



SUSTAINABLE DEVELOPMENT REVIEW

FOR THE YEAR ENDED 31 DECEMBER **2017**

Supplementary report
to the Nedbank Group
Integrated Report

see money differently

NEDBANK

NEDBANK GROUP SUSTAINABLE DEVELOPMENT REVIEW

'Our purpose is to use our financial expertise to do good for individuals, families, businesses and society; and by keeping that purpose at the core of everything we do, we not only ensure our own resilience and success, we also grow our effectiveness as an agent of positive change.' – *Mike Brown, Chief Executive: Nedbank Group*

ABOUT THIS 2017 SUSTAINABLE DEVELOPMENT REVIEW

This 2017 Sustainable Development Review builds on and supports the 2017 Nedbank Group Integrated Report by presenting a detailed view of our sustainable development efforts, commitments and achievements over the past financial year. It should also be read in conjunction with the other 2017 supplementary reviews that describe our approach to risk management, governance, ethics and transformation. These are available for download at nedbank.co.za.

This year's report represents the beginning of a process to align our reporting with the United Nations (UN) Sustainable Development Goals (SDGs). As such, the content of this 2017 Sustainable Development Review references the relevant SDGs (by means of the SDG icons) and is structured in line with the following three key areas of leverage:

- Products and Services: Sustainable Development Finance.
- Operations.
- Partnerships, which includes corporate social investment (CSI).

In addition to being aligned with the SDGs, the content of this Sustainable Development Review is informed by Nedbank's material matters and it is also aligned with the Global Reporting Initiative (GRI) Standards for sustainability reporting. All key performance indicators (KPIs) referenced in this review have been assured as part of our combined assurance model.

Related online reports and publications:

Sustainable Development reporting

- Transformation report and BBBEE certificate
- **Sustainable Development Review**
- Global Reporting Initiative Standards



2017 Integrated Report

Financial and risk management reporting

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

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OUR CONTEXT

Globally we are facing massive economic, social and environmental challenges. Following a year in which drought, heatwaves, wildfires and floods were commonplace, it is not surprising that environmental risks – such as extreme weather, biodiversity loss and ecosystem collapse, major natural disasters, man-made environmental disasters, and failure of climate change mitigation and adaptation – were ranked high in terms of likelihood and impact in the latest World Economic Forum (WEF) Global Risk Report. It is, of course, the deep interconnectedness of these risks with human wellbeing that sees them posing systemic challenges to citizens across the world.

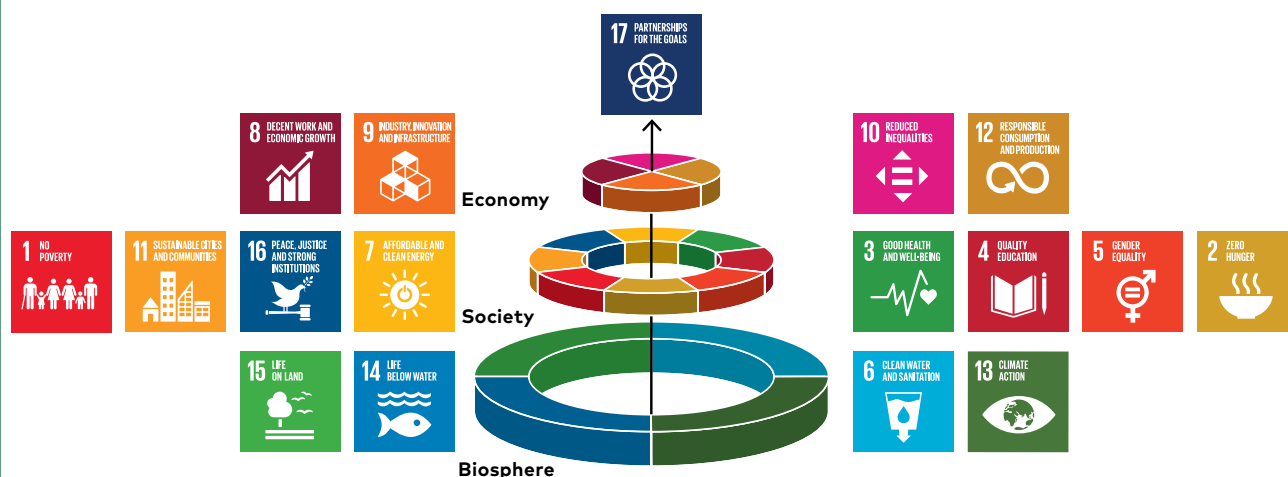
Global trade has boosted growth and prosperity, but it has also led to a concentration of wealth and degradation of the planet. The economy is a subset of the living world and we need to operate within planetary boundaries. Today, we need 1,7 planets to meet human needs, but we have only one. The top 1% of individuals holds 50% of the world's wealth and the eight richest people have the same combined wealth as the poorest 50% in the world.

The transformation imperative and continued progress to a more equitable representation of the SA economy and workforce remain top of the agenda in line with the National Development Plan. To date transformation has led to a broader and growing middle-market segment and an increasing uptake of financial products and services. However, not everyone has benefited, with unemployment rates remaining stubbornly high and inequality gaps being highlighted in 2017 by continued service delivery protests.

The 2018 WEF Global Risk Report suggests that the prospect of stronger economic growth in 2018 presents world leaders with a golden opportunity to address signs of severe weakness in many of the complex systems that underpin our world. However, this will require courageous leadership with a focus on long-term value creation and cooperation rather than a narrow pursuit of short-term results and competitiveness.

The SDGs represent an unprecedented road map for the transformation of society within environmental constraints. They set a common direction and ambition level for leaders with the objective of creating a thriving and more equitable society. The expectation is that business will make a significant contribution alongside governments and civil society to achieve the goals. The SDGs also help to create a common platform for dialogue and cooperation between governments, business and other stakeholders.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



Opportunities

It is estimated by the 2016 UN World Investment Report that the SDGs will offer new revenue streams and cost savings in excess of \$12 trillion annually by 2030. For developing countries this means investment opportunities of about \$2,5 trillion annually over and above the amount currently being invested as well as significant job creation. These opportunities largely exist within four critical subsystems: food and agriculture, cities, energy and materials, and health and wellbeing. Enlightened companies are putting the SDGs at the heart of their business growth strategies and using this to create an enduring competitive advantage.

Risks

These encompass the impacts of climate change, which include more natural disasters and related costs to rebuild (or retrofit) infrastructure where required, increased energy costs, water shortage and water quality issues, and increased food prices and food shortages. Extreme weather events impact clients, and ultimately insurers, through higher claims. The imperative to protect the essential ecosystem services provided by our environment will, amid growing social and political pressure, lead to certain industries becoming less viable, potentially resulting in job losses.

OUR PURPOSE, VISION AND VALUES

OUR PURPOSE

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

DELIVERING VALUE BY DELIVERING ON OUR PURPOSE

We understand that our success is contingent on the degree to which we deliver value to society. As such, it is important to understand our role in society and how society can be different because Nedbank is a part of it. Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by moving capital from where it is to where it is required. A deep understanding of one's purpose helps to guide strategy and decisionmaking in this regard and should result in an optimal balance between long-term value creation and short-term results.

We have defined our purpose as 'to use our financial expertise to do good for individuals, families, businesses and society'. It follows, then, that it is through the considered development and delivery of products and services that satisfy unmet societal needs that we can enable a thriving society, create long-term value, maintain trust and ensure the success of our brand.

The SDGs provide for a universal agreement on economic, social and environmental priorities to be met by 2030. They represent a powerful lens to identify opportunities for business innovation and growth, and they define the 'good' in our purpose. As such, we have reoriented our approach to focus on the most material SDG targets through our three main points of leverage – Products and Services; Sustainable Development Finance, Operations and Partnerships (including CSI).

Nedbank Sustainable Development Framework

Since formally launching Fair Share 2030 in 2015, Nedbank has been integrating sustainability across the full breadth of our business activities. Fair Share 2030 has enjoyed some success in guiding our product development and innovation by ensuring that we focus on identifying and capturing finance opportunities that carry high potential to deliver positive and deliberate economic, social and environmental impact.

OUR VALUES

INTEGRITY

Being honest, trustworthy, consistent and transparent in all our actions and decisions.

RESPECT

Recognising the inherent worth of every individual and treating everyone with dignity.

ACCOUNTABILITY

Being prepared to take ownership of and be held accountable for our commitments and actions.

CLIENT-DRIVEN

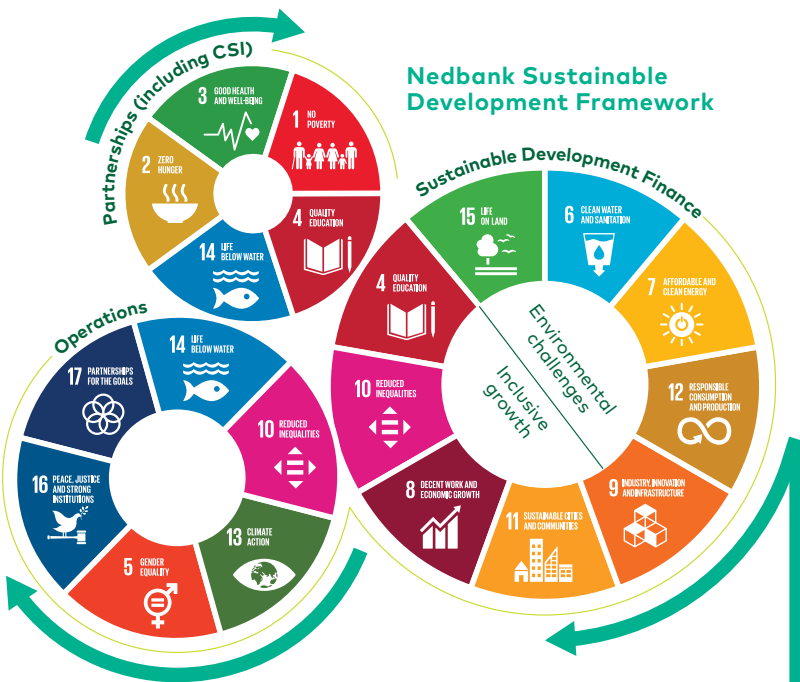
Creating value and delightful experiences for our clients that exceed their expectations.

PEOPLE-CENTRED

Investing in our people and creating an environment that empowers our people to perform distinctively and to excel.

OUR VISION

To be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society.



This success was evidenced by the R5,3bn of lending undertaken from 2015 to 2017, which had provided much-needed student accommodation across the country and supported the rollout of additional embedded energy installations. It is acknowledged, however, that the amount was much less than the annual R6bn of lending that was targeted.

Moving into 2018 our approach is to focus on the most material SDGs and related targets to guide our sustainable development activities. To enable this shift a sustainable development baseline assessment was done that gives a comprehensive view of our business activities aligned with the SDGs. Using the baseline we then applied a rigorous proprietary methodology to analyse the SDGs and prioritise the most material targets for the bank. This work was then mapped to our Products and Services, Operations and Partnerships to create the Nedbank Sustainable Development Framework.

The Nedbank Sustainable Development Framework offers a clear roadmap for how Nedbank can contribute to the transformation of society within environmental constraints. Going forward we will be setting ambitious new targets for Sustainable Development Finance. This will ensure that we leverage the experience gained through Fair Share 2030 to innovate and capture winning positions in new markets and drive sustainable business growth and value for all stakeholders by contributing our fair share to support delivery on the SDGs.

DELIVERY IN 2017: HIGHLIGHTS

In 2017 we were included in the Dow Jones World Sustainability Index for the 12th year. This is external validation of our efforts to drive sustainable development. Delivery in 2017 included:

PRODUCTS AND SERVICES: SUSTAINABLE DEVELOPMENT FINANCE

Invested **R3,8bn** in **empowerment financing** (R68bn since 2012*).

Disbursed **R18,4bn** for renewable deals, adding a further **2 100 MW** to the national grid.

A total of **R10,06bn** has been invested by clients in the **Nedbank Green Savings Bond** (R25,2bn since inception).

Made more than **5 700 beds** (2016: 5 000) available through our **R1,1bn lending** for **student accommodation**.



* 2012 is the Financial Sector Code (FSC) baseline year.



OPERATIONS

Invested **R355m** in training **our staff**.

Invested in strategic **water source areas**, resulting in net **zero operational water usage**.

Since 2013 we have **decreased our total carbon footprint by 7,14%** and our **carbon footprint per fulltime employee (FTE) (tCO₂e) by 16,24%**.

Committed to **no further financing of coal-based power plants***.

* See page 8

PARTNERSHIPS (INCLUDING CSI)

Invested **R168m** in **socioeconomic activities**.

Increased our annual **tertiary education** investment by **R22m to R94m**.

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.

Invested an annual **R3,8m** in **sustainable agriculture practices** through the **WWF-SA**.



DELIVERY IN 2017: KEY PERFORMANCE INDICATORS

The KPIs below guide our delivery of value to all our stakeholders. They are monitored regularly and updated in line with our material matters and strategic focus areas. All are subject to a level of internal or external assurance.

	Key performance indicators	How does it link to value creation?	Yoy change
Staffmembers	Staff costs (Rbn)	Remuneration and benefits to staff	▲
	Annual unionised salary increase (%)	Salary increases for bargaining unit	▶
	Training spend (Rm)	Investment in staff development	▼
	Staff turnover (%)	Ability to retain and rotate skills	▶
	Staff engagement/morale (entropy score, %)	Reduction in entropy driving levels of staff morale	▶
	Transformation – black staff (%)	Transformation of Nedbank staff profile in line with demographics	▲
Clients	Loan payouts (Rbn)	New loan payouts to clients	▼
	Digital – App suite transactions (Rbn)	Uptake of more convenient and affordable channels	▲
	Service – Net Promoter Score™ (NPS) (%)	Quality of service experience reflected in reputational NPS	▼
	Service – Operational score for service (complaints handling)	Quality of service experience through effective complaints handling	▲
	Service – Client complaint resolution (days)	Resolution of escalated complaints to retain clients	▲
	Service – Nedbank system availability (%)	System uptime to enable uninterrupted financial processing	▶
Shareholders	Pricing – Average annual price increase (%)	Value-for-money banking	▶
	Share price performance (%)	Share price appreciation	▲
	Full-year dividend per share (cents) and cover (times)	Dividends for shareholders	▲
	Price-to-book ratio (times)	Valuation indicator of the Nedbank share	▶
	Basel III compliance – CET1 ratio	Strength of capital position	▲
	Basel III compliance – LCR ratio	Strength of liquidity position	▲
Regulators	Basel III compliance – NSFR ratio	Strength of stable funding	▶
	Regulatory fines or penalties (Rm)	Indicator of adherence to regulatory requirements	▶
	Direct, indirect and staff taxes (Rbn)	Contribution to government coffers	▲
	The dti level as per FSC scorecard	Reflection of corporate transformation	▶
	Empowerment financing (Rbn)	Contributing to a transformed, thriving society	▼
	Consumer finance education (# participants)	Value through education	▲
Society	Total socioeconomic spend (Rm)	Contribution to society	▲
	Local procurement spend as a percentage of total (%)	Supporting local suppliers	▶
	Renewable-energy lending (Rbn)	Commitments to renewable-energy deals	▲
	Annual Fair Share lending (Rbn)	Lending with deliberate social and environmental outcomes	▼
	Carbon footprint (tCO ₂ e) offset to neutral	The impact of our business on the environment	▼
	Carbon footprint per FTE (tCO ₂ e)	The impact of our business on the environment	▼
	Social and environmental management system (SEMS) (number of deals/clients reviewed)	The impact of our business on the environment and society	▲
	Finance assessed under Equator Principles (US\$m)	The impact of our business on the environment and society	▼
	Operational water usage on campus sites (kℓ)	The impact of our business on the environment	▲
	Waste to landfill (tonnes)	The impact of our business on the environment	▼
	Waste to recycling (tonnes)	The impact of our business on the environment	▲

Assurance indicators

LA

External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status. Related opinions are available at nedbank.co.za.

MO

Management and board oversight through rigorous internal reporting governed by the group's ERMF.

FS

Financial Information extracted from the 2017 Nedbank Group Limited Audited Annual Financial Statements.

IN

Information sourced from external sources eg independent surveys.

OV

Independent oversight by regulatory bodies including the SARB, FSB, and various financial sector ombudsman offices.

