020, and remains significantly higher than the minimum wage in SA.

As shown in the graphic below, the GP increases of senior management remain lower than those of the bargaining unit. This has been a deliberate approach in an endeavour to reduce income inequality. This has the added effect of increasing the STI awards of the bargaining-unit members as variable pay is determined as a percentage of GP.

GUARANTEED REMUNERATION INCREASES

(%)



Variable remuneration

Short-term incentives

The total STIs approved by the Group Remco in respect of the 2020 financial year was R1 435m, compared with R2 028m in 2019. In accordance with its charter, the Group Remco also approved eight individual STI payments in excess of 200% of GP, compared with 14 in 2019. The STI awards to stockbrokers under the bespoke STI arrangement typically account for most of these awards, (six of the eight awards in 2020 and seven of the 14 awards in 2019) where guaranteed packages tend to be lower.

This year, the usual 'on-target' approach to building the group's STI pool was nullified in the pandemic environment as the annual targets set at the beginning of the year were not achievable and misaligned with changed priorities. As mentioned in the Chairman's report, this year the Remco has applied a holistic assessment of performance that included non-quantifiable aspects and emphasised resilience-based factors that became our short-term strategic priority. This 'performance assessment' is detailed below and has resulted in an outcome that has exceeded expectations on many of the resilience-based elements of performance while shareholder-related factors were disappointing, and below expectations.

PERFORMANCE ASSESSMENT

Considering resilience factors in the face of Covid-19

Operational performance

- Achieved good operating performance, providing uninterrupted service to clients, including IT system uptime at multi-year highs (99,6%); tailored alternative work processes (business continuity plans) invoked for the various lockdown phases; and experienced no cybersecurity breaches occurred
- Delivered market-leading technology and digital innovations and increased digital sales to 49% of total sales (2019: 21%)
- Maintained strong balance sheet metrics, all well above regulatory minima, including LCR of 126% (80% minima), NSFR of 113% (100% minima) and CET1 10,9% (7,5% regulatory minima and an improvement from June 2020 of 10,6%)
- Achieved excellent cost management resulting in reduction in discretionary costs of 9% in 2020
- Delivered sound risk management

Employees

- Maintained a highly responsive focus on the health and safety of employees
- Responsible treatment of employee redundancies in the face the pandemic and of changes to the operating model. A total of 234 employees were successfully redeployed
- Invested R924m (2019: R760m) in employee skills development
- Supported a hybrid physical and digital workplace with more than 75% of South African campus employees enabled to work from home
- Improved financial well-being, and mental and physical health initiatives with the support of digital platforms
- Updated leave policy categories to allow employees more flexibility for Covid-19-induced changes such as home schooling and to reaffirm the purpose of leave as 'a rest and paid time off' benefit
- Developed the new Human-centred Leadership Framework

Clients

- Focused on the health and safety of our clients
- Increased the capacity of clients to bank remotely – actively educated and enabled clients to bank through our mobile and web channels
- Support for clients included payment holidays on R121bn of loans to more than 400 000 qualifying clients
- Reduced card repayment fees, support of credit life insurance claims, and processed readvances and drawdowns on existing facilities
- Paid out R1,3bn from the SARB R100bn SME Loan Guarantee Scheme
- Achieved excellent client satisfaction outcomes, with an ongoing upward trajectory and now rated the number 2 South African bank on both Consulta NPS and SAcSI surveys

Community

- Enabled employees and clients to contribute to the Solidarity Fund through our banking apps, online and internet banking: R160m
- One of four banks to administer the R1bn SA Future Trust (R300m paid)
- Donated more than R16m to Covid-19 relief efforts including to the Red Cross Society of SA
- Participated in numerous health and economic interventions through BASA, BLSA and Busa/Business4SA
- As part of our commitment to the #PayIn30 Campaign to support SME suppliers, paid out 92% of the total amount to 1 747 SMEs in 30 days from receipt of their invoices

Shareholders

- A 56,5% decline in 2020 headline earnings over 2019
- Had a disappointing share price performance: share price declined by 40% in 2020 compared to the bank index at 22%
- Based on our current forecasts the group expects to resume dividend payments when reporting interim results in 2021. Despite our strong capital and liquidity position, having considered the spirit of Prudential Authority Guidance Notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, the group has decided not to declare a final dividend for 2020
- There has been positive and ongoing engagement with shareholders and the investment community during the crisis

Exceeded expectations

Met expectations

Below expectations



Special-purpose short-term variable remuneration

Scheme type	Number of awards
Sign-on bonus	25 awards (2019: 36) totalling R8,8m (2019: R30m). Included in this are awards made on appointment to key revenue-generating employees.
DSTI awards	74 awards (2019: 32) totalling R64,7m (2019: R53,5m). Included in this are awards made to key revenue-generating employees.

Scheme governance is set out in the Remuneration Policy.

Long-term incentives

A limit of 24 905 446 shares for purposes of the LTI plan, representing 5% of the issued ordinary share capital at 1 January 2018, was approved by shareholders at the 10 May 2018 AGM. At 31 December 2020, 8 871 832 shares were used against this limit.

Share option scheme

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

Restricted-share plan

A key consideration regarding the appropriateness of our LTI scheme is the continued application of appropriate CPTs on a substantial portion of the 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. For all Group Exco members who were not executive directors this percentage was increased from 60% to 100% in March 2019. From 2014 onwards 100% of awards to executive directors have been subject to performance conditions. For Cluster Exco members this percentage is 60%. For 2021 awards, 80% of the LTI awards to Group Exco members will be subject to performance conditions.

For 2021 awards the cost-to-income ratio will be replaced by 'business recovery' metrics to emphasise the importance of maintaining balance sheet resilience and of navigating a recovery towards achievement of our targets over the medium term. Maximum vesting in 2023 on the business recovery metrics is limited to 100%. Achieving the maximum stretch on both the ROE and DHEPS targets will result in a vesting outcome of 200%.

The performance conditions and weightings for awards made in 2021

CPT	CPT weightings		
	Group Exco members %	Cluster Exco members %	All other Nedbank LTI participants %
ROE (including goodwill) in 2023	30	20	20
DHEPS, cumulative over 2021 to 2023	30	20	20
Business recovery metrics	20	20	10
Total	80	60	50
% award with performance conditions	80	60	50
% award without performance conditions	20	40	50
Total	100	100	100

The vesting ratios and targets for awards made in 2021

ROE and DHEPS	Vesting = 0%	Vesting = 100%	Vesting = 200%
ROE (including goodwill) in 2023**	ROE (including goodwill) = 13%	ROE (including goodwill) = 15%	ROE (including goodwill) = 17%
DHEPS, cumulative over 2021 to 2023***	5 750c	6 750c	7 750c

* Straight-line vesting applies between the points in the above table.

** ROE will be tested in the final year of the three year vesting period. The vesting outcome will be subject to Remco discretion, should there be a material windfall gain or loss resulting from any unforeseen accounting effects or should COE in the final year be significantly different to what is currently projected.

*** Vesting against the DHEPS target will be based on achievement against a three-year cumulative target for the three financial years ending 31 December 2023. The annual DHEPS targets and therefore cumulative DHEPS target will be reviewed at the Remco's discretion at the commencement of the second and final year of vesting, to take into account any significant unforeseen changes in macroeconomic variables. The cumulative target for 100% vesting is aligned to a level somewhat above the medium-term goal of a recovery to 2019 levels.

Business recovery

To achieve the maximum vesting in 2023, which is limited to 100% for this group of CPTs, the Remco would need to be satisfied that the group has made substantial progress over the three-year period in the following areas:

- Capital adequacy within board-approved ranges
- Liquidity within board-approved ranges
- SPT 2.0 per board-approved plans
- TOM 2.0 per board-approved plans

These four metrics will each be rated at the end of the three-year vesting period on a scale from one to five.

The performance conditions and weightings for awards made in 2020

LTI performance condition	Group Exco members %	Cluster Exco members %	All other Nedbank LTI participants %
ROE vs COE	40	20	20
DHEPS growth target	40	20	20
Efficiency ratio	20	20	10
Total	100	60	50
% of award issued with performance conditions	100	60	50
% of award issued without performance conditions	–	40	50
Total	100	100	100

Vesting ratios and targets for awards made in 2020

LTI performance condition	Vesting = 0%	Vesting = 100%	Vesting = 130%
Simple-average ROE for 2020 to 2022	ROE = COE	ROE = COE + 3%	ROE = COE + 5%
	Straight-line vesting will apply between the points in the above table		
DHEPS CAGR* for 2020 to 2022**	DHEPS growth = CPI + GDP	DHEPS growth = CPI + GDP + 5%	DHEPS growth = CPI + GDP + 8%
	Straight-line vesting will apply between the points in the above table		
Efficiency ratio***	56%	53%	50%
	Straight-line vesting will apply between the points in the above table		

* CAGR: compound annual growth rate.

** CPI and GDP for SA only. This will be reviewed and appropriately adjusted in the event of material acquisitions outside SA.

*** Efficiency ratio (including associate income) will be calculated as the cost-to-income ratio for the financial year before the vesting date (ie FY2022 year-end cost-to-income ratio for awards in 2020 vesting in 2023).

MINIMUM SHAREHOLDING REQUIREMENTS

The 31 March 2021 minimum shareholding requirements of the affected Group Exco members have all been met, as indicated below:

	Minimum shareholding requirement, as a multiple of GP	Actual requirement, as a multiple of GP
Mike Brown	2	16,3
Mfundo Nkuhlu	1,5	2
Ciko Thomas	1,5	1,5
Iolanda Ruggiero	1,5	5,3
Trevor Adams	1	2,4
Fred Swanepoel	1	3,4
Priya Naidoo	1	5,4

The following Group Exco members are still within their qualifying period from their appointment date to meet their minimum shareholding requirement: Anél Bosman, Mike Davis, Deb Fuller, Anna Isaacs, Khensani Nobanda, and Dr Terence Sibiyi.

NEDBANK EYETHU EMPLOYEE SCHEMES

We implemented our black economic empowerment employee schemes in August 2005. The remaining shares in these schemes will be used for the benefit of black people and funding of social and economic development initiatives, including the YES and other similar initiatives.

OTHER EMPLOYEE OWNERSHIP/EMPOWERMENT SCHEMES

Set out below are the ownership or empowerment schemes approved in our Africa Regions operations:

Nedbank operation	Ownership/Empowerment scheme	Scheme details
Namibia	Ofifiya Black Management Scheme	The purpose of the scheme is 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 in March 2020 and paid on 20 April 2020.
eSwatini	Sinakekelwe Management Scheme	The purpose of the scheme is to align the interests of Nedbank and the beneficiaries to attract, retain and reward a skilled, high-performing workforce. Vesting period: Three years. A cash dividend was declared in May 2020 and paid on 22 June 2020. The final vesting of shares took place during May 2020. Final payments took place on 22 June 2020. The scheme has been terminated.

RETIREMENT SCHEMES

Set out below are the details of the current South African funds and the number of members at 31 December 2020:

Retirement fund	Number of active members
Defined-contribution Pension Fund	9 237
Defined-contribution Provident Fund	15 448
Nedgroup Defined-benefit Pension Fund ¹	106

¹ Has an actuarial surplus and remains a standalone fund.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The managing executives of the four frontline, income-generating clusters are included in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers. The performance for 2020 of the CE and other executive directors and prescribed officers is outlined below:

MIKE BROWN Chief Executive (Performance outcome: Exceeding)

+ Value creation ● Value preservation - Value erosion

Financial performance +

- HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues. Expenses well managed. Balance sheet metrics became a key focus under the Resilience strategy from Q2 2020, and remained strong, with less focus on profitability other than as a buffer against capital.
- Realised R1,8bn of cumulative TOM 1.0 savings and started implementation of TOM 2.0 to unlock R2,5bn of value over the next three years.

Resilience ●

- Implemented various actions to ensure the health and safety of our employees and clients.
- Supported clients, including through payment holidays on R121bn of loans.
- Maintained IT system uptime at multi-year highs (world-class levels) and sound cybersecurity.
- Capital and liquidity metrics within board-approved target ranges.

Strategy +

- Ensured great client satisfaction rating outcomes (SA's no 2-ranked bank on NPS and SAcSi).
- Maintained main-banked clients' market share in RBB at 11,2% (Consulta) and gained 37 primary transactional account wins in CIB. Lost some household deposit market share largely as a result of

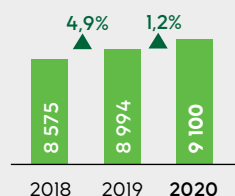
aggressive competitor pricing and gained commercial transactional deposits market share. Small gains in retail advances market share in all categories except for card.

- Launched various market-leading digital innovations (such as Avo), while all digital metrics increased by double digits.
- ME technology strategy materially complete at 78%.
- Improved Nedbank's brand ranking in SA from number 11 in 2019 to number eight.

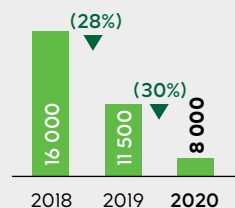
Environmental, social and governance +

- Continued to drive Nedbank's overall leadership in climate-change-related matters.
- Increased employee NPS from 7 to 17.
- Reduced headcount by 1 079, mostly through natural attrition, and limited retrenchments of only 18 employees.
- Achieved female employees as percentage of total employees at 61% and black employees at 79%.
- Maintained level 1 BBBEE under the Amended FSC codes.
- Ensured seamless Group Exco succession (CFO, CIB and NAR Exco positions).
- Worked with government, the banking industry, business and labour to find solutions to counter the negative impact of Covid-19 on the economy and maintain safety and soundness of the banking system.
- Voted by peers as Sunday Times Business Leader of the Year in 2020.

