

OUR RELATIONSHIPS

17 PARTNERSHIPS FOR THE GOALS



Goal 17: Partnerships for the goals

Our ability to do good and create shared value is magnified when we partner with our stakeholders in a way that enables our purpose, promotes growth and respect for all, and unlocks mutual benefits.

OUR STAKEHOLDER ENGAGEMENT FRAMEWORK

While all Nedbank business units, clusters, divisions and employees embrace the role they have to ensure effective and mutually beneficial stakeholder relationships, ultimate responsibility for the effectiveness of our stakeholder engagements rests with the Nedbank Group Exco.

In line with King IV™ we have adopted an inclusive approach to working with our stakeholders to balance their needs, interests and expectations with the best interests of the organisation over time. To ensure consistency and protect the Nedbank brand stakeholder engagement is informed and governed by a comprehensive stakeholder policy and a supporting engagement framework. The Group Operational Committee monitors compliance with this policy and framework, and every business area is required to provide regular reports on all its stakeholder engagement activities and outcomes.

Late in 2017 we conducted an independent review of our current stakeholder engagement practice within Nedbank using the AA1000 Stakeholder Engagement Standard (SES). This review will identify areas of opportunity and make recommendations on how to proceed in a prudent and efficient manner. The results of the review will be available in 2018.

As stakeholder engagement is decentralised at Nedbank there is not a single team that manages all relationships and questions or concerns from stakeholders. Should a stakeholder not be satisfied with the service or assistance they receive from their Nedbank point of contact, there are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre, which is the first port of call for all clients' requests, and Tipoffs Anonymous, which is an independently managed hotline that is open to all stakeholders. Details of these can be found at nedbank.co.za. Our Stakeholder Engagement Policy is also available online.

The following pages provide an overview of our main stakeholders, the reasons why we engage with them and the ways we do it. Insights are also offered into the main issues raised by these stakeholders in 2017 and our responses to these issues.

Our staffmembers

Our staff complement comprises 31 887 staffmembers, of which 62,1% are female and 37,9% are male; 78,5% are black and 21,5% are white.

Why we engage with our staffmembers

- To provide staff with strategic direction and keep them informed about group activities.
- To ensure that we remain an employer of choice that provides a safe, positive and inspiring working environment.
- To understand and respond to the needs and concerns of our staffmembers.

Why our staffmembers engage with us

- To provide us with feedback and input that can help us improve their working environment experience as well as the performance of our business.

Frequency of engagement

- Ongoing and daily engagement at all levels.
- As required by staff.

SPECIFIC ENGAGEMENTS IN 2017

In addition to the regular, direct communication between managers, teams and individuals, specific employee engagements in 2017 covered the following:

- Group Exco communication sessions and regular newsletters.
- Nedbank results presentations.
- CE and cluster head roadshows across SA and the Southern African Development Community (SADC) offices.
- Cluster and group recognition functions, culminating in an international trip for top achievers.
- The annual Employment Equity Summit.

HOT TOPICS

Our response/Resulting developments

Job security, given the current economic climate and internal reorganisation

- Our Organisational Redeployment Pool has been revamped to mitigate the potential for job losses proactively.
- Our wellbeing strategy has also been reviewed.

Uncertainty with regard to the new performance management approach

Externally facilitated training was conducted in October and November 2017. This training upskilled 40 employees as trainers on the new approach to assist with scaling up the training throughout the organisation. Since then over 400 employees have been trained, with more training planned for the remainder of 2018.

Unions

These include SASBO, the Swaziland Union of Financial Institute and Allied Workers, the National Union of Commerce, Catering and Allied Workers in Lesotho, and the Namibia Financial Institution Union.

Why we engage with the unions

- To promote fair and equitable employee relations practices, good governance and a sound working relationship.
- To ensure that all matters having an impact on basic conditions of employment are effectively addressed through collective bargaining.

Why unions engage with us

- To represent their members on matters of mutual interest.
- To represent the interest of union members who are Nedbank Group employees and members of the bargaining unit.
- To consult on salary negotiations and engage on any changes impacting staff in the bargaining unit through a consultative forum and collective bargaining forum.

Frequency of engagement

- Annually for salary negotiations.
- Formal monthly engagements on issues that relate to changes impacting staff in the bargaining unit.
- Ongoing consultations or meetings required by the unions or as a result of business changes or projects.

SPECIFIC ENGAGEMENTS IN 2017

- Annual salary negotiations.
- Monthly consultations.