	2017	2016	2015	Peer benchmark ¹	Outlook/Target	Assurance	
	16 530	15 524	14 296	N/A	Maintain competitive remuneration	MO	FS
	8,0	8,0	7,5	N/A	Above the increase for management	MO	
	355	413	370	N/A	Continue to invest in staff	LA	
	10,6	9,6	9,9	11–13 (industry benchmark)	Maintain despite organisational change	MO	LA
	12 (survey every 2 years)	12	13	10 (worldclass levels)	Improve	IN	(Source: Barrett Survey)
	78,5	78,3	76,9	Not publicly available	Continue driving transformation	LA	
	153	162	185	N/A	Continue to extend credit responsibly	MO	
	41	25	16	N/A	Continue to drive digital adoption	MO	LA
	19,9	21	21	> 20 (peer average)	Improve	IN	LA
	73	69		51 (SACSI industry average)	Continue to improve and exceed target of 75	IN	LA
	6,9	8	8	21 (industry average)	Continue to improve and remain below target of < 10	IN	LA
	99,91	99,99	99,94	Nedbank: Top performer	Number 1 in the industry	MO	LA
	Below inflation	Below inflation	Below inflation	N/A	Below-inflation increases	MO	
	7,5	26,3	(24,3)	18,5 (FINI 15)	Perform above peers	IN	(Source: the JSE)
	1 285	1 200	1 107	N/A	Within our 1,75 times to 2,25 times target range	MO	FS
	1,91 times	2,0	2,06				
	1,5	1,5	1,2	2,3 (peer average)	Number 2 bank by 2020	IN	(Source: the JSE)
	12,6%	12,1%	11,3%	SARB: > 7,25%	10,5 –12,5%	MO	OV
	116,2	109,3	88,5	SARB: 80% for 2017	Continue to phase in to > 100% by 2019	MO	OV
	Pro forma compliant	Pro forma compliant	Not disclosed	SARB: 100% for 2018	> 100% by 2018	MO	OV
	1	1	0	N/A	Zero, although risk of fines has increased	MO	OV
	9,8	8,7	8,2	N/A	Responsible taxpayer	OV	
	2	2	2	Nedbank: Top 2 bank	Top-tier bank, but the dti level impacted by new codes	MO	OV
	3,8	14,1	5,9	Current FSC	Amended FSC	MO	LA
	200 000	180 000	260 000	N/A	Maximum impact aligned with strategy	MO	LA
	168	141	136	Top performer in <i>Triologue CSI Handbook</i>	Spend > R100m	MO	LA
	> 75	> 75	> 75	As per FSC	> 75%	MO	LA
	18,4	15,2	11,6	Nedbank: Number 1 bank	R35bn committed, with drawdowns over next few years	MO	
	1,1	2,3	1,8	N/A	Sustainable Development Finance lending targets per SDG to be set during 2018	MO	
	205 569	207 975	214 967	Nedbank: Only carbon-neutral bank in Africa	Maintain carbon neutrality	MO	LA
	6,37	6,54	6,97	Leader in performance in the Carbon Disclosure Project	Continue to reduce impact	MO	LA
	632	435	512	Leader in disclosure	Enhance SEMS integration	MO	LA
	75	306	589	Leader in disclosure	Enhance Equator Principles integration	MO	LA
	(one deal)	(four deals)	(seven deals)				
	317 580	316 278	319 801	Leader in reduction activities	Reduce operational water usage	MO	LA
	220	294	317	Leader in reduction activities	Continue to reduce impact	MO	LA
	689	620	581	Leader in recycling activities	Continue to reduce impact	MO	LA

¹ Peer average consists of the simple average of Barclays Africa, FirstRand and Standard Bank using latest year-end financial results, except for transformation numbers, which were sourced from integrated reports.

Committed to good water stewardship

As a responsible corporate citizen, Nedbank takes its responsibility for water stewardship very seriously. This stewardship focuses on quality, quantity and access to water through our products and services, limiting our own, direct, water usage and partnering with other SA citizens to maximise our collaborative water saving and management efforts.



Fresh, clean water from the Pongola headwaters.



Well managed river in the Overberg wheat belt Renosterveld area.



Badly managed river in the Overberg wheat belt Renosterveld area.

Photographs provided by Heather Dugmore.

ACCESSING WATER THROUGH OUR PRODUCTS AND FINANCE SOLUTIONS

We are working with public and private sector stakeholders on both the demand- and supply-sides to develop funding solutions to alleviate water shortages.

Infrastructure investments in 2017 include a desalination plant in Ghana and the funding of the 630 low-income units at Belhar Gardens, which are currently benefiting from the energy- and water-saving features in the development. The City of Cape Town identified the development as a new benchmark in social housing.

We take a shared commitment approach to water saving by including water sustainability considerations in the environmental screening processes that inform our lending decisions. Where necessary, we guide clients on ways to improve their social and environmental performance, including their water dependency. We also use the WWF Water Risk Filter as a compliance risk management tool to assess the viability of projects and investments in high-impact industries as well their potential impact on the country's water resources, where appropriate.

Drought relief

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. In addition, in Paarl we provided 50 greywater community gardens as part of the Western Cape drought-disaster management plan and our own Places Programme.

MANAGING OUR WATER IMPACT

While our overall annual water usage is much lower than that of many other organisations that conduct water-intensive operations, this in no way exempts us from being responsible water users. By working towards groupwide water reduction targets, we have steadily reduced our annual water usage per fulltime employee. We have now augmented this target with an additional 15% reduction planned over the next five years. The drought has required an additional focus on how we operate within severe water restrictions, particularly in Cape Town. Plans that address cooling, sanitation and general health and wellbeing of our staff and clients have been implemented to varying degrees across the country.

Protection and restoration of water sources

A key component of good water stewardship is ensuring the protection and restoration of SA's key strategic water sources. This is demonstrated by the work undertaken by the WWF Nedbank Green Trust in the major water catchment area of the southern Drakensberg. This area holds the principle headwaters of the Umgeni, Mooi, Umzimkhulu and Umzimvubu rivers, two of which are critical in the delivery of potable water to Pietermaritzburg and Durban. The region is also ideal cattle country and this provides a living for many of the local farmers. However, for such cattle raising to be sustainable, it has to be managed effectively to prevent massive soil erosion and resulting unacceptably high sedimentation levels in the local rivers.

To address this challenge the WWF Nedbank Green Trust funds a farming support project to improve livestock grazing methods in five communal grazing areas in the Matatiele district. The project is helping the communal farmers, who are the environmental and water stewards of the region, to manage their cattle and lands more sustainably by educating them about the benefits of rotational grazing.

'Now I don't need to leave my family to go and find work in the cities. I just need to look after the grasslands and my cattle. My job is right here.'

– Matatiele communal farmer

WATER PARTNERS

Since the inception of the **WWF-SA Water Balance Programme** in 2011, we have invested R12m. Through the removal of alien-invasive vegetation, the programme has resulted in the release of more than 915 500 kℓ into the country's water catchments annually. In 2017 the programme focused on maintenance and restoration of the land already cleared of alien-invasive species, as well as actively restoring 17 ha of previously cleared land by planting 20 000 indigenous varieties and creating 6 000 days of work for local community members.

We sponsored the **Intelact Dairy Water Stewardship Award**, which showcased dairy farmers who lead the way in terms of on-farm efforts to maximise their water efficiency while minimising their impacts on freshwater resources including rivers, wetlands and groundwater sources.

Helping communities access clean water
The Nedbank 2017 investment in the Lifestraw Water Filtration Project enabled the distribution of 300 000 water filtration devices distributed to households in the Kakamega province in Kenya. These filtration devices last for 10 years and are distributed freely to community members who don't have access to safe municipal water. We also donate hippo water rollers to communities without access to running water.

Products and Services:

SUSTAINABLE DEVELOPMENT FINANCE

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

Using this approach helps us to address national strategic development priorities in the countries where we operate, such as SA's National Development Plan (NDP), as well as our deliverables in terms of the Amended Financial Sector Code (FSC).

For full details of our transformation efforts and progress please see the 2017 Nedbank Transformation Report, which can be downloaded at nedbank.co.za.

We are cognisant of the fact that our efforts in terms of Sustainable Development Finance, as outlined below, do not yet correspond to our fair share of what is required to meet the SDGs. We have therefore committed to setting lending targets in 2018 that ensure more deliberate focus on our delivery in this regard.



FINANCING SOLUTIONS TO ENVIRONMENTAL CHALLENGES



Goal 7: Affordable and clean energy

UTILITY-SCALE RENEWABLE-ENERGY FINANCE

Given the country's renewed commitment to a low-cost, sustainable energy mix, the reinvigoration and support of a stable and viable renewable-energy sector is a fundamental imperative. Continuation of a steady energy supply is also critical to reigniting a thriving economy. In recognition of this fact we fully support government's Renewable Energy Independent Power Producer Procurement (REIPPP) programme, and assist a large number of participants in the bidding process through innovative finance solutions that will provide quickly constructed and competitively costed versatile power solutions for the country.

In 2017 the energy team disbursed R18,4bn for renewable deals, with 28 projects reaching commercial operation date across REIPPP rounds 1, 2 and 3. These projects add a further 2 100 MW to the national grid. As a result of our continuous involvement in the REIPPP programme, we have maintained our status as the leading bank in the support and enablement of renewable-energy delivery, and are actively supporting 13 of the 26 round 3,5 and round 4 projects, retaining our dominant market position in the SA renewable-energy sector.

EMBEDDED GENERATION FINANCE

Based on the realisation that the next wave of renewable-energy investment in SA would be in the corporate and industrial space, Nedbank Corporate and Investment Banking established its Embedded Generation Unit in 2016 to build on Nedbank's successful funding of the REIPPP programme and offer further support to the necessary shift towards renewable energy. The unit supports clients as they tackle increasing electricity prices and uncertainty with regard to electricity supply and environmental stewardship, and through this the unit helps to facilitate the continued growth of the renewable-energy industry and associated job creation. Since its establishment, the Embedded Generation Unit has secured a pipeline of funding opportunities for implementation in 2018.

Committed to a clean-energy future

We continue with our strategy of supporting the diversification of Africa's electricity supply. Currently 2,08% (2016: 1,81%; 2015: 2,25%) of our total group lending and finance commitments relate to renewable-energy generation. This compares very favourably with the 0,56% (2016: 0,58%; 2015: 0,66%) of total funding of coal- and fossil-fuel-based energy generation (including our direct facilities to Eskom).

In addition, 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.

* 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.

FINANCING SOLUTIONS TO ENVIRONMENTAL CHALLENGES



Goal 7: Affordable and clean energy

SOLAR POWER FOR BUSINESSES AND HOMES

Increasing energy costs and the unreliability of energy supply have seen clients looking for new ways to manage their energy needs in their businesses and homes. Nedbank conducted research to get a better understanding of what clients needed in this regard and discovered that clients were not sure where to start in terms of the technology, or whom to trust in terms of suppliers, and then they also needed a finance solution. Nedbank's Smart Living Solutions product addresses clients' concerns by helping them navigate the technologies on offer and arranging discounts with preapproved suppliers. Clients can then use the NedRevolve or a readvance facility to finance the energy solution for their homes. To date the number of clients that have taken up this offer has been low and different financing structures will be needed to remedy this.

In addition, we offer finance solutions to business clients wanting to implement renewable-energy projects in their businesses. These deals include numerous value-added components, including extended tenors to allow for longer payback periods. In 2017 we financed R24m of transactions primarily in the photovoltaic space. In 2018 we expect the number of these transactions to increase exponentially and are geared up to meet this demand.

NEDBANK GREEN SAVINGS BOND

The Nedbank Green Savings Bond was launched in 2012 as the first 'green' bond in SA to be available for investment by retail clients. It offers a fixed-term investment of 18 months to five years and a competitive rate and guaranteed returns for capital security. The funds invested are earmarked for the support of renewable-energy projects in SA. Since inception, more than R25,2bn has been invested in the Nedbank Green Savings Bond, of which R10,06bn flowed in during 2017 (2016: R9,35bn).

Putting clients in control of their electricity usage

In November 2017 Nedbank Insurance piloted smart geyser telemetry, an innovative, connected home solution that allows homeowners to control their geyser electricity usage through an app on their cellphones. The app connects to a telemetry device that is connected to the geyser. By enabling users to control their geyser's electricity consumption remotely, the solution is able to deliver significant monthly cost savings. The device also has sensors that automatically shut off water and electricity supply to the geyser on sensing drip tray moisture caused by a leak or burst. This feature not only offers peace of mind for homeowners, but should also mean lower insurance claims for burst or leaking geysers and resultant damage. With this pilot, we aim to have devices installed in 500 homes in Johannesburg and Cape Town, and if proven successful in terms of client savings and avoided replacement costs, the device will be rolled out to more insurance clients across the country.

FINANCING INCLUSIVE GROWTH

Nedbank embraces the role it plays in helping to create real economic opportunities for black businesses in SA and in partnering with them to ensure their success as viable, productive participants in the country's socioeconomic development.

Our holistic empowerment financing model has provided funding for a range of initiatives, including transformational infrastructure projects, affordable housing, black agriculture, black small and medium enterprises (SMEs) and broad-based black economic empowerment (BBBEE) transaction financing. Since 2012, the base year for our FSC commitments, we invested a total of R68bn towards empowerment financing. We also continue to invest into a broad cross-section of enterprise development initiatives and programmes.

For full details of all our transformation efforts please see the 2017 Nedbank Transformation Report, which can be downloaded at nedbank.co.za.



Goal 11: Sustainable cities and communities

USING FINANCE TO SUPPORT AFFORDABLE HOUSING

In addition to the provision of finance for more than 2 100 units of affordable housing in 2017, Nedbank Retail and Business Banking also provided R816m (2016: R804m) in loans to clients in the affordable-housing market. The business continues to support this market through improved distribution and product enhancement to make it more affordable for clients. A recent decision was also taken to waive the upfront initiation fees of R6 250 for qualifying clients with a monthly household income of less than R22 000. This is helping to make home ownership a reality for even more South Africans, by reducing the often high costs associated with buying property. This initiative has resulted in a 9% increase in sales in this segment, despite a decrease in market activity. Key partnerships and initiatives aimed at extending our effectiveness in this vital sector include the following:

- Financing of energy and water efficiency technologies – In the context of increasing water scarcity and continued utility tariff pressure we view resource efficiency as central not only to meeting environmental policy objectives, but also to ensuring long-term access to affordable housing and containing the taxpayer burden of infrastructure upgrades. During 2017 the first green affordable-housing development to receive finance from the joint Nedbank–Development Bank of Southern Africa (DBSA) Green Fund was completed and leased. A total of 630 low-income families at Madulammohe's social housing development Belhar Gardens are currently benefiting from the energy- and water-saving features of the development. The City of Cape Town identified the development as a new benchmark in social housing, while the Department of Human Settlements named it the best social housing project of 2017 at the national Govan Mbeki Awards. Belhar Gardens has received Excellence in Design for Greater Efficiencies (EDGE) design certification by the Green Building Council SA – the first social housing project to do so. During 2018 Nedbank will explore ways to scale up the existing R120m facility for green affordable housing, while tracking the actual differences in utility consumption between Belhar Gardens and a similar conventional development.

- Scaling up funding partnerships – The Affordable-Housing Unit continues to explore opportunities to scale up the facility for sustainability-focused clients. It also provided a R100m facility to the Trust for Urban Housing Finance, which started disbursements in 2017. The trust is involved with the funding of SMEs and micro entrepreneurs in inner central business districts in several of the larger metros in SA.

GREEN BUILDINGS

In 2017 we retained our position as SA market leader in the financing of green buildings and provided a further R1,3bn in funding for the construction of buildings that conform to green building standards. This brings our total investment in green buildings to R8,7bn and well over 400 000 m² of floor space, 24% of which we occupy ourselves. A further green building construction pipeline of R6bn is in place, which will raise the floor space of our portfolio by a further 230 000m².

USING FINANCE TO SUPPORT EDUCATION



Goal 4: Quality education

STUDENT ACCOMMODATION

Key to the improvement of SA's educational outcomes is suitable student accommodation close to the respective tertiary institution. As such, we proactively seek out opportunities to help meet the critical shortage of affordable student accommodation across SA. Nedbank Property Finance partners with a number of developers to focus on providing innovative and affordable solutions. We have established a set of lending criteria unique to this distinctive asset class. In 2017 student accommodation construction loans totalling R1,1bn (2016: R2,3bn) were granted. This lending activity made approximately 5 700 beds (2016: 5 000 beds) available.

STUDENT LOANS

The Nedbank Student Loan covers everything from student fees to textbooks, with competitive interest rates and flexible repayment options. During their studies, internships and articles, students must pay back only the interest on the loan, as the capital payback starts only once their studies have been completed and they can obtain employment. Over the past three years 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.

We have also been closely involved with the development of the Ikusasa Student Financial Aid Programme. This programme aims to mobilise a range of funding sources, including developmental finance institutions, corporate funding, individual contributions and social-impact bonds to provide loans to so-called 'missing middle' students who do not qualify for government funding, but cannot access other forms of loans. The pilot was launched in February 2017 for selected new university and college entrants, and the solution has the potential to expand the number of students who qualify for an affordable loan on a sustainable basis.