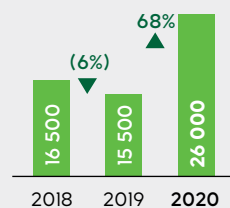
GUARANTEED REMUNERATION
(R000)



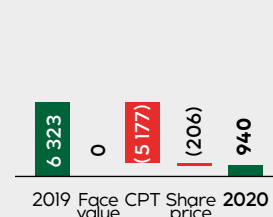
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



Financial performance -

- HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues due to Covid-19.
- Expenses well managed and maintained strong balance sheet metrics, including solvency, liquidity and levels of provisioning.

Resilience ●

- Seamless transition into the CFO role.
- Implemented actions to ensure the health and safety of our employees and clients.
- As executive responsible for balance sheet management, managed liquidity and capital very well with all metrics within board targets and above regulatory minima and improved on HI 2020.
- Enhanced disclosures and communication to shareholders, particularly around credit risk, and addressed various critical stakeholder concerns. Achieved the 2020 guidance provided as part of the group's interim results.

Strategy +

- Good cost management, unlocking efficiencies and benefits from digitisation, headcount optimisation, improved office space utilisation and procurement.

- Optimal execution of liquidity risk and capital management strategies.
- Taxation risk well managed.

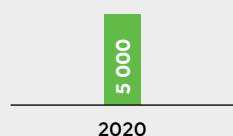
Environmental, social and governance +

- Climate-change-related resolutions received 100% votes of approval at the 53rd Nedbank Group AGM and as Exco owner of SDG 7, ensured good progress on renewable-energy solutions, including first green Tier 2 capital instrument issued in SA.
- Ensured the achievement of sustainability efficiencies through a reduction in electricity consumption, water reduction, a decrease in landfill and an increase in recycling.
- 10 of all Nedbank buildings are Green Star-rated.
- 79% of procurement spend used to support local South African business and to support the cashflow needs of small businesses: #PayIn30 Campaign (92% of Nedbank's SME suppliers were paid within 30 days).
- Maintained robust and efficient tax compliance and incurred no penalties or interest charges.
- Received multiple prestigious industry awards in recognition of Nedbank's high standards of financial reporting and communication.
- Obtained good AGM outcomes and maintained ESG ratings in the top tier of the peer group, both locally and internationally.

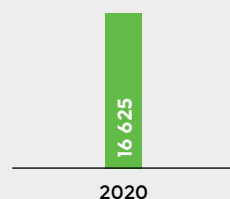
GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



GP from 1 October 2020 when appointed as a prescribed officer.

Financial performance -

HE of R5,4bn down by 56,5% and ROE of 6,2% impacted by higher impairments and lower revenues. Expenses well managed.

Resilience ●

- Implemented actions to ensure the health and safety of our employees.
- Activated BCPs, tailored for various lockdown phases.
- Maintained IT system uptime at multi-year highs (world-class levels) and sound cybersecurity.
- As ETI boardmember, ensured ETI's liquidity and capital levels remain above regulatory minima.
- Nedbank representative responsible for active industry/regulatory engagement during Covid-19.

Strategy +

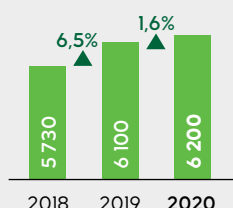
- Oversaw key IT implementations as we progressed our ME programme to 78% completion with foundational elements 95% complete.
- Oversaw the launch of various market-leading digital innovations (such as Avo), while all digital metrics increased by double digits.

- COO function well managed and continued to deliver improvements in operational excellence and collaboration.
- Delivered additional TOM cost savings of R675m (cumulative R1,8bn to 2020). Developed actions for R2,5bn of value to be unlocked from TOM 2.0.
- Improved Nedbank's brand ranking in SA from number 11 in 2019 to number eight.
- As Nedbank representative, an active participant as chair of the ETI risk committee.

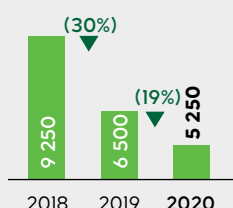
Environmental, social and governance +

- Maintained level 1 BBBEE in transformation under the Amended FSC codes.
- Increased employee NPS from 7 to 17 and implemented various HR changes relevant in the new normal.
- Continued participation and leadership on BASA forums, including chair of the BASA Exco, and steered industry recommendations to the BASA Board on the response to Covid-19 and related credit stress and payment solutions.
- Completed seamless transition of NAR Exco position.
- Provided leadership/oversight of market conduct in Nedbank to ensure appropriate client outcomes.

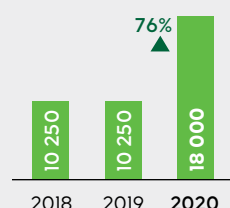
GUARANTEED REMUNERATION
(R000)



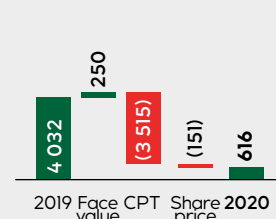
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



ANÉL BOSMAN Managing Executive: CIB (Performance outcome: Exceeding)

+ Value creation ● Value preservation - Value erosion

Financial performance -

HE in CIB declined by 41,0% to R3,6bn and delivered an ROE of 9,4%. HE was primarily impacted by an increase in impairments and slower revenue growth due to Covid-19. Trading income growth was strong with improved rankings in the 2020 Financial Mail 'Ranking the Analysts Awards' with 15 total awards.

Resilience ●

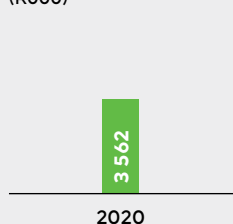
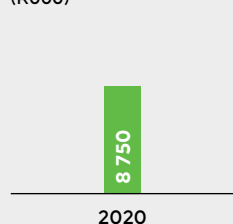
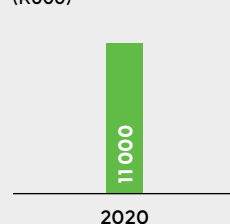
- Implemented actions to ensure the health and safety of our employees, and activated BCPs, tailored for various lockdown phases in CIB.
- Supported clients in managing their financial challenges, eg payment holidays and restructures on more than R30bn of loans (December 2020 at R25bn).
- Managed credit and collections: CLR at 82 bps up from 25 bps in 2019, but declined from H1 2020 peak of 118 bps. Early identification, proactive management and monitoring of watch list clients. The CPF book continues to confirm its quality and perform ahead of expectations.
- Capital very well managed through RWA optimisation.

Strategy +

- Gained 37 primary clients while facing increased competition, and maintained good league table rankings.
- Maintained a healthy lending pipeline.
- Continued to deliver a market-leading efficiency ratio for CIB businesses of 44%.
- Good progress made in juristic onboarding as part of the Eclipse digital programme.
- Portfolio optimisation: optimised allocation and use of capital and liquidity.

Environmental, social and governance +

- R31bn renewable-energy finance provided since 2012, and R7,7bn green/SDG bonds issued and loans secured (number one South African bank).
- Maintained a strong governance and control environment.
- Focused on accelerating our digital change agenda while ensuring that we build a culture with diversity, equity and inclusion at its heart.

GUARANTEED REMUNERATION
(R000)**TOTAL STI**
(R000)**TOTAL LTI AT FACE VALUE**
(R000)

GP from 1 April 2020 when appointed as a prescribed officer.

CIKO THOMAS Managing Executive: RBB (Performance outcome: Performing)

+ Value creation ● Value preservation - Value erosion

Financial performance -

- RBB HE declined by 69,9% to R1,6bn and ROE declined to 5,4%, mainly due to higher impairment charges as well as lower revenue due to lower interest rates and client transactional activity.
- Good progress made in optimising branch footprint and headcount to adapt to the uptake of digital sales and services.
- Focused on new opportunities/growth vectors (APIs, township economy) and increased cross-sell ratio on new sales (from 1,2 to 1,9 products).

Resilience ●

- Implemented actions to ensure the health and safety of our employees, and activated BCPs tailored for various lockdown phases in RBB. All branched reopened in H2 2020.
- Enabled and educated our clients to increasingly bank through our digital channels.
- Supported clients in managing their financial challenges, eg provided payment holidays and restructures on R80bn of loans (reduced to R2bn at December 2020), and various fee concessions.
- Managed credit and collections: CLR at 240 bps, increased from 138 bps in 2019, but declined from H1 2020 peak of 269 bps.

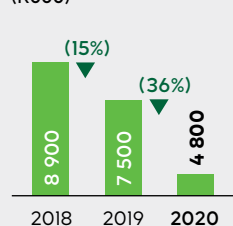
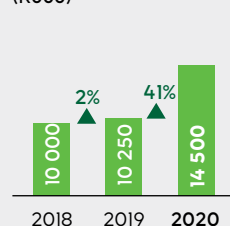
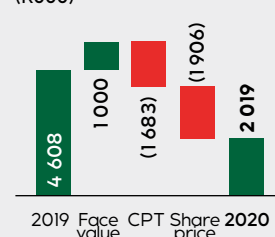
Strategy +

- Achieved great client satisfaction outcomes – ongoing upward trajectory and now rated the number 2 South African bank (NPS and SAcSI).
- 2020 Consulta survey estimated Nedbank's share of main-banked clients at 11,2%, flat yoy and retail main-banked client numbers also remained flat at 2,94m.

- Lost market share in household deposits to 15,7%, given aggressive competitor behaviour.
- Launched market-leading digital innovations that proved beneficial during the crisis (eg Avo, APIs) and made good progress on Eclipse. Digital sales increased to 49% of all sales, and growth in volume was up by 70% and value of app transactions was up by 53%, while digitally active clients increased by 25%.

Environmental, social and governance +

- Significant support for entry-level clients and SMEs (eg launched USSD-based application process for onboarding informal traders, Small Business Services Startup Bundle, R47bn loans to SMEs, entrepreneurs and professionals). One of the four banks to administer the R1bn SA Future Trust (R300m payouts to small businesses) at no costs or fees. Under the SARB SME Loan Guarantee Scheme paid out R1,3bn in loans.
- Waived ATM withdrawal charges and Saswitch fees for Sassa clients.
- Provided R1,5bn towards the development of affordable housing and over R2,2bn for the construction of buildings that conform to green building standards in 2020.
- Ensured compliance with FICA requirements and embedded client identification and verification in our digital client onboarding, including juristic.
- Extensive interventions to support employees affected by RBB optimisation, resulting in 234 employees being successfully redeployed, while 18 were retrenched as a result of changes in operational requirements.

GUARANTEED REMUNERATION
(R000)**TOTAL STI**
(R000)**TOTAL LTI AT FACE VALUE**
(R000)**SINGLE-FIGURE LTI**
(R000)

Financial performance -

HE declined by 36,5% to R662m and ROE remained resilient at 15,3%, above the group's COE.

Resilience ●

- Implemented actions to ensure the health and safety of our employees, and activated BCPs tailored for various lockdown phases in Wealth.
- Digitally enabled our clients to bank, insure and invest increasingly through our mobile and web capabilities.
- Supported clients in managing their financial challenges, including R8bn debt relief (less than R0,5bn at December 2020).
- CLR at 64 bps, managed effectively to minimise impairment losses.

Strategy +

- Nedbank Private Wealth app average rating of 4,5 and Nedbank Private Wealth International named 'Best Boutique Private Bank' at

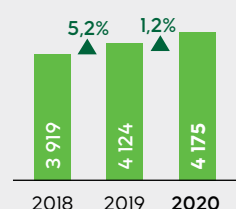
the 2020 WealthBriefing MENA Region Awards. Altogether 20% more clients used the Nedbank Private Wealth app and the demand for online share trading accounts grew by more than 100% in 2020.

- Added the Nedbank Insurance Funeral Plan to five Nedbank digital platforms – the Money app, Online Banking, USSD, API_Marketplace and Avo.
- Nedgroup Investments launched MyRetirement – an industry-first retirement solution designed to help with insufficient retirement savings in SA.
- AUM increased by 13% to R375bn, benefitting from positive net flows.
- The Nedgroup Investments international range ranked third in the December 2020 PlexCrown Unit Trust Survey.

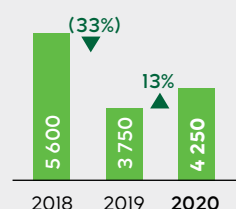
Environmental, social and governance +

- Assisted clients with credit life protection through loss-of-income claims, amounting to more than R150m paid in 2020.
- Good progress/conclusion of risk and compliance initiatives aligned with changing environment.

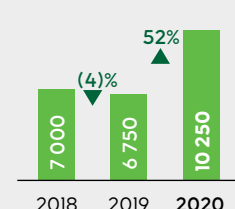
GUARANTEED REMUNERATION
(R000)



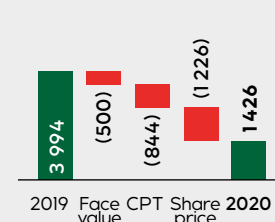
TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



SINGLE-FIGURE LTI
(R000)



Financial performance -

NAR HE declined by 97,4% to R12m, with an ROE of 0,2% due to higher impairments and lower revenues. HE was also negatively impacted by persistent hyperinflation pressure in Zimbabwe.