HOT TOPICS	Our response/Resulting developments
Wage expectations	Annual 2017 pay negotiations resulted in an 8% adjustment to the guaranteed package for the bargaining unit (cognisant of individual performance and earnings range). The minimum guaranteed package is R142 000 (2016: R133 500).
Fair labour practices	We did not experience any industrial action in our SA and European operations. However, in Swaziland management and the union were unable to reach agreement during the salary negotiations and a strike was instituted. The year 2018 will see more focus on proactively managing the labour environment throughout our operations.
Health and safety governance	An OHS agreement was developed and finalised with SASBO to ensure more union involvement with Nedbank with regard to the application of the OHS Act and its regulations. In particular, SASBO will be consulted before the appointment of health and safety representatives.
Impact of digital services and automation on employees	The Nedbank Digital Transformation and Integration Strategy was presented to SASBO along with related change management plans. The introduction of agile methodology as a delivery mechanism for the strategy was also tabled with the union, which attended launch sessions with pilot participants.

Suppliers

We have over 6 700 active suppliers. The majority of our spend is on professional fees and insurance, computer processing, occupation and accommodation and marketing.

Why we engage with suppliers

- To obtain products or services required for conducting our business.
- To maintain an ideal and timeous supply of goods and services for our operations.
- To encourage responsible practices across our supply chain, bearing in mind BBBEE requirements, local procurement, supplier conduct and environmental considerations.
- To include critical suppliers in cross-functional teams in order to contribute expertise and advice before specifications are developed for products or services.

Why suppliers engage with us

- To provide products and services.
- To negotiate pricing and contracts.
- To promote new products and service offerings.
- To respond to tenders.
- To seek input and guidance on their sustainability journeys.

Frequency of engagement

- Ongoing and as required.

SPECIFIC ENGAGEMENTS IN 2017

- Ongoing interaction with suppliers and contractors for procurement purposes.
- Supplier education workshops, indabas, workshops, roadshows, etc.
- One-on-one negotiations and meetings.
- The gazetting of the Amended FSC.
- Changes to trading arrangements in terms of our procurement system, ERP.
- Auditor engagements through the Group Audit Committee.

HOT TOPICS	Our response/Resulting developments
Ethical behaviour of suppliers	<p>Nedbank has a zero tolerance for corruption and we expect our service providers, staff and clients to conduct themselves with integrity.</p> <p>Nedbank has a High-risk Supplier Committee to manage and mitigate risk across its supply chain. This committee was established following a number of local and international service providers having received extensive negative publicity as a result of alleged business conduct.</p> <p>In addition, we announced that, pending the outcomes of any investigations relating to Nedbank suppliers, we would consider completing existing contracts with them, and/or not awarding any new work until the completion of those investigations.</p>

Our clients

- All individuals in SA, the SADC and East Africa – from children to seniors and from entry-level to high-net-worth individuals.
- Various legal entities such as trusts, non-governmental organisations (NGOs) and associations, small businesses, large corporates and the public sector.
- Clients who do their everyday banking with Nedbank as well as those who engage with us on single-product classes such as insurance, asset management, investment or finance solutions.
- In 2017 we provided services to 7,9 million clients.

Why we engage with our clients

- To understand them, their aspirations, businesses and financial services needs better.
- To provide appropriate advice, proactive financial solutions and value-adding services.
- To ensure that we maintain the high service levels they expect and deserve.
- To inform product development and prioritisation.
- To ensure accuracy and privacy of clients' personal and/or business information.

Why our clients engage with us

- To receive sound financial advice and financial education.
- To access worldclass innovative solutions and services.
- To grow and protect their investments and wealth.
- To obtain convenient access to banking, less complexity and improved flexibility (channel of choice).
- To protect their assets through secure IT systems and infrastructure.
- To get value banking that is competitive and transparent in pricing.

HOT TOPICS

Our response/Resulting developments

<p>Response to the Knysna fires</p>	<p>From a financial perspective the Knysna fires were the most catastrophic event in the history of SA insurance, devastating the community with damages amounting to close to R3bn. Nedbank Insurance immediately reacted, engaging clients in the affected areas and providing details for an accelerated claims process. The bank also deployed additional assessors to the area. To assist with emergency relief efforts Nedbank also donated money, blankets and clothing, and now have a rehabilitation programme underway in the area.</p> <p> See page 29 for more information.</p>
<p>Political and economic uncertainty</p>	<p>Our clients continue to face a number of challenges due to uncertain political and economic outlooks locally and globally. An integrated client-centred approach in Corporate and Investment Banking has enabled an offering of bespoke and innovative solutions relevant to our clients' needs. Furthermore the strategic partnership between Deutsche Bank and Corporate and Investment Banking in 2017 has enhanced our ability to provide our clients with access to sources of capital globally.</p>
<p>Vulnerability of Nedbank's systems</p>	<p>Nedbank's cybersecurity is managed as a high risk with board oversight. It was of great concern to us that a Singapore cyberintelligence agency, Kinkayo, suggested in a report that Nedbank had a high exposure to cybersecurity risk. We rejected the claims and immediately engaged with all clients and other stakeholders confirming our worldclass approach to cybersecurity, which includes implementing multiple layers of security to prevent both technological and human error, using processes and monitoring practices. The personal information on our banking systems remains safe and protected and cannot be accessed without the consent of our clients. Following a detailed review by independent experts in this field, Nedbank's resilience towards targeted attacks has been rated 'above average' in cybersecurity across financial services in SA.</p> <p> See Pillar 3 Risk and Capital Management Report for more information on cybersecurity.</p>

Our clients continued

Frequency of engagement

- Ongoing.
- Dependent on client needs and identified sales, service or guidance opportunities.