Digital payment solutions

We acknowledge that the Karri payment app is not a direct response to the education targets under SDG 4, however, it is a useful innovation, introduced in 2017, that allows users to make quick payments for school events instead of using cash. It was developed in recognition of the need to keep schools safer by taking cash out of the system, to simplify school administration so teachers can spend more time teaching and to offer simple convenience to parents. Since its launch in late 2017, a total of 45 schools and almost 10 000 parents have been using Karri, with R2,5m in payments made to date.



Please see pages 32 and 33 for information on our learnerships, bursaries and how we support education through the Nedbank Foundation.

IMPROVING FINANCIAL INCLUSION

Financial inclusion is key to reducing inequalities and boosting Africa's social transformation. Nedbank remains committed to improving access to inclusive financial services, particularly for the low-income market, by offering innovative, low-cost products and services. We also continue to invest in our national banking footprint through the rollout of branches and automated teller machines (ATMs) as well as various innovative banking opportunities aimed at bringing banking services to underserved communities.



Goal 8: Decent work and economic access

EDUCATING FOR INCLUSION

In the past five years we have reached 840 000 (2017: 200 000) people through our consumer financial education programme. We also provided financial training to more than 90 000 youths and more than 1 000 entrepreneurs in 2017, with a particular focus on the importance of saving.

DIGITAL BANKING THAT DRIVES INCLUSION

Our focus is on delivering better self-service and improved levels of engagement through our digital channels. This allows us to drive down costs and savings can be passed through to our clients. In 2017 we have seen increasing numbers of our clients transacting online, primarily through their mobile devices. The number of digitally enabled retail clients has increased by 2,4 million to 5,78 million in the past three years, with 891 000 (2016: 852 000) clients actively using our digital platforms to transact in 2017. Approximately 95% of our Business Banking clients are digitally enabled.

INNOVATING AND INVESTING FOR INCLUSION

We continue to develop products and services, technologies and distribution channels to reach more clients and improve access to financial services for all our clients. In addition to our mobile platform, we invested R85m in digital solutions, including the addition of another 234 Intelligent Depositor devices, five physical bank branches, and the conversion of 336 branches to digitally focused banking outlets. A total of 365 video banking stations have been rolled out across the country. These offer transactional services in five official languages and also provide financial planning and global trade support to users. In line with our digital and self-service strategy 394 internet banking stations are accessible across our national branch footprint.

NEW PRODUCTS TO FACILITATE INCLUSION

In 2018 we will be officially launching three new banking solutions specifically designed to meet the unique needs of many South Africans and address the legacy of a lack of equitable banking services in many areas of the country:

STOKVEL ACCOUNTS

Stokvels are a uniquely African construct that allow millions of people to pool their financial resources to save effectively. It is estimated that there is around R50bn of savings in the stokvel market. However, there is a lack of formal banking of stokvel savings due mainly to the sheer numbers of members and the complexity of stokvel administration and management. Historically, banks have never developed products specifically suited to the needs of stokvel communities, meaning stokvels that chose to use formal banking channels typically had to make use of traditional savings and investments accounts to bank their money. Our solution is set to change this paradigm by delivering a holistic stokvel offering, that solves administration challenges, offers competitive returns with quick access and provides financial education to stokvel members.

MOBILE WALLET

An estimated 11 million SA adults still do not have bank accounts. As part of our commitment to providing accessible banking for all, we have developed an attractive solution, delivered through a mobile wallet, that removes the traditional barriers to entry by allowing access to transactional banking services and financial education without any need for a traditional bank account or branch.

UNLOCKED.ME

This is Nedbank's first lifestyle marketplace that allows clients to manage their money while providing convenience and access to exclusive deals as well as access to mentors, entrepreneurs, industry experts, life hacks, events and even job opportunities.

OPERATIONS

Minimising the negative impacts of our operations on society while we maximise the positive ones is key to the long-term success of the bank. It requires robust governance structures, proactive social and environmental risk management, embedded responsible finance practices and a suite of offices and branches that are worldclass in terms of resource efficiency and that can support a motivated and innovative workforce.



SUSTAINABILITY GOVERNANCE

Referencing the SDGs to orientate business decisions is key to impactful delivery on our purpose. While this groupwide commitment is embraced in a decentralised manner aligned with the structure of the group, a number of centralised, senior governance bodies exist to ensure consistent adherence to, and application of, all sustainability-related policies.

Spearheading these governance efforts is the Group Transformation, Social and Ethics Committee (GTSEC), which reports directly to the Nedbank Group board of directors on all sustainability matters. Our Chief Governance and Compliance Officer, Thabani Jali, is tasked with overseeing these efforts at an executive level. GTSEC is also tasked with making recommendations on how the group can constantly improve and enhance the integration of the newly adopted Nedbank Sustainable Development Framework into all its operations, thereby steadily increasing the value delivered to all its stakeholders.

See page 2 for the Nedbank Sustainable Development Framework.

Key actions taken by the GTSEC in 2017

- During 2017 the committee welcomed the bank's alignment with the SDGs, which represent an unprecedented road map for the transformation of society within environmental constraints.
- Following the adoption of the Nedbank Sustainable Development Framework in 2017, the committee endorsed the evolvement of Fair Share 2030 to focus on the most material SDG targets.
- The committee monitored relevant regulatory developments, including the gazetting of the Amended FSC. It introduces priority elements such as increased weightings, targets and thresholds possibly impacting relative competitor positioning in this regard.
- The committee monitored how ethics had been implemented across the group and considered the systemic risks associated with suppliers, the impact of state capture on the organisation and its business environment, as well as the ethical balance of doing the right thing as part of an interconnected economy. The committee continued to monitor reputational risk for Nedbank and advise the board accordingly. Further details can be found in the Directors Affairs' Committee Report.

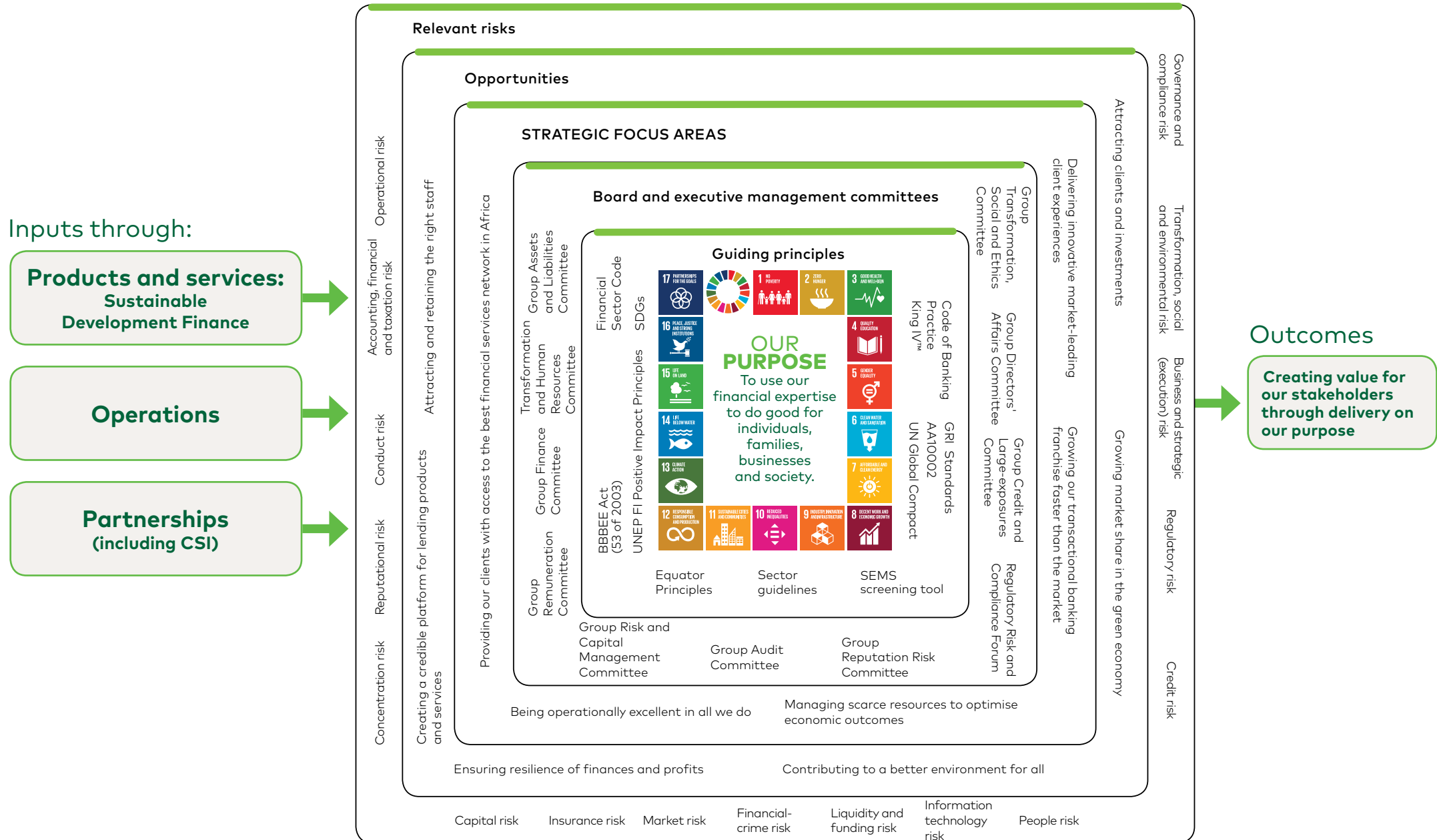
GTSEC focus areas for 2018

- Consider global macro trends and critical trends that are emerging in SA to ensure that Nedbank is prepared or responding appropriately.
- Provide critical challenge to ensure delivery of Nedbank's stated purpose.
- Manage the impact of the Amended FSC with specific focus on the priority elements, including ownership (and Old Mutual's reduced shareholding in 2018), skills development, enterprise and enterprise supplier development (ESD) and empowerment financing.
- Drive the group's transformation agenda, including the impact of regulatory requirements and employment equity targets, and build a culture of inclusion.
- Monitor the lending targets set for Sustainable Development Finance.
- Increase the focus on working with key stakeholders and industry bodies to deliver better outcomes for society, and inform the industry view at events such as the National Economic Development and Labour Council (NEDLAC) summit.
- Work with the new leadership in government to rebuild the social compact and continue to address the pressing needs faced by our society and meet the legitimate aspirations of all South Africans.
- Monitor how best practice regarding ethics management is implemented in the group.
- Monitor the further implementation of the UN Global Compact (UNGC) Guiding Principles regarding human rights in business and due diligence on products and services.

Advisory support to enable the integration of the bank's Sustainable Development Framework as well as sustainability policies and procedures throughout the group is provided by the sustainability team, the members of which come from various areas of the organisation and sit on numerous other Nedbank committees, such as Credit, Risk, Brand and Reputation Committees. This ensures that sustainable development considerations are integrated into decisions or actions taken by these various Nedbank committees. The members of the sustainability team also engage directly with Nedbank managers and staffmembers, partnering with them to ensure that sustainable development remains top of mind across the organisation as we strive to deliver on our purpose.

This approach not only ensures that all areas of our business comply with all relevant regulations and legislation, but also facilitates the early identification of sustainability risks and opportunities as depicted in our sustainability governance process.

SUSTAINABILITY GOVERNANCE FRAMEWORK



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ALIGNMENT WITH INDUSTRY BEST PRACTICE

Our sustainability governance and risk management approach is informed by, among others, the following industry best practices and bodies:

- The SDGs
- King IV™
- The Equator Principles
- The Code for Responsible Investing in South Africa (CRISA)
- The National Development Plan (NDP)
- The Principles for Responsible Investment (PRI)
- UNGC: The CEO Water Mandate
- The Taskforce for Climate Finance Disclosure
- The National Business Initiative Advisory Committee on Climate Change
- The National Energy Efficiency Accord

- The International Finance Corporation (IFC) Performance Standards
- The Energy Efficiency Leadership Network Pledge
- The UN Environment Programme Finance Initiative: Africa Network, National Capital Declaration, Banking Ecosystem Network and Positive Impact Working Group (UNEP F1)
- The UNGC Advisory Committee
- The Banking Association South Africa (BASA): Sustainable Finance Committee
- The Association of Ethics Officers in Africa
- The Organisation for Economic Co-operation and Development: Financial Sector Mapping Advisory Group
- The National Biodiversity Business Network
- The Network for Business Sustainability South Africa

We are represented on or a signatory to the above and have representation on numerous sustainability organisations and platforms. This ensures that we stay abreast of global trends and best practices, while also allowing us to contribute to furthering the sustainable development agenda in SA and the rest of Africa.

MANAGING SOCIAL AND ENVIRONMENTAL RISK

Nedbank actively monitors 17 risk categories, one of which is social and environmental risk.

Given that the direct social and environmental impacts of our business operations are relatively minor, our primary exposure to these risks results from our lending and investment activities. For the most part, the highest-risk projects in which these lending and investment activities take place are energy, property development and infrastructure projects as well as other high-impact industries such as mining, oil and gas, waste management and manufacturing.

We take a partnership approach to all such sensitive investments, working closely with our clients and relevant authorities to maximise benefits and minimise the negative impacts of these activities. To this end we have developed a suite of sustainability risk mitigation tools and policies that protect both shareholder interests as well as communities and the environment. These include:

- The Human Rights Policy
- The Human Rights Statement
- Sector policies for agriculture, mining, oil and gas, waste and recycling
- The Hazardous Substances, Asbestos and Contaminated Land Sector Policy
- New: The Natural Capital and Biosafety Sector Policy
- New: The Heritage Policy

The new policies on natural capital, biosafety and heritage were implemented in 2017. A more in-depth approach on these issues will further strengthen our approach to environmental and social risk.



Please see the 2017 Integrated Report and the Pillar 3 Risk and Capital Management Report for more information on how we address all other risks.

Our Social and Environmental Management System

As a leading corporate citizen Nedbank fully upholds the principles and spirit of sustainable development, thereby maximising the likelihood of attracting increasing numbers of investors and asset managers seeking environmentally and socially responsible companies in which to invest.

Our SEMS assessment tool is fundamental to this responsible-business positioning. It allows us and our clients to measure alignment with accepted environmental as well as social standards and legal compliance, and addresses any challenges or shortcomings that might otherwise have hindered business progress or created exposure to undue risk. As such, our SEMS is a core element in our ongoing commitment to improving our sustainability in partnership with our clients and other stakeholders.

In the 2017 financial year all new applications and credit risk reviews of high-risk clients in Investment Banking and Client Coverage Divisions were included in the SEMS assessment process. In total 632 CIB deals were assessed in 2017. This represents an increase in assessments conducted over the 435 assessments completed in 2016. This total does not include Property Finance transactions, which were also subjected to the SEMS process in 2017.

The application of SEMS and the Equator Principles has matured in the Investment Banking and Client Coverage Divisions within CIB and was externally assured. While SEMS implementation has been integrated across the business, we are currently embedding Equator Principles III where appropriate. Our Property Finance Division will be included in this implementation in 2018.

The SEMS is also used in Nedbank's Retail, Business Banking and Wealth Clusters. Due to the number of clients in Retail, a risk-based approach is taken, whereby clients are required to disclose any environmental or negative social impact their activities might have. These disclosures are then assessed through the SEMS process and, where necessary, mitigating actions are taken.

The SEMS process is maturing in our Business Banking operations. High-impact industries have been defined and a further 2 000 clients (2016: 2 000) involved in these high-impact sectors were assessed in the 2017 financial year.

In the Nedbank Wealth business, most of our exposure results from client acquisition of industrial and commercial properties that could present asbestos or land contamination concerns.

The SEMS assessment tool is supported by our internal sustainability experts, environmental specialists and environmental lawyers, who use their skills to identify the environmental and social risks, requirements and opportunities faced by our clients' businesses or projects. The application of our SEMS continues to be externally assured.

APPLYING THE EQUATOR PRINCIPLES

As one of the leading providers of project finance in SA, Nedbank reviews potential project finance transactions as well as project-related corporate loans, project finance advisory and specific bridge loans for environmental and social compliance with the Equator Principles, IFC Performance Standards and legislation. We take an integrated and risk-based approach to managing environmental and social risk relating to our various products. Key to this approach is compliance with the Equator Principles, an international voluntary framework aimed at ensuring a consistent approach to managing environmental and social risks in project and corporate financing.

The risk categories of the Equator Principles are broadly defined as follows:

- Category A: High risk – Projects with potentially significant adverse social and/or environmental impacts that are diverse, irreversible and/or unprecedented.
- Category B: Medium risk – Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C: Low risk – Projects with minimal or no social and/or environmental impacts.