Resilience ●

- Implemented actions to ensure health and safety of our employees, and activated BCPs across the region tailored for various lockdown phases in NAR.
- Enabled and educated our clients to bank increasingly through our mobile and web capabilities.
- Supported clients in good standing with managing their financial challenges during the pandemic with R4bn payment holidays (less than R0,2bn at December 2020).
- Maintained strong capital and liquidity levels in all our NAR subsidiaries, above board and regulatory minima.

Strategy +

- Accelerated digitisation and automation rollout through ongoing improvements of the Nedbank Money Africa App and the launch of Online Banking and Nedbank Send Money.

- Increased NAR digitally active clients by 75%, and increased app payment and transfer volumes by 83% and 65% respectively.
- Grew client numbers by 10% to 334 000.
- Improved Nedbank brand sentiment in most subsidiaries, with Zimbabwe being the leader in its market.
- Made good progress in optimising the NAR portfolio, reflected in an increase in the bank's shareholding in Banco Único, the disposal of Nedbank Malawi and the ongoing reconfiguration of the Zimbabwe business. Good progress in integration of Banco Único into Nedbank Group.
- Continued support for ETI in our capacity as shareholder and continued to deepen our relationship with ETI.

Environmental, social and governance +

- Leadership teams strengthened – appointment of four managing directors in the SADC operations and filled key vacancies across the subsidiaries.
- Successful market conduct implementation, but still some improvement required in overall control environment in NAR.

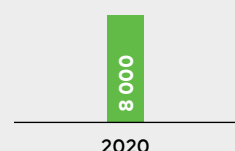
GUARANTEED REMUNERATION
(R000)



TOTAL STI
(R000)



TOTAL LTI AT FACE VALUE
(R000)



GP from 1 April 2020 when appointed as a prescribed officer.

INCREASE IN GUARANTEED PACKAGE

The GPs of the CE and other executive directors and prescribed officers were considered and recommended to the board by the Group Remco.

No GP increases were made on 1 April 2020.

	GP*			Yoy movement	
	New GP effective April 2021 (R000)	GP at April 2020 (R000)	GP at April 2019 (R000)	2020–2021 % change	2019–2020 % change
Mike Brown	9 375	9 100	9 100	3,00	–
Mfundo Nkuhlu	6 385	6 200	6 200	3,00	–
Raisibe Morathi ¹		5 575	5 575		
Mike Davis ²	5 460				
Ciko Thomas	5 665	5 500	5 500	3,00	–
Brian Kennedy ³		5 100	5 100		
Anél Bosman	4 900	4 750		3,00	
Iolanda Ruggiero	4 300	4 175	4 175	3,00	–
Dr Terence Sibiya ⁴	4 120	4 000		3,00	

* Audited.

¹ Raisibe Morathi resigned with effect from 31 September 2020.

² Mike Davis appointed with effect from 1 October 2020.

³ Brian Kennedy retired with effect from 30 March 2020.

⁴ Dr Terence Sibiya and Anél Bosman appointed with effect from 1 April 2020.

STI AWARDS

The following table represents the way in which STI awards have been determined, based on the holistic assessment of the group and cluster performance, as well as the performance of the executive director and prescribed officer against their agreed individual goal commitment contract in 2020:

	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 2020	Final STI as % of GP 2019
	A		B	C	B + C	
Executive directors						
Mike Brown	150	250	50,0	38,0	88,0	126
Mfundo Nkuhlu	150	250	50,0	35,0	85,0	105
Mike Davis	150	250	50,0	44,0	94,0	
Prescribed officers						
Anél Bosman	250	400	62,0	122,0	184,0	
Ciko Thomas	150	250	39,5	47,5	87,0	136
Iolanda Ruggiero	150	250	67,5	34,5	102,0	90
Dr Terence Sibiya	150	250	35,5	20,5	56,0	

TOTAL REMUNERATION

The tables below disclose total awarded remuneration for the financial year as well as the total single-figure remuneration.

The total awarded remuneration contains the LTI award to be made in March 2021 in respect of the 2020 financial year, at face value. The total single-figure remuneration reflects the LTI at vested value. This is the value of the award made in March 2018 that will be settled in March 2021, but for which measurement of performance conditions was concluded on 31 December 2020. This amount is valued at the year-end share price of R129,48.

The LTI award at face value to the CE was R14,5m in 2018, compared with R14,5m in 2017. The 2018-awarded value translated into a value vested at the end of 2020 of R0,94m. This is 85,1% lower than the 2017-value vested award at the end of 2019 of R6 323m. This decrease was due to the Nedbank share price decrease and the vesting performance over the three-year period ending 31 December 2020 being substantially lower than the previous performance period ending 31 December 2019.

	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi		
	2020 R000	2019 R000	%	2020 R000	2019 R000	%	2020 R000	2019 R000	%
Cash portion of package	7 722	7 669		5 249	5 176		3 588	4 736	
Other benefits	263	223		192	177		140	173	
Defined-contribution Retirement Fund	1 115	1 102		759	747		453	597	
GP	9 100¹	8 994	1,2	6 200	6 100	1,6	4 181	5 506	
Cash performance incentive	4 500	6 250		3 125	3 750		-	4 375	
Cash performance incentive (delivered in shares)	3 500	5 250		2 125	2 750		-	3 375	
Total STI²	8 000	11 500	(30,4)	5 250	6 500	(19,2)	4 181	7 750	
GP and total STI	17 100	20 494	(16,6)	11 450	12 600	(9,1)	4 181	13 256	
LTI – Standard award at face value³	16 000	15 500	3,2	12 500	10 250	22,0	-	10 250	
LTI – Additional award at face value⁴	10 000			5 500			-		
Total awarded remuneration⁵	43 100	35 994	19,7	29 450	22 850	28,9	4 181	23 506	
Total awarded remuneration	43 100	35 994		29 450	22 850		4 181	23 506	
Less: LTI award at face value	(26 000)	(15 500)		(18 000)	(10 250)		-	(10 250)	
Add: Single-figure LTI⁶	940	6 323	(85,1)	616	4 034	(84,7)	-	3 489	
Face value at award ⁷	14 500	14 500	0,0	9 500	9 250	2,7	-	8 000	
CPT performance ⁸	(12 325)	(7 148)		(8 075)	(4 560)		-	(3 944)	
Share price performance ⁹	(1 235)	(1 028)		(809)	(656)		-	(567)	
Add: Single-figure match¹⁰	-	3 347	(100,0)	-	1 921	(100,0)	-	1 921	
Performance and time-vested match ¹¹	-	3 987	(100,0)	-	2 269	(100,0)	-	2 269	
Share price performance ¹²	-	(640)		-	(347)		-	(347)	
Add: Dividends¹³	2 241	3 520	(36,3)	1 401	2 190	(36,0)	1 353	1 998	
Total single-figure remuneration¹⁴	20 281	33 684	(39,8)	13 467	20 745	(35,1)	5 534	20 664	

¹ GP of Mike Brown is reflected before voluntary contributions to COVID-19 charitable causes, equal to R320 840, representing a third of his after tax monthly salary in May, June and July 2020.

² In terms of the rules of the MSS, the total STI has the potential to increase by up to 27,5% (before share price movement), if the deferred amount is invested in the MSS for 36 months and the performance condition in the MSS is met.

³ LTI award at face value is the share-based award made in March 2021 in respect of the 2020 financial year – ‘face value at award’, which is the share price at award multiplied by the number of shares.

⁴ Additional LTI award, made on a highly selective basis to critical and scarce talent.

⁵ Total awarded remuneration is the sum of GP, total STI, and LTI awards at face value in respect of the financial year.

⁶ Single-figure LTI is the value (both performance- and time-vested), which will be settled in March 2021 but for which the measurement of performance conditions concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

⁷ Face value of shares awarded in March 2018 at the award price of R299,73 (awarded in March 2017 at the award price of R247,15 respectively).

⁸ The CPT performance is the variance of the number of shares at award over the number of shares at vesting and is valued at the share price on award.

⁹ The share price performance is the variance of the share price at award over the share price at vesting and is valued on the actual number of shares vested.

¹⁰ The match is the value of matched shares that will be settled in April 2021 but for which the measurement of the performance condition concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

¹¹ The matching shares that will be settled in April 2021 valued at the original award price.

¹² The share price performance is the variance of the share price over the three-year deferral period and is valued on the actual number of shares to be matched.

¹³ Dividends represent the total value of dividends received during the financial year on unvested share-based awards.

¹⁴ Total single-figure remuneration is the sum of GP, total STI, single-figure LTI, single-figure match and dividends.

	Mike Davis			Brian Kennedy			Iolanda Ruggiero		
	2020 R000	2019 R000	%	2020 R000	2019 R000	%	2020 R000	2019 R000	%
Cash portion of package	1 079			1 119	4 444		3 551	3 514	
Other benefits	47			66	243		113	105	
Defined-contribution Retirement Fund	199			89	353		511	505	
GP	1 325			1 274	5 040		4 175	4 124	1,2
Cash performance incentive	3 000			-	6 250		2 625	2 375	
Cash performance incentive (delivered in shares)	2 000			-	5 250		1 625	1 375	
Total STI¹	5 000			-	11 500		4 250	3 750	13,3
GP and total STI	6 325			1 274	16 540		8 425	7 874	7,0
LTI – Standard award at face value²	16 625			-	9 675		7 250	6 750	7,4
LTI – Additional award at face value³	-			-			3 000		
Total awarded remuneration⁴	22 950			1 274	26 215		18 675	14 624	27,7
Total awarded remuneration	22 950			1 274	26 215		18 675	14 624	
Less: LTI award at face value	(16 625)			-	(9 675)		(10 250)	(6 750)	
Add: Single-figure LTI⁵	1 366			-	5 223		1 426	3 994	(64,3)
Face value at award ⁶	5 750			-	8 500		6 000	6 500	(7,7)
CPT performance ⁷	(2 587)			-	(2 428)		(2 700)	(1 856)	
Share price performance ⁸	(1796)			-	(849)		(1 874)	(650)	
Add: Single-figure match⁹	-			-	4 064		-	1 431	(100,0)
Performance and time-vested match ¹⁰	-			-	4 851		-	1 677	(100,0)
Share price performance ¹¹	-			-	(787)		-	(246)	
Add: Dividends¹²	-			-	2 408		951	1 469	(35,3)
Total single-figure remuneration¹³	7 691			1 274	28 234		10 802	14 768	(26,9)

¹ In terms of the rules of the MSS, the total STI has the potential to increase by up to 27,5% (before share price movement), if the deferred amount is invested in the MSS for 36 months and the performance condition in the MSS is met.

² LTI award at face value is the share-based award made in March 2021 in respect of the 2020 financial year - 'face value at award', which is the share price at award multiplied by the number of shares.

³ Additional LTI award, made on a highly selective basis to critical and scarce talent.

⁴ Total awarded remuneration is the sum of GP, total STI, and LTI awards at face value in respect of the financial year.

⁵ Single-figure LTI is the value (both performance- and time-vested), which will be settled in March 2021 but for which the measurement of performance conditions concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

⁶ Face value of shares awarded in March 2018 at the award price of R299,73 (awarded in March 2017 at the award price of R247,15 respectively).

⁷ The CPT performance is the variance of the number of shares at award over the number of shares at vesting and is valued at the share price on award.

⁸ The share price performance is the variance of the share price at award over the share price at vesting and is valued on the actual number of shares vested.

⁹ The match is the value of matched shares that will be settled in April 2021 but for which the measurement of the performance condition concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

¹⁰ The matching shares that will be settled in April 2021 valued at the original award price.

¹¹ The share price performance is the variance of the share price over the three-year deferral period and is valued on the actual number of shares to be matched.

¹² Dividends represent the total value of dividends received during the financial year on unvested share-based awards.

¹³ Total single-figure remuneration is the sum of GP, total STI, single-figure LTI, single-figure match and dividends.

	Ciko Thomas			Anél Bosman			Dr Terence Sibiya		
	2020 R000	2019 R000	%	2020 R000	2019 R000	%	2020 R000	2019 R000	%
Cash portion of package	4 605	4 507		3 213			2 613		
Other benefits	144	134		100			135		
Defined-contribution Retirement Fund	751	734		249			252		
GP	5 500	5 375	2,3	3 562			3 000		
Cash performance incentive	2 900	4 250		4 875			1 625		
Cash performance incentive (delivered in shares)	1 900	3 250		3 875			625		
Total STI¹	4 800	7 500	(36,0)	8 750			2 250		
GP and total STI	10 300	12 875	(20,0)	12 312			5 250		
LTI – Standard award at face value²	9 750	10 250	(4,9)	11 000			8 000		
LTI – Additional award at face value³	4 750			-			-		
Total awarded remuneration⁴	24 800	23 125	7,2	23 312			13 250		
Total awarded remuneration	24 800	23 125		23 312			13 250		
Less: LTI award at face value	(14 500)	(10 250)		(11 000)			(8 000)		
Add: Single-figure LTI⁵	2 019	4 608	(56,2)	950			713		
Face value at award ⁶	8 500	7 500	13,3	4 000			3 000		
CPT performance ⁷	(3 825)	(2 142)		(1 800)			(1 350)		
Share price performance ⁸	(2 656)	(749)		(1 250)			(937)		
Add: Single-figure match⁹	-	494		489			165		
Performance and time-vested match ¹⁰	-	596		1 100			371		
Share price performance ¹¹	-	(102)		(611)			(206)		
Add: Dividends¹²	1 231	2 112	(41,7)	1 072			604		
Total single-figure remuneration¹³	13 550	20 090	(32,5)	14 823			6 732		

¹ In terms of the rules of the MSS, the total STI has the potential to increase by up to 27,5% (before share price movement), if the deferred amount is invested in the MSS for 36 months and the performance condition in the MSS is met.