SPECIFIC ENGAGEMENTS IN 2017

- The Nedbank consumer financial education programme, which directly benefited more than 200 000 (2016: 180 000) consumers across all nine SA provinces.
- Interactions through branch outlets, relationship managers, call centres and complaint lines.
- Client seminars and surveys.
- Social media, and marketing and advertising activities.
- Specific client engagements, including focus groups, one-on-one meetings, functions and events.

HOT TOPICS

Our response/Resulting developments

Innovative products to meet clients' needs

Our new range of digital products and services has been well received by our clients, with rapid levels of uptake and positive feedback. Some of these innovations for clients include:

- the Private Wealth app, which received recognition at the MTN Business App of the Year Awards;
- the end-to-end home loans online application process;
- the launch of the retail Nedbank Money app;
- the launch of Nedbank's first, fully self-service digital branch, the NZone, at the Gautrain station in Sandton; and
- the launch of the 'Solar Turtle' branch concept that leverages digital and renewable-energy solutions to bring banking to the underbanked while supporting community upliftment.

Sales in execution of repossessed properties

- Nedbank's current practices not only offer rehabilitation and voluntary sale options throughout the legal process, but also protect the value of the asset at the sale in execution. Some 30 000 clients have made use of our distressed-restructure option and 85% of clients have not defaulted again, which means that many clients are able to avoid foreclosure and keep their homes notwithstanding financial difficulty.
- Foreclosure or a sale in execution (SIE) is always the absolute last resort as it is not in the interest of the client or the bank. Nedbank purchases some of these properties to protect the value of the asset and passes any profit made to the client while the bank carries any loss. Our SIE and rehabilitation processes have resulted in a 75% reduction in SIEs since 2010 with less than 300 residential properties on the books since 31 December 2017.
- To inform our clients of the process we continue to run education awareness programmes through media platforms and face-to-face consultations with clients. We also have a dedicated call centre team to attend to any enquiries from clients.

Our shareholders

(and the investment community)

- 21 276 ordinary shareholders.
- Retail investors, asset management and retirement funds in SA, and increasingly in international markets, that invest in Nedbank equity and preference shares as well as funding instruments.
- 13 sell-side analysts.
- Two credit rating agencies: Moody's and Standard & Poor's.

Why we engage with our shareholders and the investment community

- To provide current and future shareholders with relevant and timely information to ensure that Nedbank shares are appropriately valued.
- To manage shareholder expectations and reputational risk.
- To maintain strong relationships, keep abreast of market developments and inform our shareholder targeting strategy.
- To ensure good governance and deepen the trust placed in us and our brand.
- To get feedback that informs our strategy, business operations and how we govern.

Why our shareholders and the investment community engage with us

- To derive value through share price appreciation and an attractive and sustainable dividend stream.
- To receive relevant timely information on our prospects and financial and non-financial performance, so that they can value our performance and assign appropriate credit ratings.
- To understand our financial performance.
- To gain insight into our strategy and management.

SPECIFIC ENGAGEMENTS IN 2017

We proactively communicate our strategy and activities to shareholders through an active investor relations programme:

- Twice a year at the reporting of our annual and interim results.
- Over 400 meetings with investment analysts, investors and the media during non-closed periods.
- More than 10 broker-hosted conferences and non-deal roadshows.
- A governance roadshow, including additional ESG meetings.
- Nedbank AGM held in May.
- Biannually with our credit-rating agencies.
- Through relevant information on our website at nedbankgroup.co.za.
- Regular engagement with Old Mutual plc to communications, particularly during the managed separation process.