In terms of rule 6(f) of the Equator Principles Association Governance Rules, signatories are required to submit 'Data and Implementation Reporting' and 'Project Name for Project Finance' data annually. This report includes external limited assurance for Equator Principles projects that had their first drawdown in the 2017 financial year.

Data and implementation reporting

Three Equator Principles deals have been submitted for the financial year in accordance with rule 6(f). One was a new Equator Principles deal, which reached financial close and drew down in 2017, while two closed in 2017 but did not draw down. This decrease can partly be attributed to:

- The downgrade of the country's credit rating has negative implications for the cost of funding, resulting in currency depreciation and inflation.
- Delays by Eskom in signing additional power producer agreements through the REIPPP programme. As a result we have been unable to finalise the renewable-energy deals that were screened in 2016.

2017 Equator Principles deals	2017	2016	2015	2014	2013
Total number of clients					
– first drawdown	1	4	7	4	15
Category A	–	1	2	1	–
Category B	1	3	4	2	14
Category C	–	–	1	1	1
Total value of deals (US \$m)	75	306	589	319	965

Equator Principles data for 2017	Category A	Category B	Category C
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By sector

Mining	1		
Infrastructure			
Oil and gas		2	
Power			
Other			

By region

Americans

Equator Principles data for 2017	Category A	Category B	Category C
Europe, Middle East and Africa	1	2	
Asia and Oceania			

By country designation

Designated		1	
Non-designated	1	1	

Independent review

Yes	1	2	
No			

PROJECT-RELATED CORPORATE LOANS

For the January to December 2017 period the total number of project-related corporate loans that reached financial close was one.

PROJECT FINANCE ADVISORY SERVICES

The total number of project finance advisory services mandated from January to December 2017 was zero.

PROJECT NAME DISCLOSURE

Closed project finance transactions in the 2017 financial year screened for Equator Principles compliance:

Project name	Country	Sector
Sepfluor Nokeng Fluorspar Mine	SA	Mining

UNEP FI PRINCIPLES FOR POSITIVE IMPACT FINANCE INITIATIVE

Much of the investment needed to deliver on the SDGs will need to come from private finance sources. To deliver on our commitment to contributing towards this massive investment target, we have aligned ourselves with the Principles for Positive Impact Finance and serve as a member of the Positive Impact Working Group focused on the development of guidelines and frameworks to inform the development of positive-impact products.

RESPONSIBLE INVESTMENT

There is steadily growing global evidence that investment management consideration of environmental, social and governance (ESG) issues does not have to come at the expense of sustainable financial returns or growth. In fact, in Nedbank's experience the opposite is often true, as organisations that prioritise sustainability issues typically outperform their peers that have less of a sustainability focus. This is borne out by international research conducted by Harvard and London Business Schools*, concluding that companies with a high focus on sustainability significantly outperform their counterparts over the long term, in respect of both stock market and accounting performance.

Most of Nedbank Group's investments and asset management activities take place through Nedgroup Investments and Nedbank Private Wealth. In line with our group's insights into the value of ESG in investments, both of these businesses consider ESG criteria for more than 95% of our assets under management.

As this responsible-investment approach and philosophy has matured over the years, it has formed a robust framework against which all our investment decisions are assessed. The use of third-party ESG data research ensures a significant depth of view of the stocks we hold, and allows close

monitoring of the impact of ESG issues on the performance of those stocks.

Given that responsible investment (RI) is dynamic and continually evolving, we continuously engage with all our external fund managers to ensure that we have a full understanding of their RI approach and to assist them in further integrating RI into their businesses and investment practices. The Nedbank Responsible Investment Guidelines, Proxy Voting Policy and Conflict of Interest Policy are readily available to all stakeholders on the Nedgroup Investments and Private Wealth websites. These further serve to guide fund managers in the evolution and integration of their RI approach.

In 2017 our ESG commitment saw us focusing particularly on effective, indepth analysis of manager votes, value-adding analysis of our holdings using third-party ESG data, mutually beneficial engagement with asset managers – particularly around stock holdings that do not meet acknowledged ESG standards, and ongoing training of the Nedbank teams tasked with the implementation of our RI activities.

* Eccles, Robert G and Ioannou, Ioannis and Serafeim, George, *The Impact of Corporate Sustainability on Organisational Processes and Performance* (23 December 2014). *Management Science*, Volume 60, Issue 11.

PRIORITISING THE PROTECTION OF OUR CLIENTS

Integrating sustainability into our business practices includes the fair treatment of our clients at all stages of their relationships with us, the protection of their personal information and the use of cyberresilience to counter increasing levels of cybercrime. Our approach entails not only complying with the laws and regulations that govern our conduct, but embracing the spirit of them too.



Full details of regulations and security protocols to which we subscribe are provided in the 2017 Nedbank Group Integrated Report, our 2017 Governance and Ethics Supplementary Review as well as the 2017 Pillar 3 Risk and Capital Management Report. These reports can be accessed at nedbank.co.za.

RESPONSIBLE LENDING IN RETAIL AND BUSINESS BANKING

We provide a full range of products and services that help our clients transact, borrow, invest and grow, to help them meet their lifestyle and business ambitions. Despite the challenging environment and slow economic growth, we provided loans and advances of R86bn in 2017 (2016: R80,6bn), financing key sectors of the economy that are driving sustainable growth.

We are committed to being worldclass at managing risk, while using our financial expertise to do good. Our credit policies and scorecards allow for a fair, comprehensive and robust credit assessment in compliance with the standards set by both the South African Reserve Bank (SARB) and the National Credit Act (NCA). This has resulted in our having a solid reputation as a fair and prudent lender.

The economic environment of the past few years has resulted in significant financial challenges for consumers in SA. As such, we offer our clients various flexible solutions if they experience financial distress for any reason. With these solutions, we prioritise partnership, assistance and rehabilitation of clients over hard-line legal steps.

Where we identify client pressure points created by industry, economic or product issues, we take proactive steps to assist those clients, most often through appropriate debt relief offerings.

These include both voluntary and legislated debt relief measures, such as:

- **Repayment arrangements** – These bespoke repayment solutions are based on the unique circumstances of each client and aim to offer the most equitable way for clients to get their accounts in order.
- **Debt counselling** – Since 2015 the total value of fully rehabilitated clients through our debt review process has been R502m. Despite there being no legislative requirement to do so, we often offer interest rate concessions to clients undergoing debt counselling.
- **Debt restructuring** – By extending the repayment term, or even reducing minimum monthly instalments, we make it easier for distressed clients to catch up with missed payments in the short term. This is evidenced in Nedbank Home Loans, with more than 31 000 of our clients who experienced financial challenges having managed to keep their homes (R16,8bn in loan value) since the programme began in 2009. Also close to 47 000 vehicle finance clients are under debt review or had their accounts restructured to maintain possession of their vehicles in 2017.
- **Nedbank-assisted sales (NAS)** – We consider this a preferable alternative to repossession. If the client is unable to make any reasonable repayments on a loan, we offer to assist by seeking purchase offers for the asset, or we assist with a sale of the asset at public auction. To date over 4 000 clients have benefited from the assisted-sale offering to the value of R3,5bn. The programme has helped to reduce the indebtedness of participating clients by almost R450m since inception in 2010.
- **Drought relief** – 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.

Part of our approach to responsible lending includes enabling clients to move from the informal economy into the formal economy using banking as the conduit. One measure of this progress is the growth of our entry-level banking (ELB) client base. The Nedbank ELB client base has grown an average of 11,7% over the past three years. Most of these clients take up a transactional product such as a savings or current account as the first step in their formal banking relationship.

Our success in the Retail and Business Banking (RBB) lending space is largely a result of our robust governance systems and commitment to ensuring portfolio quality. RBB is an active participant in all industry discussions and interacts closely with regulators and other market participants to improve lending practices in the SA market. The scale of regulatory changes remained unchanged in 2017, with much of the industry focus having been on new and amended legislation and the accompanying regulations:

- The National Credit Amendment Bill published on 24 November 2017 is currently open for public comments and envisages two forms of debt relief (now referred to as debt intervention) namely:
 - once-off relief for overindebted persons with a gross monthly income of R7 500 and maximum unsecured-lending exposure of R50 000 at the date of publication of the bill; and
 - prescribed debt intervention as determined by the Finance Minister on the basis of an event with significant adverse economic implications for certain identified populations.
- The Financial Sector Regulation (FSR) Bill was signed on 21 August 2017, however, the effective date is yet to be confirmed. The object of the bill is to promote the financial stability, safety and soundness of financial institutions, the fair treatment and protection of financial clients, to prevent financial crime, etc. The FSR Bill focuses more on whether the credit provider was fair and just in its actions and not only if such credit provider was compliant with legislation. Draft regulations pertaining to holding of office/appointment of staff have been published and are open for public comment.

MANAGING OUR FACILITIES



Goal 13: Climate action

Although the impact of our operations is relatively small, we still strive to minimise the negative impacts of our operations on society while maximising the positive ones.

REDUCTION TARGETS

We continue to set reduction targets to limit the impact of our operations on the environment. These targets clearly specify the carbon emissions and resource usage levels to which we aspire as a group and which we use to guide behaviour at group, cluster, business unit, team and individual level.

The targets are integrated into applicable performance contracts, and regular communication ensures that our staffmembers are aware of the important role they have to play in helping to limit the impact of our operations on the environment. In assessing the achievement of our reduction targets, it is necessary to define what we measure and where such measurement is undertaken in the group. This is outlined in the table below:

Reporting period: Financial year 2017

Methodology	<i>The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard</i> (revised edition). External experts were consulted where no clear guidance or guidance applicable to SA was available. ¹
Inclusions	Measurement includes: <ul style="list-style-type: none"> our SA activities, equipment and operations; the actions of Nedbank employees associated directly with 723 (2016: 768) SA offices and branches; and all non-SA equipment and operations integrated into the greater Nedbank group. Some facility consolidation took place in 2017, which resulted in fewer office locations being included in the measurement. However, overall floor space showed an increase.
Exclusions	The data required for emissions calculation are currently not available for the following: <ul style="list-style-type: none"> Scope 1 and 3 as they relate to non-SA offices and where there is a lack of reliable data. Emissions associated with the operation and servicing of ATMs, self-service terminals (SSTs) and point-of-sale (POS) devices located away from a branch or office premises, and other remote devices. Any other premises or activities owned or operated by us, but not explicitly referenced in this report, such as Nedbank kiosks in retail stores.

Summary of normalised greenhouse gas numbers

Fulltime employee (FTE) count and occupied office space included in the report	2017	2016	2015	2014	2013 baseline
Total occupied floor space of reported buildings (m ²)	745 429 ²	686 149	672 617	717 236	672 367
Employees included in FTE calculations	32 249 ³	31 812	30 822	30 121	29 077
Percentage of all employees covered by the report	100	100	100	100	100

¹ In some cases the vendor-supplied emission factors or a variation on the stated value will be used. An example of this is the SA grid emission factor. Eskom, the main supplier to the grid, states an electricity-generating factor of 0,98 tCO₂e/MWh in its latest disclosure, whereas the last publically disclosed corresponding Department for Environment, Food and Rural Affairs (Defra) factor for SA is 0,869 tCO₂e/MWh, excluding distribution losses, and 0,961 tCO₂e/MWh, including distribution losses. Due to the varying values and for consistency Nedbank will continue to use 0,99 tCO₂e/MWh for this report as was used in the report for the previous financial year.

² While there was an increase in occupied floor space, the total number of buildings decreased.

³ Greenhouse gas (GHG) emissions are monitored monthly and reported against monthly FTE numbers. The result is that the annual FTE number used for GHG emissions is a 12-month average.

Reduction target progress

Resource	Target	Achievement
Paper ¹	A 15% reduction based on end of 2013 levels or 1 443 tonnes by the end of 2020.	Paper consumption in the 2017 financial year was 1 306 tonnes, which is a 23,2% decrease year on year. Paper consumption remains a small part of our overall footprint, accounting for only 1,08%. The 2020 target was achieved earlier than anticipated. The new target set is a reduction of 35%, based on the 2013 baseline, by the end of 2025. This implies consumption of 1 162 tonnes of paper.
Water ²	A 6% reduction by the end of 2016 based on 2011 levels or consumption of 15,01 kℓ per FTE.	Water consumption remained stable, despite a number of new buildings being added to the campus building portfolio and an overall increase in the staff count. In 2017 the consumption level was 15,05 kℓ per FTE, which is very close to the end-of-2016 target of 15,01 kℓ per FTE. This was a good decrease from the 2016 value of 15,78 kℓ per FTE. As the 2016 target has almost been met, a new target was set at 14,17 kℓ per FTE by the end of 2025. This is a 15% reduction based on the end-of-2013 baseline.
Waste ²	A 10% reduction based on 2013 levels or 17,73 kg per FTE by the end of 2020. The 2016 result was 14,65 kg per FTE.	In absolute terms the waste sent to landfill decreased from 294 tonnes in 2016 to 220 tonnes in 2017, which implies a 25,1% reduction. This means that 10,42 kg per FTE was sent to landfill. This is an excellent achievement, with the end-of-2020 target being met earlier than anticipated. A new reduction target was set at a 35% reduction, based on end-of-2013 levels, by the end of 2025. This implies a waste rate of 8,42 kg per FTE.

Reduction target progress

Resource	Target	Achievement
Recycling ²	A 6% increase in recycling based on 2011 levels by the end of 2016 or 33,58 kg per FTE.	In absolute terms the recycling increased from 620 tonnes to 689 tonnes or by 11,09%. This amounts to a recycling rate of 32,65 kg per FTE. The 2016 target was achieved and a new target was set at a 35% reduction based on end-of-2013 levels or 42,38 kg per FTE. Recycling can arguably increase only up to the point where waste sent to landfill is zero, so this will be the ultimate goal and target.


¹ The paper target is an absolute rather than an intensity reduction target, as most of our paper usage is related to client communication and regulatory requirements, rather than to individual employee usage.

² Water, waste and recycling are based on campus FTEs.

Water

In 2017 total water consumption across all campus sites increased 0,41% to 317 580 kℓ (2016: 316 278 kℓ). A decrease was hoped for, but this did not materialise as the scope of reporting (amount of occupied floor space and number of employees) increased. As indicated in the table on page 18, a good decrease was achieved per FTE. At our Western Cape campus sites we expect savings to increase to align with that being asked for by the City of Cape Town in 2018.

Water technology interventions include the installation of waterless urinals in all buildings, implementation of aerators on all taps to lower usage, removal of hot water in bathrooms, reduction of water supply system pressure and use of waterless hand sanitisers in bathrooms in our Western Cape offices.

 For more on our water activities please see page 7.

We continue to invest significantly in the monitoring and maintenance of our water infrastructure. Water leaks typically demand immediate action and cannot be fully prevented through proactive means. Often the only way of identifying a

water leak is through meter readings, which means that substantial volumes can be lost before a leak is noticed. Our employees play a vital role in our water reduction efforts and we continue to invest in raising awareness and educating our staffmembers on ways in which they can reduce their water usage.

Waste and recycling

Ongoing staff awareness and education campaigns continue to drive our achievements in terms of waste management, as does our zero-to-landfill policy. We will also be working to perfect our zero-to-landfill concept, with a view to reducing, and eventually doing away with, waste to landfill.

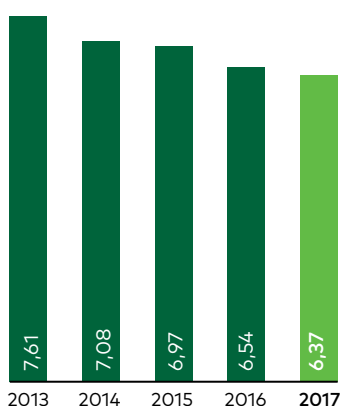
Our onsite recycling banks have proven very effective in ensuring maximum recycling and good levels of waste sorting at source. In 2017 about 76% of our total waste was recycled. We continue with our rigorous recycling efforts and are constantly looking at increasing our use of recyclable materials. We are currently looking at different recycling streams and hope to reduce the use of virgin material even further.

Energy and carbon reduction target progress

Resource	Target	Achievement
Energy	At the end of 2014 we set a new target of a 10% reduction, based on 2014 levels (5 215 kWh per FTE), by the end of 2020, equating to 4 694 kWh per FTE. In 2016 we achieved 4 756 kWh per FTE.	In 2017 we achieved 4 652 kWh per FTE, which implies that the 2020 target was achieved ahead of schedule. A new target was set at a 35% reduction, based on end-of-2013 values, by the end of 2025. Only fossil-fuel-derived electricity will count towards the figures, as renewable energy will be exempted from this calculation. This amounts to 3 899 kWh per FTE.
Carbon emissions (including business travel)	A 7% reduction based on end-of-2013 levels by the end of 2020 or 7,08 tCO ₂ e per FTE. The 2016 pollution rate amounted to 6,54 tCO ₂ e per FTE.	The 2017 pollution rate amounted to 6,37 tCO ₂ e per FTE. The reduction target was achieved ahead of schedule and a new target was set at a 35% decrease, based on end-of-2013 values, by the end of 2025. This amounts to 5,25 tCO ₂ e per FTE.

