



SUSTAINABLE DEVELOPMENT GOALS ISSUANCE FRAMEWORK

APRIL 2019



1. OVERVIEW

1.1 PURPOSE

The purpose of this document is to outline a framework under which Nedbank Limited (“Nedbank”) intends to issue green, social and/or sustainability notes, the proceeds of which are envisaged to be directed towards funding assets / initiatives which would contribute to achieving specific objectives of the United Nations’ Sustainable Development Goals (“SDGs”). The focus on sustainable issuance is congruent with Nedbank’s purpose and vision of using our financial expertise to do good for individuals, families, businesses and society.

1.2 NEDBANK AS ISSUER

Nedbank Limited, is a public company listed on the Johannesburg Stock Exchange and Namibian Stock Exchange. As a fully-fledged South African bank, we offer retail, business, trading and corporate and investment banking products to our clients. Nedbank has been operating for several years and has positioned itself as Africa’s first carbon neutral organisation through managing our operations and carbon footprint in an environmentally-friendly manner.

In January 2017, Nedbank Limited signed up to the Principles for Positive Impact Finance, through the UNEP Finance Initiative, which calls for a new paradigm of financing. The Principles jointly consider the three pillars of sustainable development – namely economic, environmental and social – and provide a set of guidelines for financiers to identify, promote and communicate Positive Impact Finance across their portfolios.

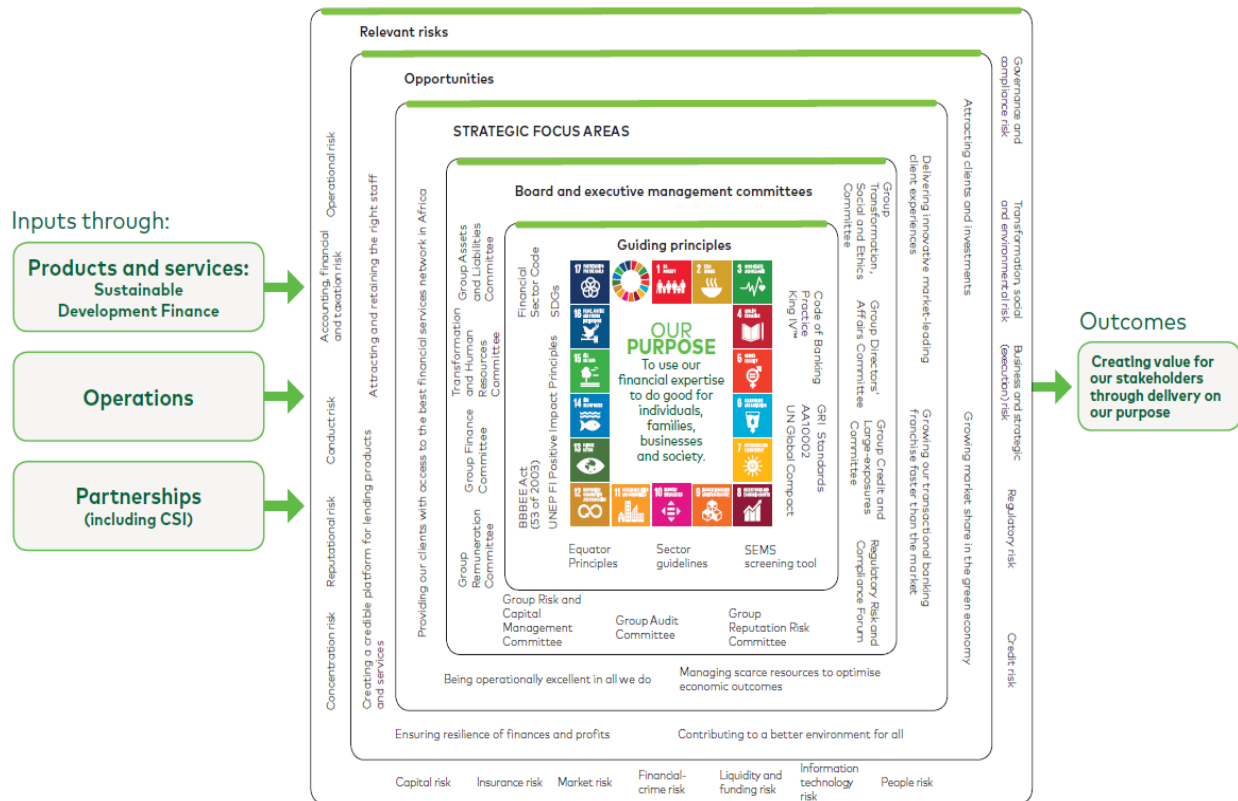
In 2017 Nedbank began the process of aligning its reporting with the SDGs and as such Nedbank’s annual Sustainable Development Review references the SDGs of greatest relevance to a financial services organisation.