HOT TOPICS

Our response/Resulting developments

Impact of Old Mutual managed separation	<p>Nedbank has always operated independently and has its own systems and governance, therefore the managed separation will have no impact on the day-to-day operations of Nedbank. Nedbank and Old Mutual have expressly recognised the benefits of the arm's-length commercial arrangements between them and undertake to continue to retain such commercial arrangements, which will be underpinned by a new agreement that will govern the terms of this relationship. The unbundling will result in a far more diverse and distinctly SA and emerging-market shareholding profile for Nedbank, resulting in a much larger free float, which will be good for Nedbank as well as its existing and potential new shareholders. Nedbank is a great business for our current and potential new shareholders to be invested in and we aim to continue to deliver value.</p> <p>On 1 November 2017 Old Mutual plc announced that the strategic minority shareholding to be retained in Nedbank Group by Old Mutual Limited (OML) to underpin the ongoing commercial relationship between the companies has been agreed at 19,9% of the total Nedbank Group ordinary shares in issue, as held by shareholder funds.</p>
Impact of a sovereign-credit-rating downgrade on Nedbank's performance	<p>We performed extensive stress-testing on our balance sheet and income statement to assess the potential impacts of high- and severe-stress events. Relative to the period before the global financial crisis, we are in a much stronger financial and capital position today to weather any potential downturn. We have previously shown that a credit-rating downgrade will have an insignificant direct impact on the bank, although we remain concerned about the impact of a deteriorating macroeconomic environment and, therefore, have prepared well for this possibility.</p>
Performance of the group and dividend outlook	<p>We have a strong balance sheet and capacity to generate organic earnings and capital. This combined with lower credit RWA growth, enabled dividend growth ahead of HEPS growth. The lower 2017 earnings base due to ETI's loss supports stronger earnings growth in 2018 and our ability to maintain our dividend payout ratio around 2,0.</p>
ETI's financial performance	<p>ETI is making good progress in an improving environment and has attractive medium-to-long term targets. Although these targets are a stretch from the current position, ETI will be a strong contributor to our expected growth in earnings, particularly in 2018 and beyond, if these are achieved.</p> <p>ETI's share price has increased 65% in 2017, in line with the rebound in the Nigerian banks' share prices on the back of signs of early improvement in that economy. As a result, the market value of our 21,2% share in ETI, as well as our share of ETI's NAV, is now ahead of our carrying value.</p> <p>As Nedbank we take some comfort from actions taken in ETI's turnaround and remain optimistic of the long-term prospects of this strategic investment.</p>
Threat of new competitors in SA market	<p>Our strategy in RBB is to grow transactional banking faster than the market through being first in digital, having disruptive CVPs, sales and service excellence, and robust loyalty and rewards. We have increased the pace of digitisation through DFL and innovations are gaining traction.</p>
Appointment of auditors	<p>We indicated that the Group Audit Committee (GAC) had challenged and engaged with executives and boardmembers from KPMG regarding the allegations of corruption against the audit firm. Several engagements with the board and stakeholders have taken place to discuss the KPMG developments and assess the impact on Nedbank, considering, inter alia, regulatory requirements, business continuity, and reputational and systemic risk. KPMG SA provided assurance regarding the integrity of its audit processes and further assurance was provided by KPMG International, which agreed, at the request of Nedbank, to provide additional comfort in respect of its support of KPMG SA.</p> <p>The results of the independent enquiries into KPMG SA to assess if any further action or response is required are awaited.</p>
Remuneration policy and disclosures	<p>Nedbank engaged with shareholders on the proposals for our 2018 remuneration scheme and received strong support for all these changes. The key change relates to replacing the FINI 15 with DHEPS growth as a CPT.</p>

Our regulators

The South African Reserve Bank – responsible for banking regulation and supervision in SA

Other: Financial Services Board (FSB), National Credit Regulator (NCR), South African Revenue Services (SARS), various government departments and Chapter 9 institutions including the dti, Department of Labour and National Treasury, Financial Intelligence Centre (FIC) and the JSE. We also comply with various regulatory bodies outside SA, including central banks and local financial services regulators of countries in which we have representation or operations.

Why we engage with the regulators

- To maintain open, honest and transparent relationships and to ensure compliance with all legal and regulatory requirements.
- To retain our various operating licences and minimise our operational risk.

Why the regulators engage with us

- To ensure regulatory compliance.
- To promote the soundness and stability of the domestic banking and financial system, thereby contributing to its stability.

Frequency of engagement

- Daily, weekly, quarterly and as required.

SPECIFIC ENGAGEMENTS IN 2017

- Various industry and regulatory forums.
- Meetings between regulators and our board and management.
- One-on-one discussions with various executive officials at prudential meetings.
- Onsite meetings.