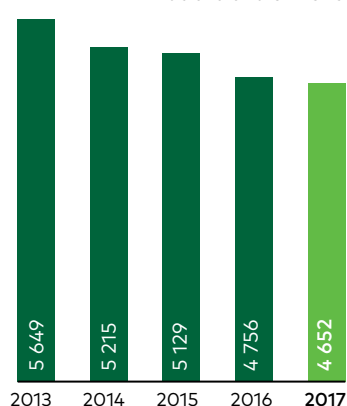
Emissions per FTE

(tCO₂e)
Target: 5,25tCO₂e/FTE at the end of 2025



Energy consumption

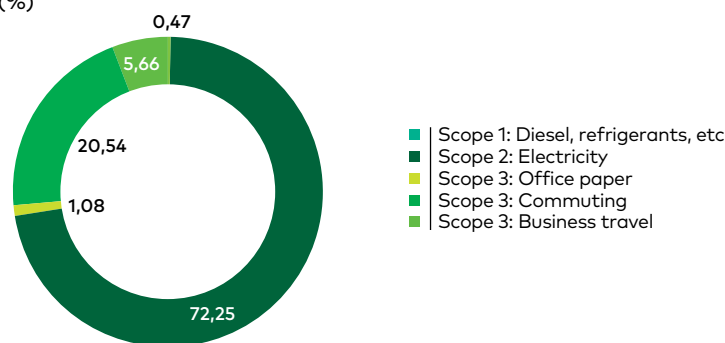
(kWh/FTE)
Target: 3 899kWh/FTE at the end of 2025



CARBON FOOTPRINT MEASUREMENT

In absolute terms our overall reported GHG emissions decreased by 1,16% from 2016 to 2017. Year on year, the carbon emissions per FTE decreased by 2,50% to 6,37 tCO₂e and emissions per square metre of office space decreased by 9,02% to 0,28 tCO₂e. This is a solid achievement that illustrates each staffmember's dedication to the reduction targets. Nedbank's reduction targets show a positive long-term trend. The primary decrease in the carbon footprint can be attributed to the decreased amount of electricity use and a reduction in business travel.

Nedbank Group 2017 carbon footprint – 205 569 (tCO₂e) (%)



Nedbank Group GHG emissions inventory – tCO₂e (tonnes)

Scope	2017	2016	2015	2013 baseline
Scope 1: Direct emissions from:	962,35	295,56	417,99	800,31
Fuel used in equipment owned or controlled by us (eg generators)	506,02	74,37	56,69	248,82
Air-conditioning and refrigeration gas refills	312,88	43,71	148,42	272,94
Our fleet of vehicles	143,44	177,48	212,88	278,55
Scope 2: Indirect emissions from purchased electricity:	148 516,78	149 780,60	156 495,91	162 609,50
Purchased electricity – SA	136 532,36	138 413,11	146 188,48	150 538,64
Purchased electricity – non-SA	11 984,42	11 367,49	10 307,43	12 070,86
Total scope 1 and 2 emissions	149 479,12	150 076,15	156 913,90	163 409,81
Scope 3: Indirect emissions from: ¹	56 090,31	57 899,70	58 053,95	57 969,01
Business travel in rental cars	353,00	354,19	316,25	424,38
Business travel on commercial airlines	5 623,98	6 172,99	6 902,44	7 733,08
Business travel in employee-owned cars	5 657,82	6 405,39	6 238,76	6 356,23
Employee commuting	42 227,36	42 040,75	42 067,00	40 406,56
Consumption of office paper	2 228,15	2 926,38	2 529,50	3 048,76
Total scope 1, 2 and 3 emissions (GHG protocol)	205 569,43	207 975,88	214 967,85	221 378,81
Split of Nedbank Group carbon emissions (tCO ₂ e)				
Scope 1 (%)	0,47	0,14	0,19	0,36
Scope 2 (%)	72,25	72,02	72,80	73,45
Scope 1 and 2 (%)	72,71	72,16	72,99	73,81
Scope 3 – Nedbank operations (%)	6,74	7,63	7,44	7,93
Scope 3 – staff commuting (%)	20,54	20,21	19,57	18,25

¹ Total Nedbank Group FTEs were used, although only limited non-SA scope 3 emissions were included. This was due to limited data availability.

Scope 1 emissions

In 2017 some refrigerant refills were necessary as part of our maintenance schedule, which resulted in an increase in scope 1 emissions. Emissions due to Nedbank fleet vehicles, including the use of Nedbank fleet fuel cards, decreased by 19%. This was due mainly to the decrease in actual usage of these fleet vehicles. The amount of diesel used in generators increased due to a shift in the maintenance regime. It is anticipated that the diesel consumption will stabilise going forward. The overall increase in scope 1 emissions was more than twofold, but emissions from all scope 1 activities in 2017 remained below 0,5% of total emissions.

Scope 2 emissions

Our energy use, in the form of electricity, continued to be the predominant source of emissions in 2017, constituting about 72% of our overall carbon footprint.

We continue to target reduced energy consumption through a variety of initiatives. It is encouraging to note that own generation from renewable sources is steadily increasing. Overall electricity consumption per FTE was also reduced through our ongoing facilities consolidation project, which includes comprehensive investigation and implementation of operational energy usage savings. The result is that the overall energy (electricity) consumption was reduced by 2,19% year on year to 4 652 kWh per FTE (2016: 4 756 kWh per FTE) for the period under review. The major focus for future energy reduction initiatives remains on implementing the lessons from our campus sites to drive similar reductions across our non-campus sites. Focused capital investment also remains a vital component of energy reduction effectiveness, and in 2017 we committed to invest R9,7m in energy-, water- and

sustainability-specific initiatives (2016: R9,2m), most of which concentrated on the installation of a photovoltaic system and more efficient monitoring of water and energy usage in our regional operations. Going forward, a distinction will be made between electricity from non-renewable sources and energy from low-carbon or renewable-energy sources once the installed capacity or purchases become significant.

Scope 3 emissions

Approximately 28% of the total 2017 GHG emissions was the result of reported scope 3 activities, while around 75% of the scope 3 emissions was the direct result of staff commuting. As these commuting emissions are not under our direct control, they are considered separately from emissions as a direct result of our operations.

Our comprehensive Business Travel Policy includes green travel guidelines to ensure the most sustainable travelling practices. We continue to promote the use of tele- and videoconferencing wherever possible, and encourage all staff to use these alternatives to face-to-face meetings that require carbon-intensive road or air travel.

In 2017 overall GHG emissions due to business travel came down by 10% from 2016 levels. This was due mainly to a decrease in flights by 9% and in staff travel claims by 12%.

This reduction in GHG pollution as a result of travel is encouraging and points to the effective groupwide application of our travel policy and the green travel guidelines. It is, however, possible that business travel will increase in the coming years as our group expands its footprint into Africa and beyond.

Nedbank Group – performance targets

Key performance targets	Progress from 2013 new baseline and year-on-year %	2017	2016	2015	2013
Total carbon emissions tCO ₂ e (including non-SA) – 2013	(7,14)	205 569,43	207 975,88	214 967,85	221 378,81
Emissions per FTE – 2013	(16,24)	6,37	6,54	6,97	7,61
Emissions per m ² – 2013	(16,43)	0,28	0,30	0,32	0,33
Emissions per operating income (g/rand) – 2013	(40,33)	4,25	4,58	5,26	7,12
Energy					
Consumption in kWh – 2013	(9,88)	150 016 948	151 293 533	158 076 678	166 468 203
Consumption in kWh per FTE – 2013	(17,65)	4 652	4 756	5 129	5 649
Paper					
Tonnes used – yoy	(23,22)	1 306,00	1 701,00	1 392,71	1 602,75
Usage per FTE (tonnes) – yoy	(26,50)	0,0405	0,0535	0,0452	0,0551

ENVIRONMENTAL EXPENDITURE

In 2017 our overall operational investment in environmental sustainability initiatives totalled R42,5m (2016: R56,4m). One of the biggest contributors to this total investment was the purchase of carbon credit offsets that totalled about R9,2m in 2017 (2016: R23,1m). This year-on-year decrease was due to previous carbon purchases, which resulted in a buffer. Other initiatives included the continued installation of photovoltaic technology and the installation of systems to improve the monitoring of energy and water consumption at our regional operations, as well as rainwater harvesting systems.

Leveraging carbon neutrality

We use our carbon-neutral positioning to unlock synergies, partnerships and collaborations with like-minded organisations, and to enhance our client value proposition (CVP). These efforts are underpinned by a 'reduce first, then offset' approach. Our own carbon-reduction efforts centre on internal awareness initiatives and behavioural change. Only then do we seek to offset the remaining carbon through carbon credits from African projects that have positive social and environmental benefits. While we prefer to support domestic carbon-offsetting projects that have verifiable carbon credits, such carbon-offsetting projects remain relatively scarce in SA – a situation exacerbated by regulatory uncertainty regarding possible future offsetting requirements of high-level polluters.

Against this backdrop, most of our carbon credits in 2017 were acquired from the following projects:

WILDLIFE WORKS

This project protects approximately 300 000 ha of humid tropical and swamp forest located in the central part of the Congo River basin in the Democratic Republic of Congo. The area is a former logging concession and its protection is expected to reduce emissions by more than 100 million tonnes of carbon dioxide over the next 30 years. It also provides habitat for threatened and endemic species such as bonobos and forest elephants, and includes some of the most

important wetlands in the world. It is also home to some 50 000 people, most of whom live on the shores of Lake Mai Ndombe. Income raised through carbon offsets provides a pathway to low-carbon economic development through improved access to potable water, agricultural and economic diversification, education and healthcare development, and capacity-building activities to empower local communities.

PACE – HOUT BAY RECYCLING COOPERATIVE

This project is run by community members from the Imizamo Yethu informal settlement in Hout Bay. It is a dry-waste recycling solution for Hout Bay residents, including the 30 000 residents of Imizamo Yethu who do not have access to door-to-door municipal services. The public are able to bring household waste to the Hout Bay Recycling Cooperative depot. Here the waste gets sorted and the recyclable material that would otherwise end up in a municipal landfill is sold on.

PACE – WALKER'S RECYCLING

Walker's Recycling is a small enterprise that collects high-value waste from the Cape Town central business district. The business was established by two unemployed brothers living in Mitchells Plain and now employs 10 people, all from historically disadvantaged backgrounds.

LIFESTRAW

This project has resulted in nearly 900 000 water filtration devices being distributed in the Kakamega Province in Kenya. These filtration devices can last for 10 years and reduce more than two million tonnes of carbon dioxide a year. The provincewide, door-to-door, free-distribution programme reached about 90% of all homes without access to safe municipal water sources. This was achieved at no cost to local residents, government agencies or donor groups. The Nedbank 2017 investment enabled the distribution of 300 000 water filtration devices.

NOVA

The Nova projects reduce ambient air pollution and GHG emissions by introducing an alternative ignition technique that is more efficient than the conventional bottomup ignition technique. It is adopted by households that use coal for domestic cooking, water and space heating and ironing.

INVESTING IN OUR PEOPLE



Goal 5: Gender equality



Goal 10: Reduced inequalities

During 2017, in response to the disruptive forces that are constantly shaping the financial services industry, Nedbank undertook a comprehensive review of its people strategy. Our focus remains on strengthening the three strategic human resources (HR) pillars of talent, leadership and culture, but we also identified a number of key shifts that were required to navigate successfully the dynamic environment in which we operate and ensure that our people remain the bedrock on which our success is built.

These shifts in people management, development and optimisation take cognisance of the local and global financial services context and the changing needs of Nedbank's stakeholders. The transformation of our organisation is being approached in a balanced, but determined manner. This appreciates that traditional structures and approaches still add value in some areas, while in others we need to shift to a more agile environment with a more contemporary value proposition supported by modern technological, operational and people processes.

With this in mind Nedbank's people strategy is founded on the understanding that our group must have:

- multiskilled and mobile **talent** that is agile and commercially and digitally savvy;
- **leadership** that inspires and enables individuals and teams to thrive in the Nedbank of the future; and
- a dynamic **culture** that is constantly shifting towards being more client-driven, agile and innovative.

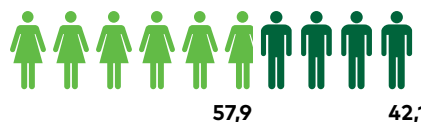
THE NEDBANK GROUP WORKFORCE AT A GLANCE

Employee gender profile (%)

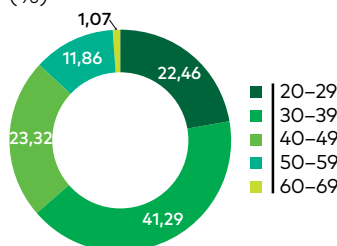


Attrition gender profile (%)

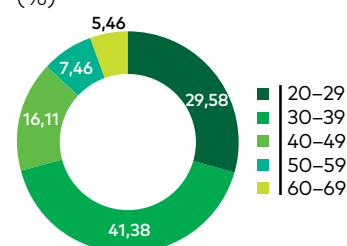
– 2017 attrition rate: 10,6%



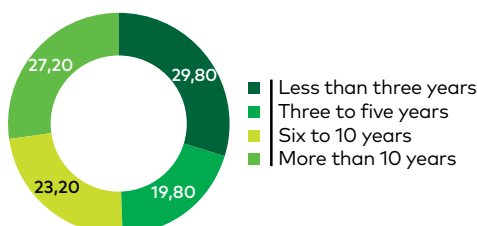
Employee age profile (%)



Attrition age profile (%)



Employee tenure (%)



Workforce profile

	2017	2016	2015
Total number of employees opening balance	32 746	31 689	30 499
SA permanent employees at the beginning of the year	28 106	27 819	27 446
Recruitment	1 851	2 657	3 119
Reclassification of staff category (changed to permanent)	409	364	–
Terminations (actual year to date)	2 948	2 684	2 746
Resignations	2 270	2 083	2 170
Deaths	41	50	38
Dismissals	288	253	195
Retirements	271	232	223
Retrenchments	22	8	39
Emigration	27	–	35
Disability	51	44	38
Other	(22)	14	8
Reclassification of staff category (changed from permanent)	18	50	–
SA permanent employees at the end of December	27 417	28 106	27 819
Permanent headcount change on previous year	(689)	287	373
Attrition rate (%)	10,56	9,61	9,90
Add other employee categories			
Contractors and financial planners	1 249	1 603	1 394
Temporary staff*	356	345	377
International employees (including Africa)	2 802	2 628	2 042
External entities	63	64	57
Total number of employees	31 887	32 746	31 689

* Reported on the basis of fulltime equivalents.

NEDBANK SA WORKFORCE PROFILE ACCORDING TO THE DEPARTMENT OF LABOUR OCCUPATIONAL LEVELS (BASED ON THE EMPLOYMENT EQUITY ACT AT 31 DECEMBER 2017)

Headcount Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	4			5	1		1	1			12
Senior management	61	35	104	396	63	23	67	150	28	9	936
Middle management	1 103	490	799	1 610	1 242	638	917	1 693	110	78	8 680
Junior management	2 812	867	679	480	6 036	1 831	1 327	1 248	73	120	15 473
Semiskilled	441	103	48	32	1 032	392	148	175	10	17	2 398
Unskilled											
Total permanent	4 421	1 495	1 630	2 523	8 374	2 884	2 460	3 267	221	224	27 499
Temporary employees	257	60	75	216	355	107	73	145	30	34	1 352
Grand total	4 678	1 555	1 705	2 739	8 729	2 991	2 533	3 412	251	258	28 851

Note: The workforce profile excludes all non-payroll contractors, temporary non-payroll employees, international secondees and employees from external entities.

MULTISKILLED AND MOBILE TALENT

Key future skills identified for banking include those relating to robotics process automation, user interface design, user experience design, social media client services, digital innovation, cyber-digital security, data security, data mining, and predictive risk analytics and client experience management. Given that education outcomes are still lower than ideal across SA, it is difficult and expensive to source and attract qualified individuals with these vital skills.

A combination of continued skills shortages and a fast-changing financial services environment driven by digital disruption means that banks must attract employees from a broad talent pool and commit to investing in upskilling the talent they already have. We also recognise that skills retention is crucial to maintaining and enhancing our competitiveness.