Nedbank recognises that the most effective way to deliver on our purpose is by commercialising innovative products and services that help to address the relevant SDG targets, thereby enabling our clients to achieve the positive outcomes they desire.

1.3 NEDBANK’S APPROACH TO SUSTAINABILITY

Nedbank has been integrating sustainability across the full breath of business activities. Nedbank’s current approach is to focus on what Nedbank deems to be the most material SDGs and related targets to guide our sustainable development activities. Nedbank has undertaken a materiality process to map relevant targets to our three levers of influence: products and services; operations; and corporate social investment, thereby creating the Nedbank Sustainable Development Framework which offers a roadmap for how Nedbank can contribute to the transformation of society.

SUSTAINABILITY GOVERNANCE FRAMEWORK



Nedbank Group – 2017 Sustainable Development Review

In terms of Nedbank's sustainable development financing activities, a significant portion of Nedbank's lending book is committed towards renewable energy initiatives as Nedbank positioned itself as a leader in the initial rounds of the renewable energy independent power producer procurement programme (REIPPPP), initiated by the South African Department of Energy. Going forward Nedbank's sustainable lending activities will increasingly focus on 9 of the 17 SDGs and 33 of the 169 associated targets. The 9 specific SDGs (representing significant funding needs) are outlined below whilst the specific targets associated with these are outlined under section 2.2

Sustainable Development Finance Focus



SDGs

- 4. Quality Education
- 6. Clean Water and Sanitation
- 7. Affordable and Clean Energy
- 8. Decent Work and Economic Growth
- 9. Industry, Innovation and Infrastructure
- 10. Reduced Inequalities
- 11. Sustainable Cities and Communities
- 12. Responsible Consumption and Production
- 15. Life on Land

1.4 NEDBANK'S SOCIAL AND ENVIRONMENTAL MANAGEMENT POLICIES AND SYSTEM

The Nedbank Social and Environmental Management System (SEMS) is a system which enables the review and analysis of social and environmental risks during the life cycle of Nedbank's lending transactions where the SEMS process is applicable. Sensitive industries which trigger a need for a SEMS assessment include mining, chemical, agriculture, energy and manufacturing.

Nedbank is an Equator Principle Financing Institution (EPFI) and the Equator principles process falls within the overall SEMS process. During monitoring, pre and post an initial drawdown, if a transaction fails to comply with certain environmental or social terms Nedbank would work with the client to bring the transaction into compliance once again.

1.5 RAISING AND LISTING GREEN / SOCIAL / SUSTAINABILITY BONDS

Nedbank's Domestic Medium Term Note Programme (DMTN) is listed on the JSE Limited. Green, social and/or sustainability bonds would be issued under Nedbank's DMTN programme and would provide investors with a unique opportunity to participate in funding assets that deliver positive non-financial impacts and funding that would contribute toward meeting the United Nations Sustainable Development Goals targets.

2. NEDBANK SDG FRAMEWORK

2.1 OUTLINE OF THE FRAMEWORK

Nedbank's SDG issuance framework has been developed in line with the International Capital Market Association ("ICMA") Green Bond Principles ("GBP"), Social Bond Principles ("SBP") and the Sustainability Bond Guidelines ("SBGs") and therefore adopts the four key pillars as described below:

1. **Use of Proceeds**
2. **Process for Project Evaluation and Selection**
3. **Management of Proceeds**
4. **Reporting**

The GBP, SBP and SBG are voluntary process guidelines that are globally accepted by issuers and investors and provide a framework for sustainable issuance. The green, social and sustainable capital finance market continues to evolve, and the principles are updated from time to time.

2.2 USE OF PROCEEDS

The use of proceeds forms the cornerstone in classifying an instrument as green, social and/or sustainable. The proceeds of issuance under this framework would be used to finance and/or re-finance either:

1. Financing to retail customers, businesses, corporates and projects ("Loan Assets"); or
2. Nedbank's own operating and/or capital expenditures ("Nedbank's Expenditures")


(together referred to as "Eligible Assets")

that would deliberately contribute to the delivery of any of the 9 SDGs and 33 targets outlined below, subject to consistency with Nedbank's Social and Environmental Management System (SEMS) and applicable risk policies, and that meet the Process for Project Evaluation and Selection set out under 2.3.

In particular Loan Assets would include corporate loans with a purpose that aligns to the Eligible GBP and/or SBP categories or which are made to a business or project that derives at least 90% of its revenues from activities as described under the Eligible Finance Activities.