HOT TOPICS	Our response/Resulting developments
Increase in regulatory scrutiny and inspections	<ul style="list-style-type: none"> ■ Sound implementation and ongoing enhancement of the Advanced Measurement Approach (AMA) for operational risk management were maintained, and similarly the Internal Model Approach (IMA) for market risk and the Advanced Internal Ratings Based (AIRB) approach to credit risk continued to meet the regulators' requirements. ■ We maintained the alignment of our Enterprisewide Risk Management Framework (ERMF) with regulatory developments. ■ In line with international and local trends Nedbank observed an increase in regulatory scrutiny and inspections. All regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.
Foreign Account Tax Compliance Act (FATCA) US legislation	The control environment for the inclusion of Common Reporting Standards under our FATCA reporting mandate is adequately maintained. SARS reporting requirements are on track in terms of regulatory deadlines.
Increased focus on consumer protection, such as Treating Customers Fairly (TCF)	The group has done a considerable amount of work towards TCF readiness and compliance. Much of 2017 was focused on the formal incorporation of TCF across our business by ensuring that it is an integral part of our culture and the way we design, market, promote and distribute our products and communicate with and service our clients.
Money-laundering, terrorist financing and sanctions risk management	We continue to invest significantly in IT, processes, procedures and resourcing in ongoing efforts to remedy administrative deficiencies noted by SARB during its anti-money-laundering and sanctions regulatory reviews of SA's big banks.
Resolution and recovery planning	We maintain resilient business continuity management processes.
State of cybersecurity at the bank	<ul style="list-style-type: none"> ■ Nedbank has a Cyberresilience Risk Management Framework aimed at enhancing our cyberresilience and enabling the effective management of our critical business information assets. ■ We have implemented comprehensive fraud detection systems as well as client-end security software and transaction notification systems.

Society

Society refers to citizens of the countries in which we operate, including individual members of society, NGOs and suppliers, as well as the environment on which those citizens depend for their wellbeing.

Why we engage with society

- To create partnerships that serve to facilitate our integrated sustainability activities.
- To obtain input from environmental experts, communities and NGOs regarding key focus areas.
- To create awareness of our integrated sustainability commitment and initiatives.

Why society engages with us

- To get advice and guidance on how to achieve desired outcomes for themselves, their families, their businesses and their communities.
- To partner on common social and environmental issues.
- To collaborate in a way that furthers social, environmental and other common agendas for the greater good.

Frequency of engagement

- Ongoing, as partnerships dictate or stakeholder needs require.

SPECIFIC ENGAGEMENTS IN 2017

- The Nedbank consumer financial education programme, which directly benefited more than 200 000 (2016: 180 000) consumers across all nine SA provinces.
- Indepth engagements with many NGOs through the Nedbank Foundation, and engagements with sustainability-focused NGOs through our sustainability teams. Primary stakeholders being education NGOs, schools, tertiary institutions, WWF-SA and the Endangered Wildlife Trust.
- Working with academic leaders and thought-leaders to encourage change within Nedbank and create awareness of sustainability issues among a broader range of stakeholders. Primary stakeholders in this regard are the Sustainability Institute, Cambridge Institute for Sustainability Leadership, UNEP FI and Network for Business Sustainability (NBS).

HOT TOPICS	Our response/Resulting developments
Fighting climate change	<p>This issue remains front of mind for many of our stakeholders and in 2017 a number of countries stopped fossil fuel power generation in one way or another. Many international banks have followed suit, changing policies to stop lending to new coal power generation. Similarly, as from 2018, excluding its existing commitments* to round 1 of SA's coal baseload procurement programme, the bank has undertaken not to provide project financing or other forms of asset-specific financing where the proceeds will be used to develop a new coal-fired power plant, regardless of country or technology.</p> <p><i>* Such commitments are currently being assessed on their fundamentals and must be in compliance with our Social and Environmental Management System, which aligns with all relevant legislation, regulation and best-practice principles.</i></p>
Water security	<ul style="list-style-type: none"> ■ We are working with public and private sector stakeholders on both the demand- and supply-sides to develop funding solutions to alleviate water shortages across SA. ■ We are proactively working with our drought-impacted clients to ensure their resilience during this difficult period. Assistance includes restructuring debt and provision of working capital where required. <p> For more information on our water-related activities please see page 7.</p>
Inclusive economic growth	<p>Nedbank is mindful that it is incumbent on all businesses in SA to do whatever they can to be a part of the economic growth and job-creation solutions our country needs. Our 2017 suite of reports demonstrate the many ways in which we are endeavouring to do this. In addition, our executive continued their support of the CEO Initiative lobbying for a stable political environment and strong governing bodies as key to ensuring that inclusive growth is possible.</p>
Investment into tertiary education	<p>For the past number of years, including 2017, we have engaged with institutions of higher learning on improving the access to and appropriateness of the learning they provide. Nedbank increased its support for tertiary education by almost R22m in 2017. In addition, we have provided approximately 4 000 students with student loans to the value of R189m. A total of R44m of this amount was disbursed in 2017. This is in addition to the learnerships and graduate programmes that we run.</p> <p> See page 32 for more information.</p>
Availability of funding for NGO community	<p>The social needs in SA and the other regions in which we operate continue to grow, and while we already contribute more than the required 1% of NPAT to our CSI work, it simply is not enough to address all the proposals that we receive. We therefore must try to increase the impact achieved for every rand invested. We are driving this by funding a few larger initiatives rather than many smaller ones.</p>
Organisational capacity of NGOs	<p>The organisational capacity of NGOs is an issue and therefore, when we fund new projects, some of the funding goes to helping with the building of organisational capacity to ensure the sustainability of the organisation and protect the resultant benefits for the beneficiaries.</p>

Government

Primarily the SA government, but also those of other countries in which we operate.