Talent Management Framework and succession planning

During 2017 a new Talent Management Framework was launched to redefine our talent requirements and increase the quality of talent development conversations across the group. This resulted in new talent boards being established, with a focus on strengthening Nedbank's leadership succession pipeline, assessing the current levels of key leaders' capabilities and initiating talent mobility practices across the group. Annual talent review meetings are held to ensure that succession plans are in place for key positions and that development plans are focused on building a diverse and sustainable talent pipeline.

During 2017 a total of 42 key individuals, in catalyst roles or potential successors to those roles, participated in talent assessments. The results of these assessments have provided Nedbank leadership with a view of the individual capabilities across the group, particularly in terms of how these capabilities are aligned with our identified core strategic competencies such as client centredness, innovation and commercial aptitude. Structured development plans were then initiated to help close any capability gaps and improve the leadership readiness of the identified key individuals.

Organisational Redeployment Pool

Nedbank has always been an organisation with a conscience, which is measured by the way we treat our people and this is guided by our values.

While there have been a few retrenchments, these have not been material compared with those of our competitors. We have honoured our commitment to minimise the number of retrenchments within Nedbank by actively managing those employees who have been put through the Organisational Redeployment Pool (ORP) process.

Our proactive approach includes the following:

- Putting processes in place to limit growth in headcount and the associated costs.
- Taking impacted employees who are referred to the ORP through coaching workshops, which enable them to take ownership and accountability for both identifying and being considered for roles within the bank or opportunities outside the bank.

The table below shows an annualised movement in the ORP in 2017:

Organisational Redeployment Pool Movement	2017
Total number of individuals placed on redeployment	303
Number of placed individuals	268
Retrenched individuals: Voluntary	1
Retrenched individuals: Involuntary	21
Balance of employees on redeployment at year-end	13

However, our organisation is not immune to the rapid changes taking place in the financial services industry. On the contrary, the current technological evolution is necessary to enable our organisation to remain economically and financially viable. That is why we consider the manner in which we respond to these transformation changes as a sound test of our values and principles. We aspire to continue being a key driver and facilitator of job protection and the creation of job opportunities. We therefore remain committed in our effort to reduce the number of jobs that may be lost and mitigate the effects of job losses on individuals, groups and communities.

Talent and robotics process automation

Digitisation is revolutionising banking, as it is many other sectors and industries. Nedbank recognises that it still has a number of cumbersome legacy processes in place as well as many routine tasks that could be automated. These are inhibiting our ability to evolve into a more agile and efficient organisation.

Robotics process automation (RPA) is one of many solutions being investigated and implemented to deliver the required agility and efficiency. RPA is the use of software to handle high-volume, repeatable tasks across multiple business applications. The software (or 'robot') can capture and interpret existing applications, manipulate data, trigger responses and communicate with other systems – all much faster and more efficiently than when there is human intervention. Adopting RPA will provide us with several benefits that will lead to process excellence over time. Some of these benefits include:

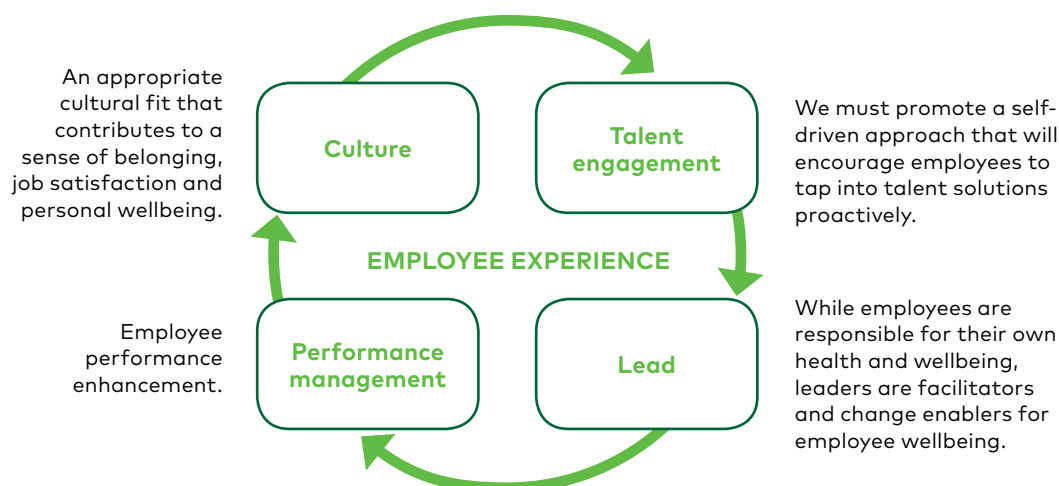
- significant cost reduction for repetitive manual tasks;
- improved quality and consistency;
- reduced risk;
- tactical solutions for automation and system integration where strategic programmes have long lead times; and
- efficiency in terms of accuracy and time saving, so employees can focus on more complex, high-end, value-adding work.

In 2017 we piloted and successfully introduced RPA in a number of areas. Although RPA is primarily a technology solution, there is often an impact on our people. While conducting the pilot and implementing RPA, Nedbank developed a comprehensive change management approach to address employee concerns and ensured that HR, Change Management and Learning and Development were integrated into the RPA process. This has resulted in a multidisciplinary approach to automation, in terms of which people matters are prioritised alongside technical requirements. We believe we have successfully mitigated the potential negative people impact and have used workforce planning, work load balancing and reskilling to ensure that our people are treated fairly and responsibly.

The wellbeing of our people

Nedbank's success relies on having capable and engaged employees. In the 2017 staff survey (Nedbank Compass) employee wellbeing was ranked the second-lowest culture element, with a particular concern relating to 'acceptable levels of stress', which ranked 7% lower than the SA average.

Our holistic employee wellbeing approach defines wellness as: 'A proactive and preventative approach to sustain behaviours that reduce health risks, improve quality of life, and enhance personal effectiveness, so as to benefit the organisation through a thriving workforce.'



On the understanding that there is a clear correlation between employee wellbeing and organisational performance, we strongly encourage our employees to use our various employee support programmes (ESPs). In 2017 a total of 14 400 staff (50% of our total workforce) made use of various ESPs offered as part of our wellness programme. More than 4 500 employees made use of the counselling services and over 2 000 employees were tested for HIV/Aids or chronic lifestyle diseases, such as hypertension and high cholesterol, at our wellness events across the country. In addition, more than 200 executives participated in the executive health programme and underwent comprehensive wellness assessments.

In addition to the ESPs, our employees enjoy access to the Nedgroup Medical Aid Scheme (NMAS). In 2017 NMAS delivered a number of education sessions and holistic health screening programmes. Participating employees received personalised health information to manage their health status and prevent health problems before they occur.

We continue to prioritise the parenting responsibilities of our employees in the spirit of work-life integration. In addition to offering flexible work policies to staff, our headoffice houses a crèche with an average of 150 children attending. Most of our female staffmembers (2017: 94,4%) return to work after maternity leave.

As such, key drivers of employee wellbeing include:

- Values and ethics – Shaping an organisation's culture by focusing on values and their corresponding behaviours.
- Teamwork – Fostering collaboration/cooperation, which leads to productivity innovation, breaking down silos, increasing employees' self-worth and creating bonds between colleagues.
- Work and environment processes – Having the right tools and efficient supporting systems and processes.
- Recognition – Feeling valued.

With the insights gained from the Nedbank Compass survey, combined with analysis of wellness data, we have revitalised our wellbeing strategy with the aim of increasing employee resilience and engagement, and improving communication. The new approach is guided by the following principles:

- The wellbeing programme and interventions need to support the desired culture of the organisation.
- The wellbeing programme must complement, not replace, established company procedures.

The integrated nature of the revised approach can be illustrated as follows:

Skills development and learning

In 2017 training spend was R355m, which represents 2,6% of payroll. This is a decline in training spend primarily due to a strategic realignment. More than 76% of staff received training in 2017 compared with 69,7% in 2016. The average training time per employee across gender and race groups amounted to 48 hours in 2017 (2016: 49 hours). The table below provides details of our overall training expenditure for the period.

Training investment in 2017	2017	2016
Total basic payroll (Rm)	R13 602	R12 434
Total training spend (Rm)	R355	R413
Training spend as a % of basic payroll	2,6%	3,3%
Training spend for black staff as a % of basic payroll	2,1%	2,6%
Training spend for black female staff as a % of basic payroll	1,3%	1,6%
Training spend for black staff with disabilities as a % of basic payroll	0,03%	0,05%
Training spend for black female staff with disabilities as a % of basic payroll	0,02%	0,03%

Performance management

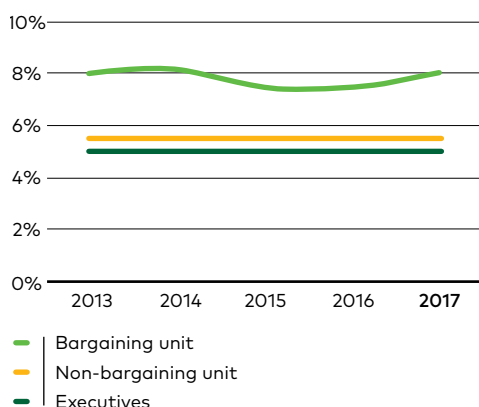
Performance management is an entrenched people practice at Nedbank, with all of our employees having participated in performance reviews in 2017, as was the case in 2016. This is a solid foundation on which we are now building a refreshed performance management approach. During 2017 the refreshed approach was piloted with the Group Executive Committee (Exco) and close to 150 senior leaders within the group. The new approach aims to change the elements of our culture that hamper delivery on strategy and reinforce those that we have identified as still being of importance. It encourages more frequent, qualitative and forward-looking conversations as opposed to the performance measurement and assessment approach of the past.

This is a significant shift and, as such, we have recognised that our managers need help to develop their coaching skills. Through the new approach Nedbank is looking to provide greater performance and reward differentiation for our people that will drive a high-performance culture. Training on the new performance management approach will be completed in 2018 to ensure a smooth transition.

Recognition and reward

The Group Remuneration Committee (Remco) is committed to ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. Group Remco reviews and approves management's recommendation for the mandate for salary negotiations with the South African Society of Banking Officials (SASBO). As evidenced in the graphic below for guaranteed remuneration increases, increases for the bargaining unit have been consistently higher than executive management in the past five years. This is a result of deliberate actions to reduce income inequality and to improve the living standards of our employees at the lower-income level. This has had the added effect of increasing the short-term incentive awards of the bargaining unit members, given that variable pay is determined as a percentage of guaranteed packages. Furthermore, Group Remco believes that the current minimum guaranteed package of R142 000 is a decent living wage. Each year, Group Remco also reviews the terms and conditions of service for all staff to ensure that they are fair and competitive.

Guaranteed package increases for different staff levels over the past five years



The Group Exco also holds management accountable for ensuring total remuneration is distributed fairly. After each year's annual salary review extensive postimplementation analysis is conducted on remuneration differentials. The Group Exco is satisfied that, on the whole, where such differentials exist, they can be reasonably explained and justified on the appropriate grounds.

In addition to monetary reward, Nedbank provides lower-income staffmembers and their dependants with educational benefits to improve their skills and capacity, which should in time translate to higher net takehome pay and higher remuneration opportunities.



For more information see page 32.

Our Remuneration Policy provides a framework for the management of total remuneration within the group. One of the principles of this policy is to 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 our culture, risk profile and exposure.

The recognition programme, which includes both formal and informal recognition processes, is a powerful motivator and creates a positive working environment. A refreshed recognition programme was designed in 2017 for implementation in 2018 and is more closely aligned with the required culture and behaviours of the group.



For more information please see our 2017 Remuneration Report available at nedbank.co.za.

ENABLING AND INSPIRING LEADERSHIP

In 2016 Nedbank executives spearheaded a Leadership Lekgotla aimed at describing the type of leaders needed to drive the strategic intent of the bank. It further aimed to review the leadership development landscape to enable new leadership mindsets and capabilities. The outcomes of the Lekgotla included a clear definition of a Nedbank Leadership Persona, which depicts the type of leader we require (commercially savvy, entrepreneurial and agile), as well as the creation of a leadership development journey to support the new requirements. Since then, the Nedbank LEAD journey has become the vehicle we are using to build the necessary leadership capabilities we need, with a focus on:

- **Leadership:** Galvanising our leadership cadre to drive and live our desired Nedbank culture through a combined focus on clients and agile ways of working where risk and innovation practices are balanced, while individual, team and enterprise performance is managed.
- **Evolution:** Continuously evolving the leadership mindsets and behaviours that are required to navigate the changing world of work, financial services and clients through worldclass talent management practices, including performance management, reward and recognition.
- **Alignment:** Orientating leaders across the enterprise as to what is required of leaders to win, given the specific context at that particular point in time and in alignment with the Nedbank Leadership Persona.
- **Development:** Providing digital and immersive development opportunities to build leadership capabilities as defined by the Nedbank Leadership Persona.

The LEAD journey was launched in 2017 with 500 leaders and is being rolled out at three levels:

Group Exco

Externally facilitated eight-month journey.

Cluster executive and divisional committees

Customised journey per cluster, offering leadership experiences and coaching.

Remaining leaders

Awareness and alignment – one-day mini-leadership accelerators.

Features and highlights of the LEAD journey for the past year include:

- The conclusion of the eight-month Group Exco journey.
- Commencement of the journeys of six cluster excos. These are currently at different stages. The remaining cluster excos will commence their journeys in 2018.
- Approximately 2 000 leaders across the enterprise attended the leadership accelerators. These will be extended to the Rest of Africa subsidiaries in 2018. Accelerators are followed up with a variety of learning solutions, some of which are still under development. These solutions include:
 - ▢ masterclasses;
 - ▢ coaching and mentoring;
 - ▢ the Executive Business Transformation Programme;
 - ▢ graduate development programmes;
 - ▢ leadership labs; and
 - ▢ digital learning platforms.

In addition to the LEAD journey, a new Executive Business Transformation Programme was launched to 42 executives. This programme was exclusively designed for Nedbank, focusing on building cutting-edge leadership capabilities to transform our organisation, specifically around client centredness, innovation, digital intelligence, human-centred design thinking and maximisation of human potential through the use of artificial intelligence. The programme also delivered on five challenges issued by the CE, which revolved around an enterprisewide change approach for the Nedbank transformation journey, focusing on our clients and staff. The executives had to approach these challenges with a new way of thinking and were exposed to immersive learning experiences in Silicon Cape, Silicon Savannah and Silicon Valley.

CLIENT-DRIVEN, INNOVATIVE AND AGILE CULTURE

In line with the organisational renewal journey of the bank Nedbank needed to review what it would take to set itself on a winning path, which included a culture transformation journey to respond faster to changing client requirements within the digital space. Key highlights for 2017 included the introduction of a new Culture and Values Framework, as well as a change in our staff surveys.

New Culture and Values Framework

The introduction of the Culture and Values Framework represents a paradigm shift, allowing the organisation to engage about its current culture and values context. It also moves the focus from 'desired' culture (what we want) to 'required' culture (what we need) to be successful.

During 2017 structured culture conversations were conducted with Group Exco, SA cluster excos and Rest of Africa excos to identify culture enablers, disablers and required shifts to position Nedbank for success.

Recommendations were made for ways to:

- retain our 'clan' culture, but ensure that we differentiate more competitively and manage performance and talent;
- reduce levels of overcontrol to enhance efficiencies, execution capabilities and speed to market; and
- increase levels of client-centred innovation that are commercially viable.

Other matters raised included the need to increase levels of collaboration across silos to serve our clients better and to enhance innovation, as well as to increase levels of client centredness through collaboration and technology.

The Nedbank Compass survey

The new Nedbank Compass survey was successfully rolled out in 2017. This new survey highlights Nedbank's strengths and shortfalls more effectively and allows for appropriate recommendations and actions. Nearly 23 000 staffmembers completed the survey, representing 71% of the workforce. Given the newness of the Nedbank Compass survey, the response rate is satisfactory and likely to increase in the coming years as a result of ongoing awareness creation.

The survey comprises 15 thematic categories aligned with the ClearAdvantage Framework and Nedbank's strategic priorities. Each category has been divided into a percentage of favourable/neutral/unfavourable responses. Since most categories are brand new, the results cannot be compared with those of the last Nedbank Staff Survey, which was conducted in 2015.

The results highlighted the need to maintain the current level of staff engagement and continue to drive alignment and high performance across the group. Externally, Nedbank needs to focus on the needs of our clients and adapt to an agile way of delivering value, while leading and leapfrogging digital innovation that will drive transactional client growth. Furthermore, Nedbank needs to increase its focus on the wellbeing of people, especially in the context of rapid-change cycles.