Outline of Indicative Eligible Finance Activities

Table 1 :

Sustainable Development Goal	Relevant SDG Target	Green Bond Principle Categories	Social Bond Principle Categories	Eligible Finance Activities
 <p>4 QUALITY EDUCATION</p>	<p>4.3 Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education</p> <p>4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all</p>		<p>Access to essential Services (4.3, 4.a)</p>	<p>Activities that expand access for youths and adults to education or otherwise improve educational infrastructure</p> <p>Activities that target women and minority inclusion in education systems, including access to tertiary education or vocational and technical skills training and access to campus infrastructure</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>6.1 Access to safe and affordable drinking water for all</p> <p>6.2 Access to adequate and equitable sanitation and hygiene for all</p> <p>6.3 Improve water quality</p> <p>6.4 Increase water-use efficiency and reduce the number of people suffering from water scarcity</p> <p>6.6 Protect and restore water-related ecosystems</p>	<p>Sustainable Water and Waste Water Management (6.1, 6.2, 6.3, 6.4)</p> <p>Terrestrial and Aquatic Biodiversity Conservation (6.6)</p>	<p>Affordable basic infrastructure (6.1, 6.2, 6.3, 6.4)</p>	<p>Activities that include:</p> <p>Expanding public access to safe and affordable drinking water</p> <p>Providing access to adequate sanitation facilities</p> <p>Improving water quality to be fit for human use / consumption</p> <p>Increasing water-use efficiency through water recycling, treatment and reuse</p>



7.1 Ensure universal access to affordable, reliable and modern energy services

7.2 Increase substantially the share of renewable energy in the global energy mix

7.3 Double the global rate of improvement in energy efficiency

7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services

Energy Efficiency (7.3)

Renewable Energy (7.2)

Affordable basic infrastructure (7.1, 7.b)

Construction, maintenance, manufacture, expansion of components for clean energy, which enable:

(i) Generation or transmission which would include wind, solar, hydro power, biomass, geothermal, and their associated components; or

(ii) Energy efficiency Including energy efficient technologies in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products



8.2 Achieve higher levels of productivity

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium sized enterprises

8.4 Improve global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation

8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promote local culture and products

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes (8.4)

Energy Efficiency (8.4)

Renewable Energy (8.2)

Access to essential services (8.3, 8.10)

Employment generation (8.2, 8.3, 8.9)

Socioeconomic advancement and empowerment (8.3)



9.1 Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being with a focus on affordable and equitable access for all

9.3 Increase the access of small-scale industrial and other enterprises, to financial services, including affordable credit

9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

Energy Efficiency (9.4)

Renewable Energy (9.1)

Access to Essential Services (9.3, 9.c)

Affordable Basic Infrastructure (9.1, 9.a, 9.c)

Financing of roads, rail corridors, power plants, renewable energy, communications, water treatment plants

Public sector – infrastructure funding

Property Finance – Affordable housing, schools, hospitals

Financing of new manufacturing plants

Financing of new and innovative technology with positive environmental /social benefits

Investment into companies that address social needs or scarcities for the country

Embedded generation

Construction, renovation or operation of buildings to make them sustainable, improve resource efficiency,



10.b Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes

10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent

Access to essential services (10.c)

Activities aimed at supporting previously disadvantaged individuals to advance their socio-economic position through:

- i) Financial education programmes
- ii) Training programs for individuals to access employment / self-employment or
- iii) Services for individuals in financial, legal, social, housing, transport, IT, health and education services
- iv) Access to affordable housing in urban and suburban areas with high employment



11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials

Clean transportation (11.2)
Green Buildings (11.c)

Pollution Prevention and Control (11.6)

Affordable basic infrastructure (11.1, 11.2)

Affordable Housing (11.1)

Activities that contribute to:

Construction or investment of registered affordable housing, accredited as such in the jurisdiction in which they operate; or

Construction, equipping or operation of clean transportation facilities or associated infrastructure, such as any of light passenger rail, new rail facilities for public use, electric vehicles, and other transportation infrastructure that would reduce harmful emissions

Construction, renovation or operation of buildings to make them sustainable, improve resource efficiency, adopt environmentally sound technologies.



12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes (12.5)

Environmentally Sustainable Management of Living Natural Resources and Land Use (12.2)

Pollution Prevention and Control (12.3, 12.5)

Sustainable Water and Waste Water Management (12.2, 12.5)

Food Security (12.3)

Activities that improve waste management by

- 1) Reducing waste from the source
- 2) Recycling or composting to divert waste from landfill
- 3) Organic farming, water efficiency initiatives, waste water reuse



<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p> <p>15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species</p> <p>15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems</p>	<p>Environmentally sustainable management of Living Natural Resources and Land Use (15.8)</p> <p>Terrestrial and Aquatic biodiversity Conservation (15.1)</p>	<p>Ecotourism</p> <p>Removal of invasive species to improve water catchments</p> <p>Mine remediation activities</p>
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2.3 PROCESS FOR PROJECT EVALUATION AND SELECTION

Nedbank has established a Sustainable Issuance Working Committee (“SIWC”) which will hold ultimate responsibility and accountability for Nedbank’s SDG issuance framework including compliance, throughout the life of all Nedbank SDG issuance.