Why we engage with government

- To cement our social licence to operate within society, with government being one of the key stakeholders.
- To build and strengthen relationships with government, both as a partner in the development of the country and as a client.
- To provide input into legislative development processes that will affect the economy and our activities and operations.
- To reaffirm our commitment to public sector business development.
- To participate visibly in, and be a partner to, the transformation of SA and the financial sector.
- To partner in increasing economic growth and reducing inequality and unemployment.

Why government engages with us

- As one of the major corporates in SA, Nedbank Group is a key roleplayer in the economic, social and environmental transformation of the country.

Frequency of engagement

- Monthly, or as deemed necessary by either party.

SPECIFIC ENGAGEMENTS IN 2017

- Participation on various platforms with national and local government.
- Engagement with governments across the continent through the Nedbank/NEPAD Business Forum, as well as targeted engagements with ambassadors and diplomats.
- The National Budget Competition and the budget votes of the dti and the Departments of Human Settlements and Home Affairs.
- Various engagements with national and provincial Departments of Education, Home Affairs, Human Settlements and Economic Development as well as the Premier's Offices of Gauteng, Eastern Cape and Mpumalanga.
- Engagements with the Ministries of Finance and Trade and Industry about economic matters that affect Nedbank as a business and ways in which we can assist SMEs and the economy subsequent to the sovereign-credit-rating downgrade.

HOT TOPICS

Our response/Resulting developments

<p>Improvement of higher education in SA</p>	<p>Nedbank has long championed the development of viable and effective solutions for much-needed funding of tertiary education in SA. For the past number of years, including 2017, we have engaged with institutions of higher learning on improving the access to and appropriateness of the learning they provide. Nedbank increased its support for tertiary education by almost R22m in 2017 and supported a range of other education improvement initiatives, such as Partners for Possibility. The ultimate aim is to improve the calibre of graduates that these institutions produce, maximise their employability, and thereby contribute to the development and growth of the SA economy.</p> <p> For more information on our education-related activities please see page 32.</p>
<p>Rate of transformation in the banking sector</p>	<ul style="list-style-type: none"> ■ During 2017 Nedbank emerged as a frontrunner in the banking sector at the parliamentary committee hearings specifically for achievements in employment equity at top management level. ■ Nedbank was ranked the most empowered company in the 2007 Codes of Good Practice category for 2017 by Independent Top Empowered Companies in conjunction with Business Report, Empowerdex and Intellidex. The bank was also honoured as a 'Legend of Empowerment and Transformation' at the 16th Oliver Empowerment Awards.
<p>Partnering with government to meet their banking needs</p>	<p>We are fully committed to partnering with government and providing innovative solutions for its financing requirements as well as for providing a worldclass service. This dedicated focus resulted in us winning a number of new public sector clients, including the Namakwa District Municipality, and Stellenbosch, Mossel Bay, Newcastle and Breede Valley Municipalities.</p>
<p>ANC Elective Conference</p>	<p>In an open letter in December 2017 Nedbank CE Mike Brown congratulated Cyril Ramaphosa on his appointment as the 14th President of the ANC.</p> <p>He indicated that Nedbank looked forward to engaging with the new ANC leadership in addressing the pressing issues facing SA and meeting the legitimate aspirations of all South Africans.</p> <p>He also urged President Ramaphosa to address the escalating levels of corruption that have permeated SA and raised concerns about the governance of SOEs, particularly Eskom.</p>

'What we need now more than ever is a society that is willing to hold hands and realise that we need each other more than we think.'

Elizabeth Thabethe: Deputy Minister of Tourism

'The one assured way out of the current economic morass is to have a well-educated population that does not depend only on government for their livelihood. That we can only get through education.'

Panyaza Lesufi: MEC of Education; Gauteng Province

Media

Global media across all mediums, including digital, print, radio and TV.

Why we engage with the media

- To leverage the reach and influence of media channels to share our business and citizenship story with stakeholders.
- To communicate with relevant stakeholders and the broader public with a view to having a positive influence on behaviour that will lead to desired business results.
- To protect and manage our reputation.