Historically, Nedbank has focused more on performance than health measures. A decision was made to elevate and track the measurement of organisational health to get the balance right between organisational health and performance. The Nedbank Compass survey provides the organisation with a new capability to do so. Health measures depict how the organisation aligns itself, executes with excellence and renews itself to achieve performance aspirations sustainably. The organisational health measures act as an important point of reference for Nedbank, not only in driving our people strategy, but also as a predictor of financial success.

Cluster-specific plans and recommendations are now in place to address the material gaps identified by the survey.

EMPLOYMENT EQUITY AND TRANSFORMATION

Nedbank is committed to taking a leadership position in terms of the transformation of our business and our country. We embrace the transformation of our workforce as central to our success.

We continue to meet our internal targets at junior and middle management levels and will continue to focus on Africans and females at senior management level. However, the representation shows that the bank is currently ahead of its peers with regard to designated groups and therefore has a good base to progress towards our staff complement reflecting the economically active population of SA.

Creating opportunities for gender equity

The Nedbank workforce comprises 62,1% women, against an economically active female population of 45% in SA. Although overall female representation is high, we recognise the need to keep working to address underrepresentation of women at senior management level.

The Nedbank Women's Forum is a key initiative aimed at supporting the advancement of women in Nedbank and the creation of opportunities for more women to achieve leadership positions. The forum provides a space for women and men to share their insights, wisdom, experiences, challenges, fears and circumstances with a view to creating greater opportunities for women. In 2017 the forum hosted numerous events, including Cell C's Take a Girl Child to Work in Johannesburg and Cape Town, with the objective to empower young girls from previously disadvantaged communities to make career choices and be prepared not only for the workplace but also for adulthood.

Creating opportunities for people with disabilities

Nedbank remains committed to the representation and reasonable accommodation of persons with disabilities. Disability representation is at 2,85% of the total permanent headcount, which is higher than the national target of 2,00%. In 2017 the Nedbank Disability Forum held a Disability Indaba and a Disability Day, which were aimed at raising awareness and improving reasonable accommodation across the bank. We also conducted an accessibility audit at our headoffice and the recommendations will assist us to improve universal access.

EMPLOYEE RELATIONS

Employee relations form an integral part of risk management in Nedbank. The implementation of fair and equitable employment practices ensures a stable and productive work environment, which, in turn, translates into better productivity and delivery for clients.

Disciplinary and grievance procedures

Our policy and procedures guide the behaviour and conduct expected of all employees and serve as a measure by which managers can maintain discipline constructively.

In 2017 we embarked on a drive to enhance the skills of our current committee chairs as well as increase the pool of new internal hearings committee chairs in order to improve the quality of decisionmaking and turnaround time of our internal hearings. The ongoing review of our policies has added an impetus to growing the quality of handling our internal cases.

In the year under review 5 075 incidents of misconduct (2016: 6 087) were managed. This is a significant decline year on year and is especially pleasing given the amount of pressure exerted on employees due to organisational evolution and the challenging external operating environment. A further 26 (2016: 282) grievances were handled through our formal grievance process. Trends that we will be specifically monitoring in 2018 relate the abuse of sick leave, performance-related incapacity and policy violations.

CCMA referrals

Referrals to the Commission for Conciliation Mediation and Arbitration (CCMA) increased in 2017 to 142 (2016: 131). A total of 92 cases were subsequently referred for arbitration, compared with 70 in 2016. In 20 of these cases the CCMA found in favour of Nedbank, while 29 were settled and 27 were either withdrawn by the applicant or dismissed by the CCMA. These referrals related mainly to unfair dismissal and unfair labour practice.

Collective bargaining

The relationship between the bank and SASBO remains positive. SASBO is currently the only union recognised by the bank and holds a membership of 35,7% of the staff complement of the bank. 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. A dispute was declared by the union and union members went on strike on 24 July 2017. All employees except management participated in the strike. In August 2017, after intervention by the Swaziland government, Nedbank and the union were able to reach a settlement and the strike was ended.

Looking ahead to 2018

Nedbank's people strategy has been set in motion to enable and empower our employees by facilitating culture, leadership and talent shifts. Through these efforts the employee experience and people practices will be evolved to inspire our people and create a great place to work, bank and invest.

Nedbank's new agile operating model will revitalise the way work is organised and how we work together to deliver on our objectives. This creates an opportunity for Nedbank to refresh its value proposition as an employer of choice through:

- the experience we want to give our people;
- the leadership they can expect; and
- the behaviours by which they are guided.

In support of the new operating model and an aspirational employee value proposition, new people practices will be developed continually to enable agility, innovation and a revitalised employer brand that will ensure we attract and retain the best talent.

OCCUPATIONAL HEALTH AND SAFETY

To ensure a safe and healthy environment for our employees and all stakeholders we comply with the Occupational Health and Safety Act, 85 of 1993, and its regulations, as well as the Compensation for Occupational Injuries and Diseases (COID) Act, 130 of 1993.

Nedbank's dedicated Occupational Health and Safety (OHS) Division guides the group on all health and safety matters, as well as legislation and regulatory updates, and also ensures that all health and safety procedural documents and emergency procedures are updated annually.

Our foreign subsidiaries adhere to the relevant occupational health and safety laws and regulations of the countries in which they are located. It is also compulsory for our subsidiaries to comply with the Nedbank Group OHS.

OHS committees

It is compulsory for Nedbank sites (headoffices, regional offices and branches) to have a fully functional health and safety committee. Management is responsible for ensuring that OHS appointees are available and trained to conduct their assigned health and safety role as part of their daily work-related activities. All OHS appointees undergo extensive training and regular refresher programmes to ensure their skills are constantly updated. In 2017 a total of 462 OHS appointees (2016: 227) received this training. The dramatic increase in trained OHS appointees is a direct result of the focused efforts of the OHS Division to raise awareness of the importance of qualified representatives across the group.

Emergency preparedness

Evacuation drills take place at all sites at least twice per year. Local disaster management, emergency medical, fire and traffic services form part of our emergency preparedness procedure. In 2017 a total of 332 evacuation drills were completed (2016: 70). The dramatic increase is partly the result of a significant focus on the completion of such drills as a means of ensuring the safety and wellbeing of our staff. However, the number of drills completed in 2016 was also underreported due to a lack of information from the branch network. This has been remedied and the current system ensures comprehensive evacuation drill reporting accompanied by all relevant documentation.

Compliance audits and baseline risk assessments

Independent OHS compliance audits are conducted internally every year and the results of these audits are reported to Nedbank Group management. In the year under review 186 sites were assessed. All heads of various portfolios and their direct reports have been assigned to deal with the OHS findings that relate to their portfolios.

Training and awareness

It is compulsory for all our employees to complete OHS training. This includes extensive awareness campaigns as well as acknowledging the Nedbank Group OHS Policy and the new Incident Reporting and Investigation Procedure.

Emergency medical facilities

Our medical emergency (advanced first-aid) rooms are equipped with the latest emergency equipment. Our first-aiders are fully trained to use the equipment to assist during medical emergencies. The total number of first-aiders trained during 2017 was 205, which is significantly up on the 124 of 2016.

Incident reporting and attendance

All injuries on duty (IOD) are attended to by our trained and accredited first-aiders. These incidents are then recorded, reported on daily, and added to the monthly executive reports. IOD are immediately reported to the Compensation Commissioner in terms of the Compensation for Occupational Injuries and Diseases Act. The table below reflects IOD incidents recorded in 2017:

Incident category	Number of incidents		
	2017	2016	2015
Medical	261	153	196
Workmen's compensation claims – Nedbank	86	64	53
Workmen's compensation claims – Contractors	5	1	1
Injuries – Public/Visitors	24	10	9
Fatalities – Nedbank	–	1*	–
Fatalities – Public/Visitors	–	3**	–

* As a result of a medical condition, not a work-related injury.

** As a result of a medical condition of a client and the police-related deaths of two criminals that attempted to rob a branch.

In 2017 there were 163 (2016: 296) first-aid cases, which included IOD leading to minor treatments (such as a plaster being required).

Our lost-time injury frequency rate for the period under review was 0,19 (2016: 0,11). The total recordable injury frequency rate is 0,27 (2016: 0,19). The increase in the lost-time frequency rate is partly attributed to the greater awareness created among staff around the injury reporting process and the importance of reporting all injuries. Medical conditions such as migraines, nausea and asthma attacks are not included in this figure, as they are primary-health issues and not occupationally induced cases. Only injuries that occur while a person is on duty are included in the injury rate. The current rate is well within acceptable standards for our industry. In 2017 the percentage of man-days lost to sick leave was 2,02% (2016: 1,89%).

Knysna Rehabilitation Project

HOW NEDBANK IS SUPPORTING
THE REGENERATION OF ONE OF
SA'S MOST VALUABLE
ECOSYSTEMS

The devastating fires that burned through many parts of Knysna and the surrounding areas in 2017 not only destroyed homes and businesses – they also created a risk of long-term financial losses for the area due to the possibility of declining tourism while its natural beauty is being restored.



Photograph provided by Heather Dugmore.

Photograph provided by Louw Claasens.

Nedbank has partnered with the local government in the region, NGOs, the WWF-SA, Endangered Wildlife Trust (EWT) and Food and Trees For Africa (FTFA), as well as several other organisations, to support and promote the rehabilitation of Knysna and its surrounds. Our programme of activities forms part of a much bigger, sustained effort to restore Knysna.

Our rehabilitation investment includes **R750 000**. This is in addition to the immediate support provided to the area, which included **R200 000** and blankets donated through the Nedbank Foundation as well as clothing and groceries donated by staff.

Rehabilitation activity includes:

ALIEN-INVASIVE PLANT REMOVAL

Financial support through the WWF-SA for the government-led Garden Route Rebuild Initiative's interventions aimed at stopping the regrowth and spread of alien-invasive species following the fires. It was the presence of these alien trees and plants in the area that helped to fuel the ferocity of the fires, so this is important preventative work. It also has a positive impact on water supply in the area as alien-invasive vegetation uses exponentially more water than indigenous varieties.



Photograph provided by Heather Dugmore.

PROTECTION OF THE KNYSNA ESTUARY

The estuary is key in terms of tourism to the area and home to many unique and endangered species, including seagrass and the Knysna seahorse. The fires have made the estuary vulnerable to siltation, bank collapse and increased levels of pollution (see image on previous page). Financial support from Nedbank will enable EWT to install **Biohaven floating islands**, which reduce sediment and nutrient loads entering water bodies, develop a **Soil and Water Assessment Tool (SWAT)** and further leverage **citizen scientist volunteer networks** to provide ongoing system health data.



Photograph provided by Louw Claasens.

PROVISION OF TREES TO IMPACTED SCHOOLS, COMMUNITY ORGANISATIONS AND OUR CLIENTS

As part of the municipality-driven 'Green Friday' initiative, Nedbank provided trees to impacted schools and community organisations. This was done in conjunction with FTFA. FTFA facilitated the tree planting, provided environmental education to the children and will monitor these during the first year to protect our investment. We also donated trees to Knysna-based clients who wished to plant them in their gardens or public areas as part of the re-greening efforts.



Photograph provided by Yonela Siko.






PARTNERSHIPS

Value is optimised through shared responsibility and collaborative action. We place a priority on partnering with people, organisations and communities that share our passion for sustainable development and recognise the potential that exists to maximise positive impacts by working together.



INVESTING IN OUR COMMUNITIES

The Nedbank Foundation is our primary CSI arm and its work augments our lending activities. In 2017 it revisited its strategy and one of the outcomes of this process was that in 2018 it no longer considers unsolicited applications for funding and support. This means that the available funding delivers maximum effectiveness and focuses on fewer, high-impact projects that are aligned to the Nedbank strategy and the SDGs. Current focus areas include:

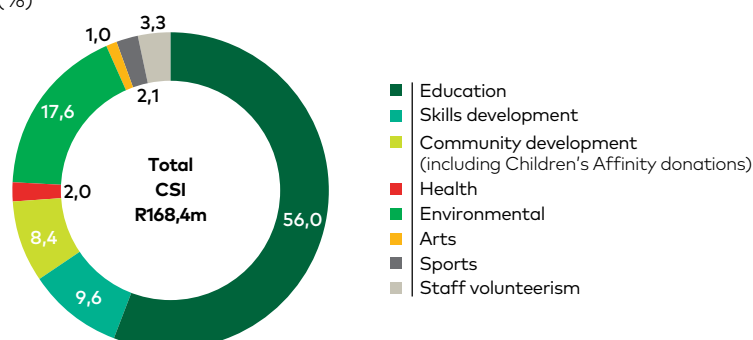
Focus area	SDG alignment	Proportion of funding	Objectives/Priorities
Education	 Goal 4: Quality education	40%	<ul style="list-style-type: none"> Improve literacy in early-childhood development (ECD) Improve learner outcomes in primary school, with a focus on maths and science Improve learner outcomes in secondary schools, with a focus on maths and science Increase the number of supported technical and vocational education training (TVET) colleges Increase bursaries available to postgraduate and bridging-programme students
Community development	 Goal 1: No poverty  Goal 2: Zero hunger	15%	<ul style="list-style-type: none"> Reduce substance abuse Improve access to water Promote the sustainable operation of orphanages and childcare centres
Health	 Goal 3: Good health and wellbeing	15%	<ul style="list-style-type: none"> Improve access to healthcare services Provide training to healthcare professionals
Skills development	 Goal 1: No poverty	30%	<ul style="list-style-type: none"> Drive employability of the youth through skills development

Importantly, while these allocations and support focus areas provide a good framework for Nedbank's CSI commitments, they do not inhibit the ability of the Nedbank Foundation to respond to social and environmental emergency situations or emerging trends. Good examples of this in 2017 included the Nedbank Foundation's support of people, communities and the environment after the devastating Knysna fires and the current water crisis across many parts of SA.

 For more information on the Knysna rehabilitation programme see page 29.

In 2017 the total value of CSI delivered across our group was R168,4m (2016: R141m). It was divided among the group's key social investment focus areas (including volunteerism and the Nedbank Affinities) as follows:

Total CSI (%)



SUPPORTING EDUCATION OUTCOMES



Goal 4: Quality education

Support for education remains a priority for the group. In 2017 the amount that we were able to invest increased from R72m in 2016 to over R94m. The increase of R22m was invested primarily in tertiary education. Other investment areas included:

Rm	2017	2016
Basic education		
ECD	4,8	2,2
Primary school	8,1	12,1
Secondary school	28,8	26,2
Total: Basic education	40,7	40,0
Tertiary education		
Undergraduate bursaries	16,0	14,3
Postgraduate bursaries	5,0	2,9
Student assistance	4,5	8,2
University chair and research	28,0	6,1
Total: Tertiary education	53,5	31,5
Total: Education	94,2	72

This support has provided direct assistance for more than 120 schools and 19 tertiary institutions, including over 160 bursaries through the Thuthuka Bursary Fund, the Nedbank External Bursary Fund and the Eyethu Community Trust. There was also continued support for the Ikusasa Student Financial Aid Programme (ISFAP).

Supporting Nedbank staff

Helping our staff educate their children is important to the bank. This is evidenced through the tertiary study grants of R3,1m provided for 280 children of our employees in 2017, as well as R3,9m through the Dr Holsboer Education Fund that supported nearly 2 400 of our staff's children from grades 1 to 12.

Nedbank Graduate Programme and learnerships

Learnerships – The Letsema and Kuyasa Learnership Programmes are key vehicles through which we can help address SA's skills shortage. In 2017 two internships, including a new Financial Markets and Instruments internship, and 33 (2016: 17) learnerships and skills programmes were implemented. These were attended by 1 487 learners (2016: 1 422), including unemployed graduates, matriculants and current Nedbank employees. The increase in learnerships and skills programmes was due to business taking more learners on the newer programmes and internships, and some learnerships running over from the previous year. Learnerships create opportunities for us to attract quality talent that can then be trained and developed in line with our identified skills needs over 12 to 18 months. We retained 4,9% of the external learners and interns that participated in 2017. While this is an acceptable rate given the lower skills of the learners, it is desirable to increase this rate to achieve the full target as set out in the dti scorecard and to make a bigger contribution towards the government objective to provide employment opportunities for unemployed youth.

Nedbank Graduate Programme – This programme provides candidates with workplace experience and a platform to apply theoretical knowledge to real business problems. It aims to build foundational skills for young talent, who in turn support Nedbank's journey of becoming more digital and innovative. During 2017 Nedbank employed 31 (2016: 47) graduates in The Nedbank Graduate Programme, which aims to provide work experience for these individuals, while at the same time developing a talent pipeline aligned to our identified current and future skills requirements.