The SIWC membership consists of senior representatives from Nedbank’s Balance sheet management, Specialised Distribution, Enterprise Risk Management, Sustainability, Operations and Asset lending teams. It may be supplemented from time to time, or expanded, by representatives from other teams.

The purpose of the SIWC will be to manage the eligibility criteria of the use of proceeds by consulting with internal sustainability practitioners and making recommendations to and seeking confirmation from the working committee prior to issuance where appropriate

For both new and existing issuances, the Eligible Assets selection process will consider the following objectives, features and benefits:

- Conformance with the Eligible Finance Activities set out above
- Conformation with the GBP, SBP and SBG;
- For existing issuances decide on Eligible Assets for substitution purposes
- Assessing compliance with Nedbank’s SEMS policy where applicable
- Applying Nedbank’s own professional discretion and judgement
- Where Nedbank elects, conformance with any other principles, standards or tools that may otherwise become commonplace in the market

2.4 MANAGEMENT OF PROCEEDS

The intention is for the allocated funding of Eligible Assets to be at least equal to the rand equivalent of green, social and/or sustainable bonds issued. Nedbank will monitor the size of the allocated portfolio of Eligible Assets against the issuance proceeds and if there is a shortfall Nedbank will invest an amount equivalent to that shortfall in a liquidity pool within the Group.

The unallocated proceeds may be temporarily invested in investment instruments that are cash or cash equivalents and/or other liquid marketable instruments (including Treasury securities). Nedbank may also allocate the proceeds on a temporary basis against assets already on Nedbank's balance sheet that exclude greenhouse gas intensive projects or manage the proceeds in any other manner that would be deemed acceptable to ensure the funds are applied as intended.

Nedbank will maintain a set of internal procedures for the management of proceeds.

2.5 REPORTING

Nedbank will report annually on the Use of Proceeds and Impact components of the Eligible Assets. Reporting on Use of Proceeds will centre on Eligible Asset volume in comparison to sustainable bonds in issue, summary of Eligible Assets and Eligible Asset removals or substitutions. A summary of the impacts of the Eligible Assets may include the metrics set out below, where the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation:

Sustainable Development Goal	Indicative Impact Criteria
Number 4: Quality Education	<ul style="list-style-type: none">- Number of people receiving education services- Education facilities for inclusive and effective learning environments (number of beds provided for student housing)
Number 6: Clean Water and Sanitation	<ul style="list-style-type: none">- Number of people provided with safe and affordable drinking water- Number of people provided with adequate and equitable sanitation- Volume of water saved- Volume of wastewater treated for reuse- Area covered by sustainable land and water resources management practices
Number 7: Affordable and Clean Energy	<ul style="list-style-type: none">- Renewable energy produced (MWh)- Avoided greenhouse gas emissions (tons CO₂eq)- Number of people with access to clean energy services
Number 8: Decent work and economic growth	<ul style="list-style-type: none">- Number of loans, deposits or insurance products in line with SDGs or number of people provided these- Number of jobs created- Number of jobs retained

Number 9: Industry, innovation, and infrastructure	<ul style="list-style-type: none"> - Length of sustainable road construction with equitable access - Length of rail construction - Number of first-time internet connections - R&D expenditure in line with SDGs as % of sales - Number of electric vehicles financed
Number 10: Reduced inequalities	<ul style="list-style-type: none"> - Number of jobs created in low-income areas, among disadvantaged groups and other target populations - Number of local SME suppliers and smallholder farmers in supply chain
Number 11: Sustainable cities and communities	<ul style="list-style-type: none"> - Number of people with access to safe, affordable and sustainable housing - Number of people with access to sustainable transport systems - Number of electric vehicles deployed - Number of electric vehicle charging points installed - Floor space of green real estate - Waste that is prevented, minimised, reused or recycled before and after the project - Number of people benefiting from selective collection of recyclables
Number 12: Responsible consumption and production	<ul style="list-style-type: none"> - Avoided resource waste - Avoided emissions to air (other than greenhouse gases) - Avoided emissions to water - Materials sourced sustainably or recycled - Absolute or % reduction in local pollutants - Reduction of hazardous materials used
Number 15: Life on Land	<ul style="list-style-type: none"> - Avoidance or reduction of land pollution (ecotoxicity, acidification, salinization, transformation) - Avoidance or reduction of biodiversity loss (number of species) - Certified afforested or reforested land - Area covered by sustainable land and water resources management practices

2.6 EXTERNAL REVIEW

As an external review, depending on the underlying asset type referenced for each bond, either the Climate Bonds Initiative (CBI) or the Green Building Council SA (GBCSA) or any other acceptable certification agency will independently provide a certification for the bond issuance. This certification will be made publicly available.

3 DISCLAIMER

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