Why the media engages with us

- To educate and inform their audiences on developments in the financial services sector and Nedbank Group specifically.
- To be informed about our contribution to the SA economy and our products and services.
- To empower their audiences with appropriate information to make informed financial decisions.

Frequency of engagement

We take both a proactive and a reactive approach to media relations by means of:

- Daily interactions in response to business-related media enquiries.
- Regular interactions to share information and respond to media requests for commentary about our business.
- Ad hoc engagements in response to our various business and sustainability initiatives.
- Proactive, scheduled engagements to build vibrant, mutually beneficial media relationships.

HOT TOPICS	Our response/Resulting developments
<p>Poor governance of certain service providers</p>	<p>Nedbank has a zero tolerance for corruption and we expect our service providers, staff and clients to conduct themselves with integrity.</p> <p> See Supplier section for more information.</p>
<p>Organised Crime and Corruption Reporting Project</p>	<ul style="list-style-type: none"> ■ The Organised Crime and Corruption Reporting Project, a global investigations consortium, published an article on 3 November 2017 accusing Nedbank, among others, of participating in transactions in partnership with Gupta-linked companies Regiments and Trillian to extract money from Transnet. <p>Nedbank distributed a media statement rejecting the notion of an alleged 'partnership' or 'collusion' with Regiments or Trillian to extract money from Transnet. Nedbank conducted an internal investigation into the allegations and found nothing untoward or illegal on the part of Nedbank.</p> <ul style="list-style-type: none"> ■ Nedbank's capital market activities are conducted in an ethical and transparent manner for the benefit of our clients and stakeholders. Transnet is a client and Nedbank therefore cannot disclose details of its transactions due to banker-client confidentiality. All Nedbank's client relationships are subject to the Financial Intelligence Centre Act (FICA) and governance and regulatory reporting requirements, to which we strictly adhere.
<p>Rating downgrade and its impact on macroeconomic and political environment</p>	<ul style="list-style-type: none"> ■ Nedbank was disappointed at S&P Global's decision to downgrade SA's sovereign-credit ratings. In line with his support for Save SA and the CEO Initiative, Nedbank CE Mike Brown made a public call for decisive action to prevent further downgrades by accelerating economic growth through policy clarity, structural reforms and restored faith in governance. ■ The bank has committed to the continued funding of SOEs, while adhering to normal credit review processes and FICA. ■ Nedbank has continued an active relationship with Business Leadership South Africa (BLSA) and joined the #BusinessBelieves campaign to counter the 'white monopoly capital' narrative and drive real economic transformation.

Industry bodies

Industry bodies include Business Unity SA, BASA, the National Business Initiative (NBI), BLSA and various UN working groups.

Why we engage with business and industry bodies

- To continue learning through interaction with the industry and cross-sectoral organisations.
- To use business associations as a forum through which we can promote our viewpoints and collaborate on key industry issues.

Why business and industry bodies engage with us

- To deliver mutually beneficial learnings.
- To influence and/or promote common agendas.

Frequency of engagement

- As required by association or membership agreements.

SPECIFIC ENGAGEMENTS IN 2017

- Monthly meetings with various industry bodies and attendance at relevant annual general meetings.
- Interactions with the NBI, being part of the Advisory Committee on Environment and Society (ACES), and participation in the Carbon Disclosure Project (CDP), the Greenhouse Gas Accounting Programme and NBS-SA.
- Interaction with BASA as a prominent participant in the deliberations regarding the alignment of the FSC with the Revised Codes of Good Practice 2013 and as an active member of the Sustainable Finance Committee.
- Interactions with various research institutions, ie the Sustainability Institute, University of Cape Town and University of South Africa (UNISA).
- Engagement with renewable-energy associations and suppliers to understand how to support the industry and the possible development of accreditation for suppliers to start to regulate the industry.