² LTI award at face value is the share-based award made in March 2021 in respect of the 2020 financial year - 'face value at award', which is the share price at award multiplied by the number of shares.

³ Additional LTI award, made on a highly selective basis to critical and scarce talent.

⁴ Total awarded remuneration is the sum of GP, total STI, and LTI awards at face value in respect of the financial year.

⁵ Single-figure LTI is the value (both performance- and time-vested), which will be settled in March 2021 but for which the measurement of performance conditions concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

⁶ Face value of shares awarded in March 2018 at the award price of R299,73 (awarded in March 2017 at the award price of R247,15 respectively).

⁷ The CPT performance is the variance of the number of shares at award over the number of shares at vesting and is valued at the share price on award.

⁸ The share price performance is the variance of the share price at award over the share price at vesting and is valued on the actual number of shares vested.

⁹ The match is the value of matched shares that will be settled in April 2021 but for which the measurement of the performance condition concluded on 31 December 2020. This is valued at the year-end share price of R129,48 (2019: R214,30).

¹⁰ The matching shares that will be settled in April 2021 valued at the original award price.

¹¹ The share price performance is the variance of the share price over the three-year deferral period and is valued on the actual number of shares to be matched.

¹² Dividends represent the total value of dividends received during the financial year on unvested share-based awards.

¹³ Total single-figure remuneration is the sum of GP, total STI, single-figure LTI, single-figure match and dividends.

ADDITIONAL REGULATION 43/PILLAR 3 DISCLOSURES

Specific disclosures relating to senior managers and material risk-takers, the quantum of the remuneration paid in the year, sign-on awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below.

Aggregate remuneration of senior managers and material risk-takers:

Senior manager	Material risk-taker
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.

	2020			
	Senior managers		Material risk-takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Total value of remuneration in the 2020 financial year				
Fixed remuneration (Rm)	125		54,5	
Variable remuneration – cash award (Rm)	69,7		27,1	
Variable remuneration – deferred performance incentive (Rm)		39,8		12,6
Variable remuneration – long-term incentive awards (Rm)		210		37
Total 2020 remuneration (unrestricted and deferred remuneration) (Rm)	194,7	249,8	81,6	49,6
Total number of employees		32		22

Value of outstanding deferred remuneration at 31 December 2020	Senior managers	Material risk-taker
Compulsory Bonus Share Scheme (Rm)	81,7	28,2
Restricted-share Scheme (Rm)	245,2	60,5
Total deferred remuneration outstanding (Rm)	326,9	88,7
Value of deferred remuneration paid out during 2020 (Rm)	71,9	23,6
Value of deferred remuneration forfeited during 2020 (Rm)	19,8	5,8

	2019			
	Senior managers		Material risk-takers	
	Unrestricted	Deferred	Unrestricted	Deferred
Total value of remuneration in the 2019 financial year				
Fixed remuneration (Rm)	125,9		50,6	
Variable remuneration – cash award (Rm)	96		39,6	
Variable remuneration – deferred performance incentive (Rm)		62,7		22,6
Variable remuneration – long-term incentive awards (Rm)		166,2		45,3
Total 2019 remuneration (unrestricted and deferred remuneration) (Rm)	221,9	228,9	90,2	67,9
Total number of employees		38		19

Value of outstanding deferred remuneration at 31 December 2019	Senior managers	Material risk-taker
Compulsory Bonus Share Scheme (Rm)	107,6	37,5
Restricted-share Scheme (Rm)	338,7	101,5
Total deferred remuneration outstanding (Rm)	446,3	139,0
Value of deferred remuneration paid out during 2019 (Rm)	217,0	56,5
Value of deferred remuneration forfeited during 2019 (Rm)	3,6	0,7

REMUNERATION SUBJECT TO ADJUSTMENT IN 2019

Outstanding deferred remuneration exposed to ex post explicit and/or implicit adjustments¹ is indicated in the following table:

Year	Amount
FY2019	R2 348m*
FY2020	R1 684m*

* Based on the 30-day volume-weighted average price (VWAP) to 31 December.

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

Year	Amount
FY2019	R24,6m*
FY2020	R109,1m*

* Based on the share price at the scheduled vesting date.

There were no clawbacks or reductions during the financial year due to ex post implicit or explicit adjustments.

Remuneration of risk, finance and compliance specialists

Consistent with good corporate governance and related local and international regulations, special attention is paid to and oversight is performed in respect of the process of remunerating risk, finance and compliance specialists within the group, including that of Internal Audit. 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. Their STI's are however not inordinately tied to the financial outcomes of the group or their business unit and are linked to individual function objectives while overall, as they fluctuate, they will reflect the group's performance as well. As a starting point, proposals are made by the business unit management, but the Chief Risk Officer, Chief Financial Officer and the Chief Compliance Officer have scope to influence the remuneration outcomes of senior employees within the respective control functions. The final outcomes are presented to and carefully considered by the Group Remco, thereby providing a further layer of independent oversight.

Other remuneration disclosures

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

Other remuneration disclosures	2020 Rm	2019 Rm
Variable remuneration during the year	2 536	2 917
Total guaranteed bonuses	-	-
Total sign-on awards	8,8	30,0
Total severance awards*	8,6	9,4

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

It is not our policy 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 sign-on or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing minimum individual performance.

NON-EXECUTIVE DIRECTORS

The terms of engagement of the non-executive directors as well as the Chairman are fully set out on pages 20 to 31 of the 2020 Nedbank Group Integrated Report. The Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive director remuneration (excluding VAT) for the years ended 31 December 2020 and 2019 was as follows:

Name	Nedbank and Nedbank Group board fees (R000)	Committee fees*	2020 (R000)	2019 (R000)
Hubert Brody	534	872	1 406	1 374
Brian Dames ¹	534	650	1 184	1 125
Neo Dongwana	534	744	1 278	1 238
Errol Kruger ²	534	1 621	3 049	2 880
Rob Leith	534	626	1 160	1 080
Linda Makalima ³	534	656	1 190	1 125
Mpho Makwana	534	1 474	2 008	1 807
Prof Tshilidzi Marwala	534	289	867	443
Dr Mantsika Matooane	534	457	991	962
Peter Moyo ⁴	115	112	227	1 021
Vassi Naidoo	6 042	–	6 042	5 871
Joel Netshitenzhe ⁵	208	164	372	927
Stanley Subramoney ⁶	534	1 472	2 006	1 796
Malcolm Wyman	–	–	–	424
Iain Williamson ⁷	312	–	312	–
Total	12 017	9 137	22 092	22 073

¹ Chair of the GCRC (Brian Dames) became a member of the Group DAC with effect from 1 October 2020.

² Errol Kruger's total fee is inclusive of the Nedbank Private Wealth (Isle of Man) Chair fees of £42 399,96 (R894 390,19).

³ Linda Makalima was appointed as a member of the GRPTC with effect from 1 March 2020.

⁴ Peter Moyo resigned as member of Group Remco, Group Risk and Capital Management Committee, and Group DAC with effect from 19 March 2020.

⁵ Joel Netshitenzhe retired from the boards of Nedbank Limited and Nedbank Group Limited with effect from 22 May 2020.

⁶ Stanley Subramoney was appointed as a member of Group Remco with effect from 1 March 2020.

⁷ Iain Williamson was appointed to the boards of Nedbank Limited and Nedbank Group Limited with effect from 1 June 2020.

* In line with conversations held with OML, the OML-nominee will not be appointed to Nedbank board committees and, as a consequence, ongoing DAC membership was revised so that the OML nominee is not a member.

NON-EXECUTIVE DIRECTOR FEES FOR 2021

The non-executive director fee proposals as set out below were evaluated by an independent board committee consisting of Mike Brown and Mike Davis, with advice from external independent experts. Such evaluation was conducted from several perspectives, including the macroeconomic environment, peer group comparisons across the banking sector, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and committee fees (excluding VAT) are proposed at 3%.

	Proposed 2021 (R)	2020 (R)	%
Boards			
Chairman of the board	6 223 260	6 042 000	3,0
Lead Independent Director premium (40% of board fees)	220 111	213 700	3,0
Nedbank Group Limited	299 153	290 440	3,0
Nedbank Limited	251 114	243 800	3,0
Group Audit Committee			
Chair	826 575	802 500	3,0
Member	330 630	321 000	3,0
Group Remuneration Committee			
Chair	468 393	454 750	3,0
Member	187 357	181 900	3,0
Group Risk and Capital Management Committee			
Chair	619 933	601 875	3,0
Member	247 973	240 750	3,0
Group Credit Committee			
Chair	619 933	601 875	3,0
Member	247 973	240 750	3,0
Group Directors' Affairs Committee			
Chair	247 973	240 750	3,0
Member	99 189	96 300	3,0
Group Information Technology Committee			
Chair	371 960	361 125	3,0
Member	148 784	144 450	3,0
Group Transformation, Social and Ethics Committee			
Chair	371 960	361 125	3,0
Member	148 784	144 450	3,0
Group Related-party Transactions Committee			
Chair	93 678	90 950	3,0
Member	37 471	36 380	3,0
Climate Resilience Committee			
Chair	247 973		
Member	99 189		

To acknowledge the additional responsibilities and time commitments for non-executive directors who may, in exceptional circumstances, be required to perform the role of acting Chairman of the Nedbank boards, acting lead independent director or acting board committee chair for extended periods of time, the following additional monthly fees are proposed, payable monthly arrears, on a pro rata basis:

	Proposed 2021 (R)	2020 (R)	%
Acting Chairman fee	125 000		
Acting Lead Independent Director fee	18 343		
Acting Committee Chair fee	27 323		

The payment of these additional fees would be subject to prior approval by the Nedbank Group Remuneration Committee who would consider the relevant circumstances and the extent of additional commitments on a case-by-case basis.

The above proposals are effective from 1 July 2021, subject to shareholders' approval at the AGM on 28 May 2021.

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS (AUDITED)

At 31 December 2020 the directors' and prescribed officers' interests in ordinary shares in Nedbank Group Limited and preference shares in Nedbank Limited were as follows:

	Number of shares			
	Beneficial direct 2020	Beneficial direct 2019	Beneficial indirect 2020	Beneficial indirect 2019
Directors				
Hubert Brody	2 556	2 556		
Mike Brown	470 345	412 897	270 554	214 611
Brian Dames	64	64		
Mike Davies ¹	43 273		109 926	
Dr Mantsika Matooane	2 261	2 261		
Raisibe Morathi ²	31 045	31 045	200 096	266 856
Peter Moyo ³			51 128	51 128
Vassi Naidoo			49 254	49 254
Joel Netshitenzhe ⁴				
Mfundo Nkuhlu	39 073	90 818	169 433	133 361
Stanley Subramoney			2 300	2 300
Iain Williamson ⁵	785			
Malcolm Wyman ⁶				321
Prescribed officers				
Anél Bosman ⁷	30 187		131 518	
Brian Kennedy ⁸	229	26 000	193 304	151 129
Iolanda Ruggiero	69 543	48 351	109 347	89 755
Dr Terence Sibiyi ⁹	42 635		80 482	
Ciko Thomas	24 167	24 277	143 283	103 510
Total ordinary shares	756 163	638 269	1 510 625	1 062 225
	Number of shares			
	Beneficial direct 2020	Beneficial direct 2019	Beneficial indirect 2020	Beneficial indirect 2019
Prescribed officers				
Anél Bosman – Nedbank preference shares	53 000			
Total preference shares	53 000			

¹ Appointed on 1 October 2020.

² Resigned on 30 September 2020.

³ Resigned on 19 March 2020.

⁴ Retired on 22 May 2020.

⁵ Appointed on 1 June 2020.

⁶ Retired on 10 May 2019.

⁷ Appointed on 1 April 2020.

⁸ Retired on 31 March 2020.

⁹ Appointed on 1 April 2020.

No change in the above interests occurred between 31 December 2020 and 16 March 2021 and none of the holdings are subject to security, guarantee, collateral or are encumbered.

SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

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

	Opening balance at 1 January 2020				Awards made during 2020			
	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
Executive directors								
Mike Brown								
Nedbank restricted shares	58 197	15 March 2017	249,15	16 March 2020				
	48 376	14 March 2018	299,73	15 March 2021				
	61 122	14 March 2019	269,95	15 March 2022				
					91 824	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹								
	14 371	31 March 2017	258,33	1 April 2020				
	12 034	31 March 2018	291,36	1 April 2021				
	16 307	31 March 2019	252,95	1 April 2022				
					34 638	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴								
	1 249	8 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83,36	1 April 2023
Total value of dividends								
Total	213 686				129 760			
Mfundo Nkuhlu								
Nedbank restricted shares	37 126	15 March 2017	249,15	16 March 2020				
	31 695	14 March 2018	299,73	15 March 2021				
	37 969	14 March 2019	269,95	15 March 2022				
					60 722	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹								
	7 717	31 March 2017	258,33	1 April 2020				
	6 606	31 March 2018	291,36	1 October 2021				
	8 969	31 March 2019	252,95	1 April 2022				
					18 144	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴								
	1 249	08 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 October 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83,36	1 April 2023
Total value of dividends								
Total	133 361				82 164			

Awards vesting/lapsing during 2020						Dividends	Closing balance at 31 December 2020		
	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 ⁵ (R)	Total value of dividends paid in respect of all plans ⁶ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	29 506	28 691	128,89	3 803 028	(3 697 983)		48 376 61 122 91 824	31 December 2020 31 December 2021 31 December 2022	15 March 2021 15 March 2022 20 March 2023
	28 742 ³	-	82,66	2 375 814	-		12 034 16 307 34 638	31 December 2020 31 December 2021 31 December 2022	1 April 2021 1 April 2022 1 April 2023
	2 498 ³	-	97,28	243 005	-		943 1 087 3 298	31 December 2020 31 December 2021 31 December 2022	1 April 2021 1 April 2022 1 April 2023
						2 241 716			
	60 746	28 691		6 421 848	(3 697 983)	2 241 716	269 629		
	18 823	18 303	128,89	2 426 096	(2 359 074)		31 695 37 969 60 722	31 December 2020 31 December 2021 31 December 2022	15 March 2021 15 March 2022 20 March 2023
	15 434 ³	-	82,66	1 275 774	-		6 606 8 969 18 144	31 December 2020 31 December 2021 31 December 2022	1 April 2021 1 April 2022 1 April 2023
	2 498 ³	-	97,28	243 005	-		943 1 087 3 298	31 December 2020 31 December 2021 31 December 2022	1 April 2021 1 April 2022 1 April 2023
						1 401 537			
	36 755	18 303		3 944 876	(2 359 074)	1 401 537	169 433		

	Opening balance at 1 January 2020				Awards made during 2020			
	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
Executive directors								
Raisibe Morathi⁷ Nedbank restricted shares	32 109	15 March 2017	249,15	16 March 2020				
	29 192	14 March 2018	299,73	15 March 2021				
	35 191	14 March 2019	269,95	15 March 2022				
					60 722	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹	7 717	31 March 2017	258,33	1 April 2020				
	6 842	31 March 2018	291,36	1 April 2021				
	8 806	31 March 2019	252,95	1 April 2022				
					22 267	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴	1 249	08 May 2017	220,17	09 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
Total value of dividends								
Total	123 136				82 989			
Mike Davis⁸ Nedbank restricted shares	11 510	15 March 2018	299,73	16 March 2021				
	7 673	14 March 2018	299,73	15 March 2021				
	23 152	14 March 2019	269,95	15 March 2022				
	35 545	19 March 2020	168,80	20 March 2023				
Compulsory Bonus Share Scheme ¹	4 908	31 March 2018	291,36	1 April 2021				
	6 305	31 March 2019	252,95	1 April 2022				
	15 505	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme ⁴	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	109 926							

Awards vesting/lapsing during 2020						Dividends	Closing balance at 31 December 2020		
	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 ⁵ (R)	Total value of dividends paid in respect of all plans ⁶ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	16 280	15 829	128,89	2 098 329	(2 040 200)				
	-	29 192	128,03	-	(3 729 386)				
	-	35 191	128,03	-	(4 505 504)				
	-	60 722	128,03	-	(7 774 238)				
	15 434 ³	-	82,66	1 275 774	-				
	6 842	-	128,03	875 981	-				
	5 870	2 936	128,03	751 536	(375 896)				
	7 422	14 845	128,03	950 239	(1 900 605)				
	2 498 ³	-	97,28	243 005	-				
	943		128,03	120 732	-				
	1 087		128,03	139 169	-				
						1 353 401			
	56 376	158 715		6 454 766	(20 325 829)	1 353 401			
							11 510	31 December 2020	16 March 2021
							7 673	31 December 2020	15 March 2021
							23 152	31 December 2021	15 March 2022
							35 545	31 December 2022	20 March 2023
							4 908	31 December 2020	1 April 2021
							6 305	31 December 2021	1 April 2022
							15 505	31 December 2022	1 April 2023
							943	31 December 2020	1 April 2021
							1 087	31 December 2021	1 April 2022
							3 298	31 December 2022	1 April 2023
							109 926		

	Opening balance at 1 January 2020					Awards made during 2020				
	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		
Prescribed officers executive directors										
Brian Kennedy ⁹ Nedbank restricted shares	20 469	15 March 2017	249,15	16 March 2020						
	13 646	16 March 2017	249,15	17 March 2020						
	11 343	15 March 2018	299,73	16 March 2021						
	17 015	14 March 2018	299,73	15 March 2021						
	33 339	14 March 2019	269,95	15 March 2022						
					57 316	19 March 2020	168,80	20 March 2023		
Compulsory Bonus Share Scheme ¹										
	17 713	31 March 2017	258,33	1 April 2020						
	14 865	31 March 2018	291,36	1 April 2021						
	19 460	31 March 2019	252,95	1 April 2022						
					34 638	31 March 2020	83,36	1 April 2023		
Voluntary Bonus Share Scheme ⁴										
	1 249	31 March 2017	220,17	1 April 2020						
	943	31 March 2018	291,36	1 April 2021						
	1 087	31 March 2019	252,95	1 April 2022						
					3 298	31 March 2020	83,36	1 April 2023		
Total value of dividends										
Total	151 129				95 252					
Ciko Thomas Nedbank restricted shares	151 129				95 252					
	18 061	15 March 2017	249,15	16 March 2020						
	12 040	16 March 2017	249,15	17 March 2020						
	11 343	15 March 2018	299,73	16 March 2021						
	17 015	14 March 2018	299,73	15 March 2021						
	37 043	14 March 2019	269,95	15 March 2022						
					60 722	19 March 2020	168,80	20 March 2023		
Compulsory Bonus Share Scheme ¹										
	2 282	31 March 2018	291,36	1 April 2021						
	5 726	31 March 2019	252,95	1 April 2022						
					21 443	31 March 2020	83,36	1 April 2023		
Voluntary Bonus Share Scheme ⁴										
Total value of dividends										
Total	103 510				82 165					

Awards vesting/lapsing during 2020						Dividends	Closing balance at 31 December 2020		
	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 ⁵ (R)	Total value of dividends paid in respect of all plans ⁶ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
	10 726	9 743	128,89	1 382 474	(1 255 775)				
	13 646 ²	-	128,89	1 758 833	-				
							11 343	31 December 2020	16 March 2021
							17 015	31 December 2020	15 March 2021
							33 339	31 December 2021	15 March 2022
							57 316	31 December 2022	20 March 2023
							17 713	31 December 2019	1 April 2020
							14 865	31 December 2020	1 April 2021
							19 460	31 December 2021	1 April 2022
							34 638	31 December 2022	1 April 2023
							1 249	31 December 2019	1 April 2020
							943	31 December 2020	1 April 2021
							1 087	31 December 2021	1 April 2022
							3 298	31 December 2022	1 April 2023
	24 372	9743		3 141 307	(1 255 775)	-	212 266		
	9 464	8597	128,89	1 219 815	(1 108 067)				
	12 040 ²	-	128,89	1 551 836	-				
							11 343	31 December 2020	16 March 2021
							17 015	31 December 2020	15 March 2021
							37 043	31 December 2021	15 March 2022
							60 722	31 December 2022	20 March 2023
	2 282	-	128,03	292 164	-				
	2 862	-	128,03	366 422	-		2 864	31 December 2021	1 April 2022
	7 147	-	128,03	915 030	-		14 296	31 December 2022	1 April 2023
						1 230 692			
	33 795	8 597		4 345 267	(1 108 067)	1 230 692	143 283		

	Opening balance at 1 January 2020				Awards made during 2020			
	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
Prescribed officers								
Iolanda Ruggiero								
Nedbank restricted shares								
	15 653	15 March 2017	249,15	16 March 2020				
	10 435	16 March 2017	249,15	17 March 2020				
	8 007	15 March 2018	299,73	16 March 2021				
	12 011	14 March 2018	299,73	15 March 2021				
	25 930	14 March 2019	269,95	15 March 2022				
					39 988	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹								
	5 429	31 March 2017	258,33	1 April 2020				
	4 011	31 March 2018	291,36	1 April 2021				
	5 000	31 March 2019	252,95	1 April 2022				
					9 072	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴								
	1 249	08 May 2017	220,17	09 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83,36	1 April 2023
Total value of dividends								
Total	89 755				52 358			
Anél Bosman¹⁰								
Nedbank restricted shares								
	8 007	14 March 2018	299,73	15 March 2021				
	5 338	15 March 2018	299,73	16 March 2021				
	9 335	14 March 2019	269,95	15 March 2022				
	6 223	15 March 2019	269,95	16 March 2022				
	32 582	19 March 2020	168,80	20 March 2023				
	14 573	19 March 2020	168,80	20 March 2023				
	9 716	20 March 2020	168,80	21 March 2023				
Compulsory Bonus Share Scheme ¹								
	7 550	31 March 2018	291,36	1 April 2021				
	10 599	31 March 2019	252,95	1 April 2022				
	22 267	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme ⁴								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	131 518							

Awards vesting/lapsing during 2020						Dividends	Closing balance at 31 December 2020		
	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 ⁵ (R)	Total value of dividends paid in respect of all plans ⁶ (R)	Number of restricted shares/options	End of performance period	Final vesting/exercise date
	8 203	7 450	128,89	1 057 285	(960 231)				
	10 435 ²	-	128,89	1 344 967	-				
							8 007	31 December 2020	16 March 2021
							12 011	31 December 2020	15 March 2021
							25 930	31 December 2021	15 March 2022
							39 988	31 December 2022	20 March 2023
	10 858 ³	-	82,66	897 522	-				
							4 011	31 December 2020	1 April 2021
							5 000	31 December 2021	1 April 2022
							9 072	31 December 2022	1 April 2023
	2 498 ³	-	97,28	243 005	-				
							943	31 December 2020	1 April 2021
							1 087	31 December 2021	1 April 2022
							3 298	31 December 2022	1 April 2023
						950 850			
	31 994	7 450		3 542 780	(960 231)	950 850	109 347		
							8 007	31 December 2020	15 March 2021
							5 338	31 December 2020	16 March 2021
							9 335	31 December 2021	15 March 2022
							6 223	31 December 2021	16 March 2022
							32 582	31 December 2021	20 March 2023
							14 573	31 December 2022	20 March 2023
							9 716	31 December 2022	21 March 2023
							7 550	31 December 2020	1 April 2021
							10 599	31 December 2021	1 April 2022
							22 267	31 December 2022	1 April 2023
							943	31 December 2020	1 April 2021
							1 087	31 December 2021	1 April 2022
							3 298	31 December 2022	01 April 2023
						1 072 531			
						1 072 531	131 518		

	Opening balance at 1 January 2020				Awards made during 2020			
	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
Prescribed officers								
Dr Terence Sibiya¹⁰								
Nedbank restricted shares								
	6 006	14 March 2018	299,73	15 March 2021				
	4 003	15 March 2018	299,73	16 March 2021				
	7 779	14 March 2019	269,95	15 March 2022				
	5 186	15 March 2019	269,95	16 March 2022				
	23 696	19 March 2020	168,80	20 March 2023				
	10 663	19 March 2020	168,80	20 March 2023				
	7 109	20 March 2020	168,80	21 March 2023				
Compulsory Bonus Share Scheme ¹								
	2 548	31 March 2018	291,36	1 April 2021				
	3 533	31 March 2019	252,95	1 April 2022				
	7 422	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme ⁴								
	943	31 March 2018	291,36	1 April 2021				
	395	31 March 2019	252,95	1 April 2022				
	1 199	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	80 482							

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

² Restricted-share awards with time-based vesting only.

³ Match occurred at one share for each share 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 in the scheme. After three years, if the CPTs are met, a 100% matching occurs.

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

⁶ Plans exclude the Voluntary Bonus Share Scheme, which consists of own shares.

⁷ RK Morathi resigned with effect from 31 September 2020.

⁸ MH Davis was appointed as CFO with effect from 1 October 2020. Opening balance as at 1 October 2020.

⁹ B Kennedy retired with effect from 30 March 2020. Closing balance as at 31 March 2020.

¹⁰ A Bosman and T Sibiya were appointed with effect from 1 April 2020. Opening balance as at 1 April 2020.

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020			
	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 ⁵ (R)	Total value of dividends paid in respect of all plans ⁶ (R)	Number of restricted shares/options	End of performance period	Final vesting/exercise date
							6 006	31 December 2020	15 March 2021
							4 003	31 December 2020	16 March 2021
							7 779,00	31 December 2021	15 March 2022
							5 186	31 December 2021	16 March 2022
							23 696	31 December 2022	20 March 2023
							10 663	31 December 2022	20 March 2023
							7 109	31 December 2022	21 March 2023
							2 548	31 December 2020	1 April 2021
							3 533	31 December 2021	1 April 2022
							7 422	31 December 2022	1 April 2023
							943	31 December 2020	1 April 2021
							395	31 December 2021	1 April 2022
							1 199	31 December 2022	1 April 2023
						604 344			
						604 344	80 482		

TAX REVIEW

6 Business and societies benefit where there are transparency and trust. The Tax Report aims to provide greater transparency around the Nedbank Group's approach to tax management and the key tax principles that we have adopted to demonstrate that we are doing business in a sustainable and responsible way.

We acknowledge that taxes are the key contributor and source of revenue for governments around the world. We remain committed to delivering on our purpose of using our financial expertise to do good and to contribute to the well-being and growth of the societies in which we operate by delivering value to our employees, clients, shareholders, regulators and society. Taxes also play a vital role in advancing the achievement of the United Nations' Sustainable Development Goals (SDGs), which we have adopted as a framework for measuring delivery on our purpose.