HOT TOPICS	Our response/Resulting developments
<p>Impact of operations and banking activities on social development and transformation</p>	<p>Nedbank remains an active member of and contributor to the NBI, which serves as a relevant platform enabling member company participation in contributing to economic and social transformation. The NBI drives conversation leading to transformative action through three main focus areas, namely:</p> <ul style="list-style-type: none"> ■ Strategic thought leadership, driven by robust research that uncovers areas of shared risk and opportunity. These opportunities and risks form the basis for designing collective action programmes and understanding implementation approaches. ■ Building the capacity of all stakeholders, with a focus on business, to engage in potential collective action programmes. ■ Designing and implementing collective action projects that lead to business-led solutions, which unlock developmental outcomes that drive sustainable growth.
<p>Unlocking shared value for all banking stakeholders</p>	<p>BASA is the mandated representative of the SA banking sector and addresses industry issues through lobbying and advocacy, influencing policy, guiding transformation in the sector and acting as a catalyst for constructive and sustainable change in the sector through engagement with critical stakeholders. Nedbank is represented on a number of the BASA committees, including the Sustainable Finance Committee, which is particularly focused on the provision of financial capital and risk management products and services in ways that promote and do not harm economic prosperity, the ecology and community wellbeing. The committee has explored issues related to sustainable finance that can be addressed at the level of the financial sector. Nedbank is also represented on BASA's Positive Impact Finance Working Group, which is focused on facilitating the formal adoption of the global SDGs to drive the country's financial sector contribution to the sustainable development agenda.</p>
<p>Sharing knowledge and insights to drive sustainable business practices</p>	<p>Nedbank is a member of the Network for Business Sustainability – South Africa (NBS-SA). NBS-SA is now in its fifth year of fostering collaboration between research and practice, cocreating knowledge for sustainable business. In 2017 the focus was on two programmes aimed at driving stronger cumulative impact: one focused on embedding, including contextualised strategy, and the other on partnering. The network also offers peer-to-peer learning opportunities and ensures the development of leading research material to inform sustainability literacy and best practice.</p>
<p>State capture and corruption</p>	<p>Nedbank has actively participated in the CEO Initiative and as part of the private sector worked through BUSA, BASA and BLSA to raise concerns and make recommendations.</p>
<p>Delivering a sustainable positive impact through our banking and finance operations</p>	<p>Nedbank is a member of the UNEP FI. This is a partnership between UN Environment and the global financial sector created in the wake of the 1992 Earth Summit. It has a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers and investors, work with UN Environment to understand today's environmental, social and governance challenges, why they matter to finance and how to participate actively in addressing them.</p> <p>Nedbank is also an active member of the Positive Impact Initiative and Working Group. The Positive Impact Initiative is a collaborative movement that started in 2015 by UNEP FI member banks and investors who believed in the need to transition to an impact-based business and financing paradigm to achieve a sustainable world as defined by the SDGs.</p>

RATINGS AND RECOGNITION

We have received numerous awards that recognise our efforts in managing our business sustainably, and while we do not do our work to win awards, we appreciate receiving them as confirmation that we are moving in the right direction.

The **awards** we have garnered over the past two years include:

- **16th Annual Oliver Empowerment Awards** – Won the 2017 Legend of Empowerment and Transformation award, which recognised Nedbank as a top empowered company for the 2016 financial year in the financial services sector. This comes after Nedbank retained its externally verified level 2 BBBEE rating for the eighth consecutive year.
- **2017 Sunday Times Top Brands** – Placed second in the Green Award in Business Sector category.
- **2017 EY Excellence in Integrated Reporting** – Ranked fourth among leading companies in SA in the Top 10 category.
- **2017 The Triologue CSI Handbook** – Nedbank was ranked first by NGOs and second by companies in terms of the impact of our CSI work.
- **The 2017 Thomson Reuters Diversity & Inclusion Index** – Nedbank was ranked 16th and is the only African company to occupy a place among the Top 20 organisations.
- **2017 Spire Awards** – Nedbank Corporate and Investment Banking won three first places: Best Market Making Team in Government Bonds; Best Sales Team in Government Bonds, and Best Technical Analysis.
- **Business Report, Empowerdex and Intellidex 2017** – Nedbank was recognised as the Most Empowered Company on the JSE in 2017 under the 2007 Codes of Good Practice category. This award reinforces the positive feedback received from Parliament on our transformation efforts during the parliamentary hearings in 2017.

Our **sustainability credentials** include the following:

- **Carbon-neutral status** – Africa's first carbon-neutral financial organisation. Carbon neutral since 2010.
- **FTSE4Good Index** – A global responsible investment index for companies that demonstrate strong environmental, social and governance practices. Included in 2017.
- **Dow Jones World Sustainability Index 2017** – A global performance benchmark for companies in terms of corporate sustainability. One of only 27 banks in the index and the only African bank. Included for the 12th year. Inclusion helps to attract investment into the company.
- **South African Carbon Disclosure Project Index 2017** – Scored an 'A' for performance. One of only 106 companies in the world to be awarded an 'A'. Score recognises our corporate environmental action on climate change.
- **WWF-SA Water Balance Programme** – Invested R12m in national water security. The programme helps to increase water supply and delivers economic and social benefits through job creation.
- **WWF Nedbank Green Trust partnership** – Invested R260m since the trust's inception in support of over 200 environmental projects throughout SA.
- **WWF-SA Sustainable Agriculture Programme** – Invested R18m as official sponsor. Partnership helps to promote and support national sustainable agricultural production practices.
- **Green buildings** – Nedbank occupies seven Green Star-rated buildings.
- **IRAS Sustainability Data Transparency Index** – Obtained the highest score in the banking sector in 2017.

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