The Nedbank Group is committed to be fully compliant with all tax legislation and regulatory requirements in all jurisdictions in which we operate. In 2020 the Nedbank Group paid R2,1bn (2019: R4,0bn) in corporate income tax and managed R6,6bn (2019: R7,6bn) in tax collections or deductions on behalf of governments in the form of value-added tax collections, employees' tax, outstanding debt collections and other withholding taxes. 9

Mike Davis, Chief Financial Officer

INTRODUCTION

2020 was unprecedented as SA and other jurisdictions where the Nedbank Group operates were negatively impacted by the Covid-19 pandemic and the subsequent lockdowns that resulted in a rapid slowdown in global and domestic economic growth.

In response to the global economic crisis, governments across the globe introduced austerity measures to provide relief to citizens and corporates to minimise the negative impact of the economic downturn. In response, the South African Reserve Bank also cut interest rates by 300 bps to assist clients' cashflows as instalments on floating-rate loans declined.

The negative impact of the economic downturn resulted in reduced earnings for banks, including the Nedbank Group. On the back of these economic pressures, job losses increased and many clients' current and future ability to repay debt declined, resulting in higher levels of impairment charges, which are now determined under more-forward-looking IFRS 9 models. This has resulted directly in a reduction of 47% in the normal direct tax payable by the Nedbank Group in the 2020 financial year.

Specific tax measures were also introduced in SA to combat the negative impact of Covid-19, and to a lesser extent in the other jurisdictions where we operate. These measures were aimed at providing deferral and cashflow relief for employees' tax and corporate provisional tax payments. They also included the following:

- An extension of the employment tax incentive that was aimed at low-income earners to reduce the risk of them losing their employment.
- Unemployment Insurance Fund (UIF) Temporary Employee Relief Scheme (TERS) subsidies.
- The creation of the Solidarity Fund to assist the fight against Covid-19. Tax relief was increased for donations to the Solidarity Fund.
- An automatic contribution holiday in relation to skills development levies (SDLs) was introduced from 1 May 2020 to 31 August 2020.

The implementation of certain tax measures that were introduced in the National Budget in 2020 was postponed. These measures focused on broadening the corporate income tax base and included (i) restricting net interest expense deductions to 30% of earnings; and (ii) limiting the use of assessed losses carried forward to 80% of taxable income. Both measures were to be effective for the years of assessment commencing on or after 1 January 2021. It has now been indicated by the Minister of Finance during the National Budget in 2021 that these measures will only be implemented from the years of assessment commencing on 1 April 2022, therefore only impacting the Nedbank Group from its 2023 financial year. We do not anticipate that these measures will have a significant impact on the Nedbank Group and we will continue to participate through the relevant industry forums to engage with regulators and stakeholders to ensure an equitable outcome.

The benefit from the automatic SDL contribution holiday amounted to R38m.

The Nedbank Group did not use any of the other financial tax relief benefits introduced by National Treasury. The Nedbank Group recognises that it has a responsibility not only to be good with money but to also do good with money. We recognised the impact of Covid-19 and the lockdowns on society and the economy, and that the tax we pay is imperative to the economic and social development of the countries in which we operate.

The Nedbank Group continued to play an important role in society and in the economy, and this role has been elevated during the Covid-19 crisis. One of the United Nations' SDGs adopted by the Nedbank Group relates to Good Health and Well-being (SDG 3). In this regard, we donated over R16m towards Covid-19 relief efforts, R5m was provided to The South African Red Cross Society and R2m to Doctors Without Borders.

In addition, we have enabled employees and clients to contribute R160m to the Solidarity Fund through our apps, website and internet banking platforms.

OVERVIEW

The Nedbank Group Tax Report presents a detailed view of our strategic approach to tax and tax-related processes, tax governance and the tax risk management framework, stakeholder engagement and our tax contributions in the various jurisdictions in which we operate for the financial year ending 31 December 2020.

The Nedbank Group Tax Report is guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the Global Reporting Initiative's Sustainability Reporting Standard on Tax (GRI 207).

We are a South African-focused banking group with a vision to be the most admired financial services provider in Africa by our stakeholders. We have a clear and driving purpose: to use our financial expertise to do good for individuals, families, businesses and society. In this Tax Report, in line with our purpose, we will position tax as a strategic asset to our stakeholders by showing how our approach to tax is linked to our SDGs; disclosing the wider economic impact analysis of our tax contributions; highlighting initiatives that support adherence to our key strategic tax principles; and providing specific information of our contribution as a strategic financial services roleplayer to the tax collections system and tax reform.

The Nedbank Group has mechanisms in place for reporting concerns about unethical or unlawful behaviour and integrity in relation to tax. In this regard, tax evasion and tax evasion facilitation are listed as financial crimes under Nedbank Group's financial crime risk management framework and inappropriate behaviour by our employees linked to tax evasion is prohibited in terms of our Code of Conduct and Ethics policies.

Nedbank Group's approach to tax

The Nedbank Group's tax strategy and approach to tax are represented within its key tax principles, which are captured in the Nedbank Group Tax Policy and are regularly reviewed by the Group Audit Committee.

TAX PRINCIPLES

The Nedbank Group is committed to the following six key tax principles:

Responsible corporate citizen

- Being a responsible taxpayer that pays its fair share of tax within industry norms, acting with integrity when engaging with revenue authorities to support positive and sustainable relationships and, for the purposes of obtaining certainty of its tax positions, engaging with revenue authorities regarding the application of the tax law and identifying and resolving any disagreements on a timely basis.

Transparency

- Being transparent about the taxes that it pays to governments to provide a better understanding to its stakeholders and to manage their expectations and building trust among all stakeholders.

Risk management and governance

- Strong governance, managing tax risks within the risk appetite guidelines of the group, seeking to identify, assess, control and report tax risks in accordance with its Tax Risk Management Framework, ensuring the group has a sustainable effective tax rate and cash tax paid, ensuring all tax positions adopted are subject to robust risk assessment and adequately supported and ensuring that the reputation of the group is protected.

Constructive engagement

- Engaging with revenue authorities and industry bodies, constructively and cooperatively, in the interests of its stakeholders, and supporting the development of effective and efficient tax systems, laws and administration to support economic growth, job creation and long-term sustainable tax contributions.

Regulatory compliance

- Ensuring the integrity of all reported tax data, timely compliance with all relevant statutory tax obligations (including payment of all taxes) in the jurisdictions wherein we operate and continuously identifying and monitoring the potential impact of new tax legislation.

People development

- Developing highly qualified tax professionals, with digital and analytical skills as part of a leading tax function.

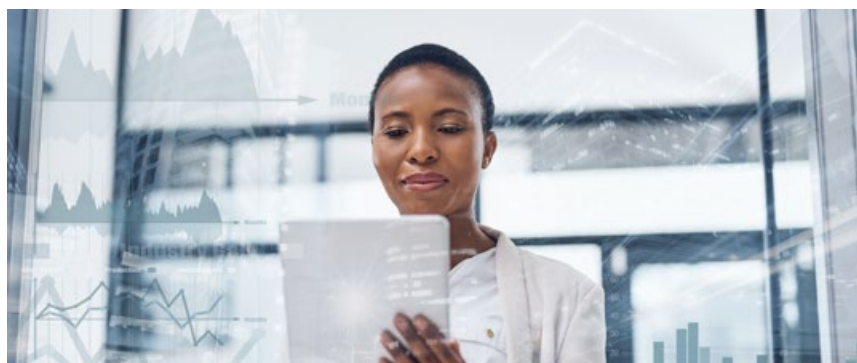
TAX PLANNING

The following principles apply to tax planning:

- The group has zero tolerance for evading any tax liability or facilitating the evasion of any tax liability on behalf of a third party.
- The group has no appetite for transactions that have no valid commercial purpose other than obtaining a tax benefit.
- The group has no appetite for arrangements where the tax benefit is paid to clients, but the tax risk remains within the group.
- The group will enter into transactions with significant tax uncertainty only if the commercial benefits clearly exceed the potential cost (ie risk-reward equation). In this context risk appetite is guided by the 'more likely than not' principle.
- The group has a low appetite for arrangements that could rebound to the detriment of the group in the event of external disclosure, eg litigation. Accordingly, the group only enters into transactions that can be fully justified if they become public.
- The group does not purposefully structure its affairs to shift profits to low-tax jurisdictions or 'tax havens'.
- The group will only operate in jurisdictions if there are valid business reasons and sufficient commercial substance.
- The group will only enter into crossborder transactions with controlled parties on an arm's-length basis.

Tax governance and tax risk management

The Nedbank Group's tax status is reported quarterly to the Group Audit Committee, which is responsible for monitoring all significant tax matters, including compliance with the Nedbank Group Tax Policy.



GOVERNANCE

The Nedbank Group Board is ultimately accountable for determining the Nedbank Group's tax philosophy and approach and, together with the Group Audit Committee, provides oversight of the tax practices and affairs of the group.

The tax philosophy and approach are incorporated in the Nedbank Group Tax Policy, which is reviewed and approved by the Group Audit Committee annually and provides the mandatory minimum principles and standards for the management of tax risk across the group, including tax compliance, transaction planning and implementation. The policy applies to all taxes and tax reporting obligations to relevant fiscal authorities in all jurisdictions in which the group carries on business.

The board holds the Group Chief Financial Officer accountable for ensuring compliance with the Nedbank Group Tax Policy. To this end, the Finance Forum, established and chaired by the Group Chief Financial Officer, supports him in discharging his duties to the board. The forum monitors tax compliance and compliance with the Nedbank Group Tax Policy and ensures that taxation risk is managed throughout the group and deals with tax matters on a groupwide basis. The forum meets monthly and is represented by the cluster chief financial officers and the Executive Head of Group Tax.

The Nedbank Group's tax risk status is reported quarterly to the Group Audit Committee, which is responsible for monitoring all significant tax matters, including compliance with the Nedbank Group Tax Policy.

The Group Audit Committee also receives regular updates on changes to the tax landscape. A specific area of focus during the 2020 financial year was managing the outcome of numerous queries and information requests from the South African Revenue Service (SARS) as part of a groupwide audit being conducted

in respect of corporate income taxes declared for the 2015–2017 years of assessment. SARS has not raised any additional assessment to date, but still needs to conclude their findings on a few outstanding tax positions adopted by the group.

The Nedbank Group Tax Policy and other associated tax risk frameworks are subject to periodic review by the Executive Head of Group Tax to ensure these are updated to reflect any changes in leading practice, tax risk governance and control standards, changes in the organisational structure of the Nedbank Group and changes in the external tax and regulatory environments. No significant changes were made to these documents in the past year and they were deemed to be fit for purpose.

TAX RISK MANAGEMENT

Tax risk is managed in the context of the Nedbank Group's Enterprisewide Risk Management Framework and the three-lines-of-defence model, which is the backbone of the framework. In line with this, the Nedbank Group has developed a tax risk management framework that incorporates the group's approach to tax and aims to ensure that tax risks are appropriately identified, assessed, managed and reported in accordance with the group's risk frameworks and principles. The Nedbank Group Board and Group Audit Committee provide oversight over the tax risk management framework, considering the potential financial, legal, business and reputational risks of failing to detect and manage tax risks timeously.

Regular and transparent tax reporting is embedded within the governance structures of the group, including the Group Audit Committee, various board committees and group and cluster executive committees.

Tax risk can be divided into general risks that most commercial organisations are likely to face, and specific risks attached to the industry in which the Nedbank Group operates and that can arise from the following:

- Non-compliance with tax regulations resulting in penalties, fines, payment of interest or under provision for tax.
- Incorrect assessment, deduction and payment of tax liabilities.
- Ineffective tax planning and implementation.
- Inability to engage timeously with revenue authorities and other relevant governmental departments.

In terms of the Nedbank Group Tax Policy, the tax implications of all significant business decisions must be evaluated, documented and approved by Group Tax, and the group must comply with all tax regulations in all the jurisdictions in which it operates. In this regard, the Nedbank Group employs highly qualified tax professionals and takes advice from reputable professional firms, when appropriate. The tax team is measured on meeting the following key performance indicators:

- Level of compliance.
- Introduction of technology to enhance and improve the effectiveness and efficiency of the operational tax processes.
- Maintenance of an acceptable level of operational losses, such as tax penalties and tax interest, within a predetermined accepted loss tolerance level.
- Feedback received from stakeholders, being regulators, shareholders and business.
- Management and resolution of key audit issues and regulatory disputes.
- Accurate and adequate provision and disclosure of all tax obligations.



The Nedbank Group fully met all its key performance indicators during the 2020 financial year, notwithstanding the implementation of adjusted working conditions due to the Covid-19 pandemic. The Nedbank Group is fully compliant with all its tax obligations in all the jurisdictions in which it operates.

The responsibility to consider their own tax positions remains with clients. The Nedbank Group requires clients, including high-net-worth clients, to confirm their worldwide tax obligations as part of the onboarding process. In relation to the standardised products we provide, we advise clients of the likely tax implications thereof, and in the case of new products, the tax implications are discussed and considered carefully at the appropriate governance committees. Some of these products often deliver tax incentives specifically introduced by government, such as tax-free savings accounts.

Tax evasion and fraud entail taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability and include dishonest tax reporting (such as underdeclaring income, profits or gains, or overstating deductions). The Nedbank Group has a zero-tolerance approach to tax evasion and for tax evasion facilitation and has implemented policies and procedures to prevent such conduct by its employees and associated parties. These include having clear roles and responsibilities for the prevention, detection and response to tax evasion, providing awareness training, promoting ethical behaviour, undertaking risk

assessments to identify possible high-risk exposures and encouraging employees to be vigilant and report any suspicions of tax evasion. Employees are prohibited from any conduct, and the giving of any advice to clients, suppliers, and any other third parties, in the course or scope of their employment, that facilitates/supports/ results in tax evasion.

An annual questionnaire is distributed to boardmembers and prescribed officers to determine the related-party transactions and tax compliance of these individuals as required by International Accounting Standard (IAS) 24. These individuals confirm their tax status and standing with the revenue authorities. In alignment with King IV this demonstrates that the Nedbank Group and its key representatives exhibit responsible corporate citizenship. These individuals also acknowledge that they pay their fair share of tax and that they are not party to any aggressive tax planning transactions.

The third-line-of-defence assurance providers are Internal and External Audit and they provide independent objective assurance on the effectiveness of the management of tax risk across the Nedbank Group. Internal Audit conducts process audits to express a view on the adequacy of the internal control environment. External Audit provides assurance on the appropriate compliance and financial frameworks within the Nedbank Group and provides assurance through recomputing all tax calculations and confirming that adequate tax risk provisions are carried against uncertain tax positions.

UNCERTAIN TAX POSITIONS

Due to the complex nature of tax, there may be transactions and calculations for which the ultimate tax treatment is uncertain, and in these instances external advice may be obtained. Taking external advice into account, the 'more likely than not' principle will be applied in determining whether the tax position is uncertain. If the position is uncertain, relevant tax provisions will be raised and will affect the current or deferred tax computations. Uncertain tax positions are governed by the tax risk management principles.

The Nedbank Group constantly reviews its level of tax provisioning across the group. As it can take several years to obtain finalisation in respect of some tax positions adopted in the tax returns, it is necessary to reflect the risk that the final tax liabilities could differ from the submitted tax computations. The level of provisioning involves management judgement. As a result, all major tax positions adopted are subject to review by executive management and reported to the Group Audit Committee for approval. Nedbank has made adequate provision for any potential losses arising from tax exposures that are more likely to occur than not. The Nedbank Group has discussions with relevant revenue authorities on specific matters regarding the application and interpretation of tax legislation affecting the Nedbank Group and the industry in which it operates. The group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

Stakeholder engagement and the tax landscape

In line with the Nedbank Group Tax Principles, we aim to engage with revenue authorities and industry bodies, constructively and cooperatively, in the interests of our stakeholders, and in supporting the development of effective and efficient tax systems, laws and administration.



ADVOCACY AND LOBBYING ACTIVITY

The Nedbank Group actively participates in various industry bodies and forums where it can influence the outcome of revenue authority behaviour, taxpayer's rights and legislative changes.

The Banking Association of South Africa (BASA), of which the Nedbank Group is a member, is the mandatory representative of the banking sector. The BASA Taxation Committee focuses on direct and indirect tax issues and assists in formulating industry positions or motivations for tax reforms for various South African revenue acts, including the Income Tax Act, 58 of 1962, the Value-Added Tax Act, 89 of 1991, the Tax Administration Act, 28 of 2011, and all subsequent amendment acts that have a significant impact on BASA members. Similar industry bodies are in operation in Nedbank Africa Regions and tax developments in all jurisdictions are monitored centrally by the Nedbank Group.

The BASA Taxation Committee seeks to promote discussions on issues relating to the revenue acts and assists BASA in advocating for the interests of its members in ensuring that the regulatory and supervisory framework takes cognisance of the relevant issues.

During 2020 the Nedbank Group participated and provided input into the following initiatives:

- Amended regulations in respect of Common Reporting Standards as developed by the Organisation for Economic Cooperation and Development (OECD) (the new CRS Regulations).
- Disaster management tax relief bills.
- Tax amendment bills: 2020.
- 2020 South African Budget Speech tax proposals.
- Discussion document on reviewing the tax treatment of excessive debt financing, interest deductions and other financial payments.

The Nedbank Group complies with the Banking Accord (the accord) signed by SARS and BASA. The accord encourages the banking industry to promote tax compliance, both within banks and by their clients, to determine and review the effective tax rate of banks periodically; discourage the involvement in and promotion of impermissible tax avoidance arrangements; timeously supply and disclose relevant information to SARS; and regularly engage SARS in resolving any matters of dispute. The accord also encourages SARS to enhance the levels of service to BASA members from various initiatives such as adhering to statutory timelines, promoting compliance with the SARS Service Charter, dedicating skilled resources to the banking industry and ensuring professionalism in the services provided to the industry. The accord further seeks to enhance the relationship between SARS and banks, and to provide greater certainty about the interpretation and application of tax and customs laws, as well as the identification of tax risks. In addition, the accord has established the BASA/SARS Operational Forum to facilitate interaction between SARS and BASA in relation to all tax-related operational issues that are relevant to the banking industry and SARS. The Nedbank Group pledged its commitment to facilitate and support SARS in the automation of the third-party data process and other SARS information technology initiatives.

During 2020, the Nedbank Group developed a real-time, third-party account balance and account information query facility in collaboration with SARS to ensure a more efficient taxpayer debt collection process.

The following operational issues and initiatives were addressed by BASA during 2020:

- Open discussion with SARS on improvements to the voluntary disclosure process.
- Improvement of service delivery at SARS in the deceased estates and trusts sectors.
- Access to SARS eFiling platforms through automated and robotics solutions.
- Improvement of taxpayer debt collection processes through third-party bank accounts.

The OECD continues to drive the implementation of the comprehensive package of measures to tackle domestic tax base erosion and profit shifting (BEPS) due to multinational enterprises exploiting gaps and mismatches between different countries' tax systems. Developing countries' higher reliance on corporate income tax means they suffer from BEPS disproportionately. The Nedbank Group supports the aims of the various initiatives, which entail assisting tax regimes to develop in ways that make the tax system fairer and more transparent.

Over 135 countries, including SA, worked together on the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework) and are implementing 15 actions to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

The top priority of the Inclusive Framework has been to develop a solution to the tax challenges of the digitisation of the economy. Following a consultative process in 2019 and 2020, it released a package on 12 October 2020 consisting of the Report on the Pillar I and II Blueprint. These blueprints reflect the convergent views on many of the key policy features, principles and parameters of both pillars, and identify remaining technical and administrative issues, as well as policy issues where divergent views remain to be bridged.

BASA participated in these working groups due to its membership of the International Banking Federation (IBFed). Pillar I aims to expand the taxing rights of market jurisdictions where there is an active and sustained participation of a business in the economy of that jurisdiction. Pillar II introduces global anti-base erosion rules to ensure a minimum level of effective taxation to address remaining BEPS concerns.

BASA continued to participate during 2020 to lobby for the carve-out of banks from Pillar I and simplification of Pillar II, due to the adverse financial impact and undue complexity it will cause on top of an increased tax, regulatory and compliance burden faced in recent years.

TAX LANDSCAPE

Local tax landscape

The Nedbank Group has procedures in place to ensure that the group stays abreast of all key changes in the global tax landscape. Recent developments worth noting, and the group's response, are set out below.

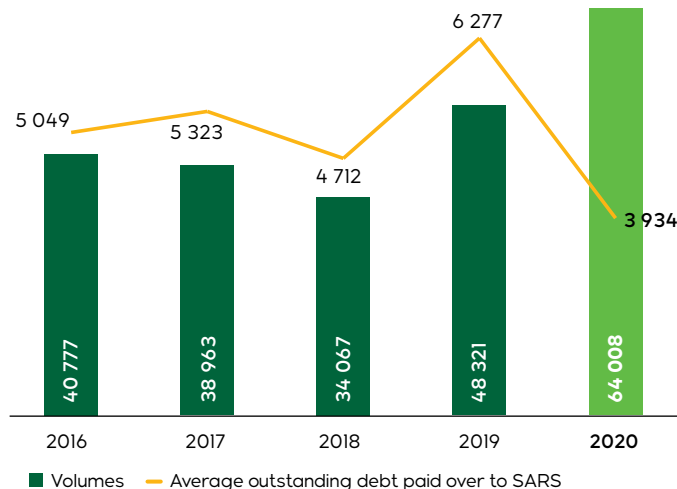
SARS has made progress in rebuilding the tax agency, re-establishing integrity and compliance functions, and restoring employee confidence and public trust. To date, the Commissioner for SARS has implemented 14 of the 27 recommendations made by the Commission of Inquiry into Tax Administration and Governance by SARS (the Nugent Commission) to address governance failures at the institution. These include re-establishing the Large Business Centre, and units focusing on litigation, compliance and integrity. The Nedbank Group continues to support the Commissioner for SARS in these initiatives through constructive participation in relevant forums.

SARS has started legal processes to recover unwarranted expenditure and handed over case files on persons identified in the Nugent report.

An additional budget allocation of R3bn was awarded to SARS in the South African National Budget in 2021 to modernise its technology infrastructure and systems, expand and improve the use of data analytics and artificial intelligence capabilities and participate meaningfully in global tax compliance initiatives. A digitalised SARS is intended to lower costs of compliance, simplify tax administration and improve collections.

SARS has taken active steps to strengthen the management of its information technology systems, rebuild its technical prowess, and harness opportunities arising from information-sharing agreements between national tax authorities. The Nedbank Group, as one of the largest contributors to the fiscus, is committed to assisting SARS with these initiatives. The following graph reflects the tax debt of third parties collected by the Nedbank Group as a bank on behalf of SARS, which demonstrates the initiative between SARS and the Nedbank Group.

LOCAL TAX LANDSCAPE (Rm)



International tax landscape

In terms of transfer pricing documentation there is a requirement to file both a master file containing high-level information about global business operations and transfer pricing policies, as well as a local file containing detailed transactional transfer pricing documentation specific to each country, identifying material related-party transactions, the amounts involved in those transactions, as well as the company's analysis of the transfer pricing determinations that have been made regarding those transactions.

The Nedbank Group adheres to the key principles set out in the BEPS package and the related regulations put in place by fiscal authorities. In this regard, the group has adopted an internal policy that outlines and ensures the key principles and mandatory requirements with which the business must comply to ensure that transfer pricing methodologies are consistently applied, the terms of all intergroup dealings are in accordance with the arm's length principle and that contemporaneous transfer pricing documentation is maintained. The Nedbank Group has been filing the master file documentation and country-by-country reports based on financial reporting periods up to 31 December 2019. In the section titled 'Economic contribution of taxes paid', more information is provided on the Nedbank Group's tax contribution on a country-by-country basis.

As a reporting financial institution, the Nedbank Group is required to provide client information and client data to the relevant regulatory authority in terms of the US Foreign Account Taxation Compliance Act (FATCA) and the CRS of the OECD, which standards are also applicable to our subsidiaries and operations in Nedbank African Regions and the United Kingdom (UK). During 2020, SARS published new CRS Regulations. These new regulations now make provision, among other things, for the suspension or closure of a financial account under the reporting financial institution's risk management framework and in line with the relevant anti-money-laundering/know-your-client procedures for the failure to provide a self-certification by the accountholder or a controlling person. The new CRS Regulations will become effective from 1 June 2021. It also incorporates the Mandatory Disclosure Rules (MDR), which will take effect from 1 March 2023 and is aligned to the MDR for CRS Avoidance Arrangements and Opaque Offshore Structures published by the OECD.

The amendment of the Council Directive 2011/16/EU on administrative cooperation in the field of taxation (commonly referred to as DAC 6), originally announced by the European Commission in June 2017, came into force with effect from 25 June 2018, and has been implemented into UK legislation with retrospective effect from 25 June 2018. However, due to the UK exiting the European Union, the requirements under DAC 6 were relaxed, and now include only those contained in the OECD MDR. These became effective from 1 January 2021. The Nedbank Group has fulfilled all its obligations in terms of DAC 6 by the relevant due dates.

Due to the Nedbank Group's operations in London, the group subscribes to the UK Code of Practice on Taxation for Banks (the code), which was introduced on 9 December 2009. The code aims to ensure that banking groups operating in the UK comply with the spirit, as well as the letter, of the law when it comes to tax matters.

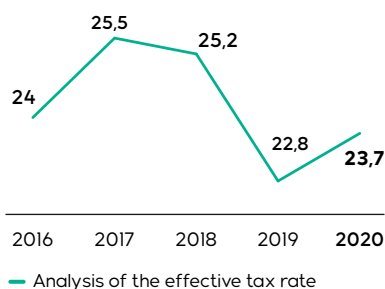
Tax numbers and performance

The Nedbank Group constantly reviews its level of tax provisioning across the group.



The graph below depicts the five-year historical analysis of the effective tax rate for the Nedbank Group.

EFFECTIVE TAX RATE HISTORY (%)



The effective tax rate for the Nedbank Group at December 2020 is 23,7% (2019: 22,8%). The total direct tax charge for December 2020 is R1 994m (2019: R3 942m). This is lower than the statutory rate of 28% in relation to the profit before tax according to the income statement. A detailed reconciliation between the statutory tax rate and the effective tax rate, with an explanation of each adjustment, is provided below.

Taxation rate reconciliation (%)	2020	2019
Standard rate of South African normal taxation	28,0	28,0
Non-taxable income (note 1)	(3,1)	(1,8)
Share of profits of associate companies	(1,5)	(1,3)
Capital items	0,4	(0,1)
Foreign income and s9D attribution	(1,1)	(1,0)
Additional tier 1 capital instruments (note 2)	(2,5)	(0,8)
Net monetary loss (note 3)	0,7	0,3
Revenue losses not recognised	1,2	0,2
Non-deductible expenses	2,3	0,5
Prior-year adjustments	(0,7)	(1,2)
Effective taxation rate	23,7	22,8
Adjustments for non-tax items included above:		
Non-cash tax items	(0,4)	0,8
Prior-year adjustments	0,7	1,2
Withholding taxes	(0,4)	(0,3)
Movement in tax rate to adjust for tax allowances:		
Credit impairments (note 4)	8,6	2,9
Accelerated asset allowances (note 5)	(1,4)	(2,8)
Provisions and other tax adjustments	(0,4)	(3,0)
Share-based payments (note 6)	(2,5)	(0,6)
Effective cash tax rate	27,9	21,0

Notes:

- ¹ Exempt dividend income from listed and unlisted ordinary and preference shares.
- ² Tax relief in respect of interest on tier 1 capital, which is now accounted for in the tax line in comprehensive income with effect from 1 January 2019 due to changes in IFRS. The underlying interest paid is still accounted for in equity.
- ³ Monetary loss sustained in Zimbabwe due to hyperinflation accounting (refer to page 74 of the 2020 Integrated Report).
- ⁴ Tax relief is only granted based on the relevant stage of the credit impairment: stage 1 (25%), stage 2 (40%) and stage 3 (85%). The increase in the cash tax rate in 2020 is due to the significant increase in credit impairments during the year.
- ⁵ The decrease in the tax relief in 2020 is due to a change in the writeoff period applicable to internally developed software with effect from 24 March 2020.
- ⁶ The cost associated with shares issued in terms of the employer incentive schemes is accounted for in the share-based payment reserve in equity.

Economic contribution of taxes paid

The Nedbank Group recognises that the tax it pays is imperative to the economic and social development of the countries it operates in.

The Nedbank Group is one of the largest financial services groups in Africa, offering wholesale and retail banking services as well as insurance, asset management and wealth management services. In SA the Nedbank Group has a strong franchise evidenced by a 19% deposit and 19% advances market share. Outside SA the Nedbank Group operates in five countries in the South African Development Community (SADC) region, through subsidiaries in Lesotho, Mozambique, Namibia, eSwatini and Zimbabwe. We have a strategic alliance with Ecobank Transnational Incorporated (ETI) covering Central and West Africa and we have representative offices in Angola and Kenya.

The Nedbank Group has a presence in key global financial centres outside of Africa to provide international financial services for South African- and African-based multinationals and high-net-worth clients in Guernsey, Isle of Man, Jersey and London, with a representative office in Dubai.

The Nedbank Group recognises that it has a responsibility not only to be good with money, but also to do good with money. The group's core purpose as a bank is therefore to use its financial expertise to do good for individuals, businesses and society across the country and the continent. By seeing money differently in this way, the Nedbank Group is confident that it will achieve its vision to be Africa's most-admired financial services provider.

The world faces massive economic, social and environmental challenges as a result of a steady population growth, growing levels of consumption and climate change, with challenges ranging from unemployment and income inequality to an increasing disease burden and food and water deficiencies.

Against this background the Nedbank Group recognises that the tax it pays is imperative to the economic and social development of the countries it operates in, and that it has a responsibility to comply fully with the regulations in these countries.

One of the key components of the Nedbank Group's commitment to the United Nations SDGs is a concerted and an ongoing effort to help build SA as an inclusive, thriving and opportunity-rich country in which all our country's people can rise above their circumstances and create the futures they desire. The Nedbank Group's support of the

Youth Employment Service (YES) initiative epitomises this commitment to meaningful job creation and reducing the unacceptably high levels of youth unemployment in our country.

YES, which was officially launched by President Cyril Ramaphosa in 2018, is a joint initiative between government, business, labour and civil society, to implement collectively a national plan to build sustainable economic pathways for our nation's youth. Deliverables include the creation of sustainable programmes aimed at equipping youth with skills and knowledge to enhance their employability, and facilitating, as much as possible, their absorption into the workplace to make them contributors to long-term economic development.

The 2019-cohort of the YES youth completed their 12-month work experience programme with Nedbank at the end of April 2020, except for some of the replacements who concluded their work experience programmes during the remainder of 2020. Before Covid-19 we had several exit support plans in place for the YES youth. Given the lockdown regulations in March 2020, we had to amend the way we deliver on some of these initiatives with the intent to ensure that these initiatives still deliver the same impact as before.

Nedbank had to postpone (until further notice) the intake process for the 2020 YES programme that was scheduled to commence on 1 May 2020. The severity of the Covid-19 risks and the current lockdown created a situation in which it was not possible for Nedbank or its implementation partners to complete many of the necessary participant onboarding processes, such as applicant interviews, assessments and verifications. The uncertainty regarding the possible further extension of the lockdown and the processes planned to restore businesses to full operation after lockdown, also means that it was not possible to commit to a comprehensive programme implementation plan or timeline. Subsequently, Nedbank issued a holding statement to all prospective stakeholders, including the YES Office, partner organisations and current, as well as new youth applicants, to announce the decision to postpone the 2020 intake for the YES programme.

The Nedbank Group was one of the first corporates in SA to sign up as a partner to the YES initiative and commit to

creating skills transfer and employment opportunities for at least 3 340 young South Africans, either through direct employment within the group (250 placements) or by means of supported job opportunities through placement partners (3 090 placements).

Resulting from the YES initiative the Nedbank Group received employment tax incentive (ETI) credits to the value of R7m in 2020 (2019: R12m). The ETI is an incentive aimed at encouraging employers to hire young work seekers. It reduces the employer's cost of hiring young people through a cost-sharing mechanism with government, by allowing the employer to reduce the amount of pay-as-you-earn (PAYE) it pays while leaving the wage received by the employee unaffected.

Carbon tax came into effect on 1 June 2019 in response to climate change. It is aimed at reducing greenhouse gas (GHG) emissions in a sustainable, cost-effective and affordable manner.

Carbon tax gives effect to the polluter-pays principle and helps to ensure that firms and consumers take the negative adverse costs (externalities) of climate change into account in their future production, consumption and investment decisions.

Certain GHG impacts or thresholds trigger disclosure in the tax system and could lead to additional direct tax payments. A payment extension was given to liable entities in 2020 implying that payment could be made late in 2020. The first carbon offsets to reduce the carbon tax liability of a company were also successfully retired in 2020.

In the Nedbank Group's case, it is only the installed diesel standby generators that currently trigger exposure to the carbon tax. Diesel is taxed indirectly (at the pump), which implies that the Nedbank Group already pays a carbon tax levy on its diesel use, hence no further (or direct) tax is payable.

The carbon tax liability of the Nedbank Group's client base can differ greatly varying from direct to indirect liabilities that could result in a substantial additional tax burden.

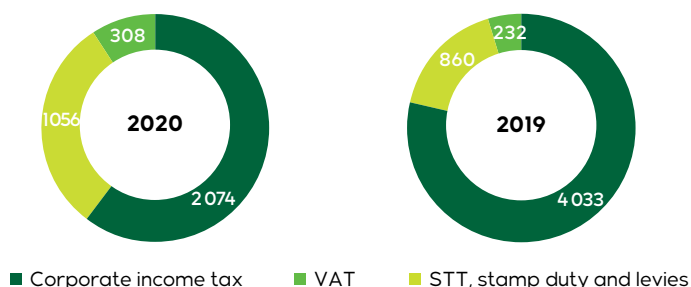
This section of the report sets out the Nedbank Group's total economic contribution for the 2020 financial year, compared with the total economic contribution for 2019.

Taxes contributed to the revenue authorities can be categorised as follows:

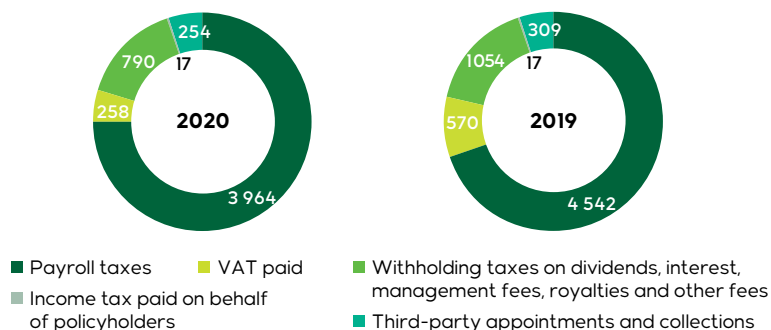
- The Nedbank Group's direct cash tax contribution in each country, consisting mostly of tax on profits, Securities Transfer Tax (STT), as well as withholding taxes on dividends, management fees and interest received.
- Cash taxes collected by the Nedbank Group on behalf of revenue authorities, including PAYE, Skills Development Levies (SDLs) and UIF contributions, which would not have been collected if the Nedbank Group did not employ people.
- Consumption taxes and value-added tax (VAT) collected by the Nedbank Group on behalf of revenue authorities, which would not have been collected if the group did not offer financial services or financial products to the clients responsible for paying the relevant tax, or if the Nedbank Group did not procure from its suppliers' goods and services on which such taxes are due. Being a bank, Nedbank can claim back only a relatively small proportion of the VAT it incurs, resulting in a significant cost absorbed by the group.
- Taxes paid to other spheres of government, excluding taxes raised by revenue authorities on the country's direct-taxation regime, such as rates and taxes and levies.
- The Nedbank Group annually declares interim and final dividends to shareholders, which results in dividend tax being withheld from shareholders that are liable for the tax and paid over to the revenue authority. If the group did not generate profits, it would not have paid dividends to shareholders. In H1 2020 the SARB's Prudential Authority (PA) issued Guidance Note 4/2020, which encouraged banks to preserve capital and not distribute ordinary dividends out of 2020 earnings. In February 2021 the PA published Guidance Note 3/2021 which replaced Guidance Note 4/2020. The guidance note encourages boards of banks to be prudent when making decisions relating to distributions of dividends on ordinary shares and the payment of cash bonuses to executive officers and material-risktakers in 2021. Despite our strong capital and liquidity position at 31 December 2020, having considered the spirit of Guidance notes 4/2020 and 3/2021 and noting growth opportunities and our responsibility to support clients and the economy, the group has decided not to declare an interim or final dividend for 2020.
- Tax debts of third parties collected by the Nedbank Group as a bank on behalf of revenue authorities.

The Nedbank Group's total tax contribution for 2020 amounted to R8 721m (of which R3 438m represents taxes contributed by the Nedbank Group and R5 283m represents taxes collected by the Nedbank Group), compared with R11 617m (of which R5 125m represents taxes contributed by the Nedbank Group and R6 492m represents taxes collected by the Nedbank Group) in 2019, and is illustrated in the graphs alongside.

TAXES PAID (Rm)



TAXES COLLECTED ON BEHALF OF REVENUE AUTHORITIES (Rm)



OECD COUNTRY-BY-COUNTRY REPORTING

Since December 2017 the OECD Country-by-Country Reporting (CbCr) requires that multinational enterprises (MNE) report on their operations in every country that they operate in. These reports will enable revenue authorities to assess transfer-pricing risks and other BEPS-related risks with respect to the MNE groups operating in their countries. The OECD does not require this information to be published and recommends that tax authorities limit their use of it to high-level risk assessments only.

Due to the extent of the transparency in the disclosure contained in the tax report, we have no hesitation in sharing the salient points of the CbCr.

Total revenue

In total, 93% (2019: 92%) of the total revenue of the Nedbank Group is generated in SA, followed by 3% (2019: 4%) generated in England and Wales. The remaining 4% (2019: 4%) is generated in the rest of the world.

Headcount

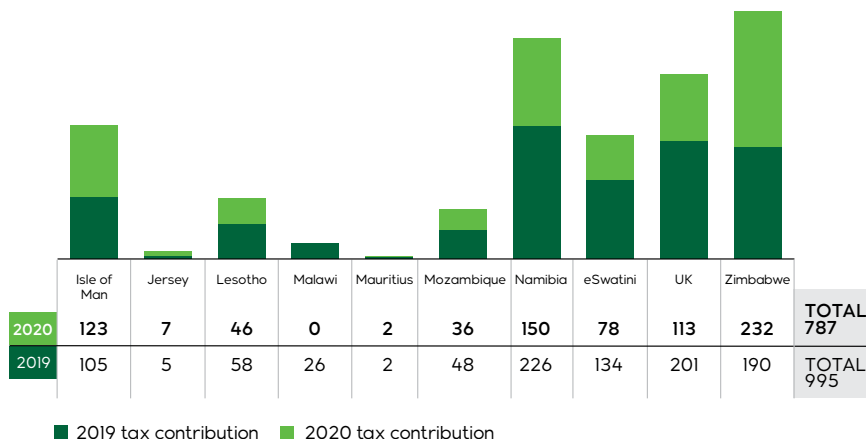
Altogether 90% (2019: 90%) of the headcount of the Nedbank Group is based in SA, followed by 3% (2019: 3%) based in Namibia. The remaining 7% (2019: 7%) is based in the rest of the world.

Total tax contribution

In total, 91% (2019: 91%) of the tax is contributed from SA and the remaining 9% (2019: 9%) is contributed by the rest of the World.

Refer to the geographical split of the tax contribution in the graph below.

REST OF THE WORLD TAX CONTRIBUTION (Rm)



The increase in the tax contribution in Zimbabwe in 2020 is due to the increase in state taxes charged on ATM transactions, as well as on associated funds transferred.

The corporate tax rate in Isle of Man increased in 2020 and led to an increase in the tax contribution by Nedbank Private Wealth.

nedbankgroup.co.za