Case in point

Activities that demonstrate the impacts of our investment in education:

Tendopro

Challenges around education are a critical pain point in the lives of many SA youths. These challenges include a lack of access to learning and resources, exposure to alcohol and drugs, and peer pressure in the school environment. Despite this, SA's youth remain ambitious and the majority recognise the importance of being well educated in order to live successful lives. To help these young people overcome their challenges and access the education they need, Nedbank partnered with Tendopro – a free, curriculum-aligned online revision platform, suitable for high-school students. The content is developed by leading SA teachers and offered in bite-sized formats, including videos, summaries and short quizzes to test knowledge. As the scholars revise their work, they earn rewards (Tendoberries), which can be redeemed for sought-after items such as data, airtime and entries into competitions. Currently, Tendopro focuses mainly on maths and maths literacy, but there are plans to expand the subject offering in 2018. At the end of 2017 there were more than 75 000 registered Tendopro users, with many indicating that the platform had helped them to improve their maths results significantly.

Contributing to the upskilling of early-childhood development centres

The communities in the Gauteng townships of Diepsloot and Rhonosterspruit have hundreds of small daycare centres or crèche facilities that provide much-needed ECD services and an income for residents, but they are often run by people with little or no qualification in ECD. The Heronbridge Training and Resource Centre (HTRC) seeks to address this through education training and mentorship. In 2017 the Nedbank Foundation contributed R300 000 to the HTRC to fund the national qualifications framework (NQF) level 5 training of 37 ECD practitioners from 25 preschools. Over 1 750 preschoolers are now benefiting from greatly improved standards of care and a far stronger foundation from which to enter the schooling system.

Addressing SA's maths and science literacy challenges

The Maths and Science Leadership Academy (MSLA) focuses on the Kimberley area. The Nedbank Foundation has been funding the MSLA since 2010, and in 2017 it contributed R300 000 towards its Maths Pi-oneers Programme. The programme develops maths problem-solving skills and a passion for the subject in learners and empowers teachers to improve their knowledge and teaching methods. The 2017 funding has enabled the MSLA to grow its Maths Pi-oneers Programme to include over 440 grade 7 to 12 learners and 20 teachers from 38 Kimberley schools. The matric results of the learners participating in the programme have been outstanding, producing some of the province's top students in both maths and science. Since 2013 over 60 MSLA students have gone on to study in engineering fields at tertiary institutions around SA. The progress of these students is also tracked.

DELIVERING SOCIAL DEVELOPMENT THROUGH VOLUNTEERISM

We recognise the value added to our CSI efforts and staff morale through the Nedbank volunteer programme. The programme takes into account the different needs, preferences and capabilities of our Nedbank volunteers, so the opportunities range from once-off volunteer projects to team efforts, long-term volunteering and financial donations. Most of the projects chosen by staff seek to reduce societal inequalities. To encourage our employees to contribute to social upliftment we offer each of them two days' paid volunteer leave per year. Currently, more than 20% of staffmembers make use of these two days to work in their communities.

Programme	Objectives	Programme description	Impact
Local Hero	To provide financial support to the organisations where staffmembers volunteer and to recognise staffmembers' efforts.	A donation of R15 000 is allocated to staffmembers who are approved as Local Heroes. They must: <ul style="list-style-type: none"> ■ have been an employee of Nedbank for at least six months; ■ have been volunteering at a non-profit organisation (NPO) of choice for at least six months; and ■ be working on a strictly voluntary basis. 	<ul style="list-style-type: none"> ■ Number of Local Heroes in 2017: 89 (2016: 90). ■ Number of NPOs that benefited: 89 NPOs (2016: 90).
Payroll Giving	A structured and efficient programme that facilitates regular financial donations from staff to NPOs.	An agreed amount is deducted from the monthly salary of participating staffmembers. Over the year the programme has enjoyed steady support from Nedbank staffmembers.	<ul style="list-style-type: none"> ■ Number of Payroll Givers in 2017: 5 104 staffmembers (2016: 5 711). ■ Number of organisations that benefited: 12. ■ Over R19,6m has been contributed by staffmembers since inception of the programme in 2006. In 2017 a total of R3,4m was donated by staff.
Team Challenge	To allow staffmembers to form teams to give of their time and talent in support of a variety of NPOs over a period of 10 months, with seed funding made available to get the project off the ground.	An annual team-based volunteerism challenge. The Nedbank Foundation makes R5 000 seed funding available to every team that registers to help get its charitable support project off the ground.	<ul style="list-style-type: none"> ■ Number of Team Challenge participants in 2017: 450 staffmembers in 48 teams (2016: 43 teams). ■ Number of organisations that benefited: 48.
Saturday School	To provide extra tuition in English and maths in grades 5 to 7.	Learners from Zenzeleni Primary School attend extra classes at Nedbank 135 Rivonia Campus every second Saturday. Lessons are presented by employee volunteers, and extracurricular activities, such as soccer and cricket, form part of the programme. Meals are also offered.	<ul style="list-style-type: none"> ■ Number of Saturday School volunteers in 2017: 16 (2016: 16). ■ Number of learners benefiting: 50 (2016: 50).

Case in point

Nedbank Local Hero helps hundreds of students

Benedict Mashile, a systems analyst at Nedbank, is a Nedbank Local Hero. He tutors and mentors more than 500 grade 8 to 12 learners annually in Gauteng and Mpumalanga.

'I am passionate about maths and have always wanted to transfer my knowledge to others, so I started tutoring learners while I was still at university,' says Benedict, adding: 'I am following in my mother's footsteps as she has been doing volunteer work all her life.'

– Benedict Mashile

THE POWER OF PARTNERSHIPS TO DO GOOD

PARTNERING WITH NGOs



Goal 1:
No poverty



Goal 2:
Zero hunger



Goal 4:
Quality education



Goal 14: Life
below water

WORKING WITH WILDLANDS

Wildlands is a leading non-profit, public welfare entity and non-governmental organisation (NGO) with a vision of creating a sustainable future for all. It aims to achieve this by developing programmes that work at the intersection of environmental sustainability and human wellbeing to improve the livelihoods of underprivileged communities while, at the same time, restoring the ecosystems that support them.

Since 2014 Nedbank has partnered with Wildlands to deliver sustainable environmental and socioeconomic development impact in communities around SA. In addition to being a funding partner to Wildlands, Nedbank provides Wildlands' communities with access to financial services to through bank accounts and financial education.

Programmes supported include:

- The Wildlands Trees for Life and Recycling for Life programmes, creating opportunities for 'green-preneurs' to grow indigenous trees and collect material for recycling, which they then exchange for livelihood goods and small-business grants. The trees are planted at local restoration sites and the recyclable material is sent to Wildlands recycling depots for sorting, distribution and ultimately beneficiation into Green Desks.
- The Wildlands National Integrated Sustainable Schools and Communities Programme engages with schools to encourage the recycling of waste and clothes, establish permaculture vegetable gardens for food security and provide sustainability education.

Thanks to Nedbank's contribution of R6,7m (2017: R2,7m) over the past four years:

20 464 community members and learners have received training nationally

74 jobs have been created

261 schools have been reached, touching the lives and futures of **60 329 learners**

135 of these schools have collected **1,14m kg of recycling and 21 188 kg of clothes**

23 community vegetable gardens have been established

more than 2 000 bank accounts have been opened

THE PLACES PROGRAMME

Launched in 2013, the Places Programme takes a smart investment approach towards transforming city neighbourhoods and towns by investing in communities in a way that ignites synergy, invites collaboration, builds networks, unlocks resources and delivers a rate of return that continues to grow exponentially long after the initial investment.

In practical terms the programme involves the development of transformation strategies for specific geographical areas. To date these include Magaliesburg in Gauteng and Jamestown, Kylemore, Klipmuts, Mbekweni, Newrest and Amstelhof/Lantana in the Western Cape. In line with the understanding that active citizenry and collaboration are key to sustainability, the process in each area began with a series of community meetings to identify challenges and resources required. A community investment plan is then developed for each of the areas.

The Places Programme team subsequently works with an extensive network of partners to implement targeted interventions that support the investment objectives of each area. For 2017 these interventions included, but were not limited to, the following:

Direct investment: Launch of the Proud about Paarl Community Fund that benefits **40 ECD centres (over 1 200 children)** in Paarl.

Investment in schools: Mentorship of school principals, training of **40 community members** to become accredited sports and recreation coaches and sports coaching and career guidance events that have impacted **over 3 000 scholars**.

Investment in business: Design of a business hub in Lantana which, on completion, will provide opportunities for **11 small-business enterprises**.

Food and water security: Provision of **10 200 instant meals** to selected ECD centres and rollout of **50 greywater community gardens** in Paarl.

PARTNERING WITH NGOs (continued)

PARTNERING WITH THE WORLDWIDE FUND FOR NATURE SA

For almost 30 years Nedbank has partnered with the WWF-SA in a mutually beneficial relationship that started in 1990 when the two organisations collaborated to form the WWF Nedbank Green Trust. Since then, the nature of the partnership has transformed and expanded, with Nedbank and the WWF-SA currently collaborating on many sustainability programmes in various environmental and social sectors.

- **THE WWF-SA WATER BALANCE PROGRAMME**

SA is one of the driest countries in the world, with very low annual rainfall figures compared with those of most other parts of the world. The water crisis currently being experienced across many parts of SA – particularly the Eastern and Western Cape provinces – has highlighted the importance of healthy and effective rainfall catchment areas to maximise the collection of water. However, the proliferation of 'thirsty' alien invasive species in many of these vital catchment areas severely diminishes their effectiveness by preventing the flow of water. To address this problem WWF-SA implemented its water balance programme in 2011 with the aim of clearing alien invasive vegetation at numerous water catchment areas.

In 2011, as part of our water stewardship commitment, Nedbank invested R9m over five years to support this work. In those five years 445 ha of invasive alien vegetation was successfully cleared, resulting in more than 915 500 kl of water reaching and remaining in the country's water catchments annually. At the same time the programme created over 24 000 workdays for people from communities surrounding the project focus areas. Based on the success of the programme, we renewed our commitment to it in 2016 by pledging a further R3m in support over three years.

In 2017 the programme entered phase two, which involved the continuation of the clearing efforts, but also included the maintenance and restoration of the land already cleared of alien invasives, with the focus on natural or 'soft' restoration through replanting and revegetation, rather than 'hard' restoration using engineered structures. Over the past year more than 17 ha of previously cleared land has undergone this form of restoration, with more than 20 000 indigenous varieties planted and 6 000 days of work created for local community members. This is in addition to the ongoing clearing work that is still being undertaken, and the work opportunities that this continues to deliver.

- **WWF-SA SUSTAINABLE AGRICULTURE PROGRAMME**

As a developing country SA depends heavily on agriculture for its economic and social development. It is therefore essential that we protect, nurture and develop sustainable agriculture practices along the whole food production and consumption value chain. Funded by Nedbank, the WWF-SA Sustainable Agriculture Programme promotes innovation to solve key natural-resource challenges, be it for water, energy or soil, and to maintain healthy natural ecosystems that farmlands depend on. To do this the WWF-SA works with farmers, agricultural industry bodies, consumers and government with a view to promoting environmentally sound farm management practices and the protection of conservation on their farmlands. It also works with markets and consumers to garner support for farmers committed to these leading best practices. The programme focuses on supporting five priority sectors – namely the fruit, wine, dairy, beef and sugar farming sectors, developing industry standards and continuing best-farming practices, while also working with markets to support the procurement of these standards.

Highlights for 2017 include:

- Support for the development of a comprehensive environmental standard for the SA fruit sector, as part of the Social, Ethical and Environmental Assurance Programme, known as the SIZA Programme. This platform provides multiple export and local markets with a comprehensive assurance of compliance and good practice, while addressing the SA context. The online SIZA platform was launched in August 2017 and has already gained strong traction, with 10% of fruit growers having registered to use it so far.
- The Intelact Dairy Water Stewardship Award. This event showcased dairy farmers who lead the way in terms of onfarm efforts to maximise their water efficiency while minimising their impacts on freshwater resources, including downstream rivers, wetlands and groundwater sources. Subsequent events focused on water stewardship and how farmers play a key role in driving action in their respective catchments and in protecting the critical water source areas in SA, where 8% of the land surface produces more than 50% of all freshwater.

Through the partnership we are able to access the expertise of the WWF-SA's sustainable agriculture team for the benefit of our clients and our internal teams. The result is clients who are well informed about how to apply best practice to the running of their farms, and our being able to use the sustainable agriculture knowledge to improve the management of our risk exposure in this sector.

NEDBANK AFFINITY PROGRAMME

The Nedbank Affinity Programme is a unique giving solution that enables Nedbank clients and staff to support causes close to their hearts, at no cost to them, simply by using Affinity-linked bank accounts, investments or insurance offerings.

In turn, Nedbank makes donations to various causes through:

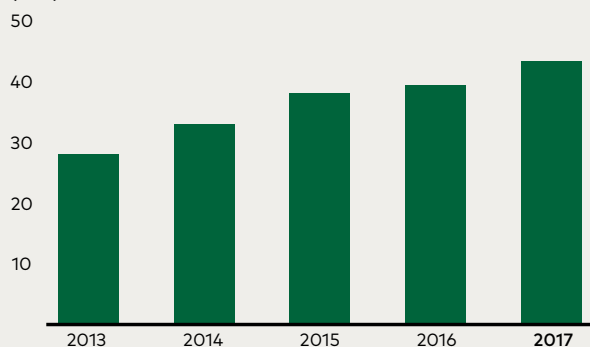
- **The Nedbank Green Affinity** – Supports conservation, the environment and climate-change-related projects through the WWF Nedbank Green Trust.
- **The Nedbank Children's Affinity** – Supports the children of Southern Africa in partnership with the Nelson Mandela Children's Fund.
- **The Nedbank Sport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

Since the inception of the Nedbank Affinities in 1990, the programme has contributed more than R430m in support of more than 1 200 projects across the range of affinity focus areas.

In 2017 Nedbank Affinity donations grew by a further 1,1% to R43m (2016: R39,3m). This growth can be attributed to the use of eStatements in support of the Nedbank Green Affinity.

Affinity donations

(Rm)



The Nedbank Green Affinity and the WWF Nedbank Green Trust

In 1990 Nedbank partnered with WWF-SA to establish the WWF Nedbank Green Trust, which has the vision to 'ignite new ways for people and nature to thrive'. In 2017 The Green Trust celebrated 26 years of successfully bringing together environmental and social sustainability, proving how important it is to include a strong people focus in efforts to achieve environmental sustainability and protect the planet's natural heritage effectively.

The objectives of the trust include maintaining and enhancing the integrity of SA's ecological assets, ensuring that the ecological systems and their services underpin socioeconomic wellbeing, and addressing the risk and opportunities posed by climate change. In delivering on these objectives The Green Trust supports eight focus areas, namely: species, freshwater conservation, sustainable agriculture, climate change (adaptation and mitigation), environmental leadership, marine conservation focus, land stewardship and community work.

Since inception of the trust, Nedbank, through the Green Affinity Programme, has donated more than R264m in support of more than 200 environmental projects across SA. As Nedbank clients use their Green Affinity accounts, more money is donated to the WWF Nedbank Green Trust, at no cost to them. In 2017 Nedbank Green Affinity donations to the WWF Nedbank Green Trust increased to more than R29,6m (2016: R26,8m). This partnership has been widely lauded as a conservation and cause marketing success story, and the Nedbank Green Affinity currently boasts a supporter base of nearly 581 000 Nedbank clients.

Case in point

SMALLHOLDER IRRIGATION SCHEMES

Support of smallholder irrigation schemes is one example of how the WWF Nedbank Green Trust is driving economic inclusion, food security, better agricultural practices and water stewardship. Before 1994 the SA national government established a number of smallholder irrigation schemes for black farmers. After the dissolution of the homelands as part of the country's achievement of democracy, the schemes were transferred to the farmers, but because these transfers were rushed and no training or education was offered, many of the schemes subsequently collapsed and the valuable infrastructure fell into disrepair. These defunct schemes represent a significant lost opportunity for rural development and food security, and The Green Trust is working to restore a number of them for the benefit of smallholder farmers and communities along the Sabie River. Few of these farmers are using their water allocation effectively, and the plots are relatively unproductive, with most producing only a few vegetables for sale at street-side markets. The project seeks to restore these smallholder schemes to full production capacity through infrastructure restoration and the education of participating farmers around sustainable water management and effective farming, investment and marketing practices.



For more information on the WWF Nedbank Green Trust go to www.nedbankgreen.co.za or www.greentrust.co.za.

OTHER NEDBANK AFFINITY PARTNERSHIPS

The Nedbank Arts Affinity and the Arts & Culture Trust

The Nedbank Arts Affinity supports the Arts & Culture Trust (ACT). Since its inception in 1994 ACT has disbursed more than R18m to over 850 projects in SA, thereby uplifting communities through music, art, craft, theatre as well as the spoken and written word. This work helps to create a healthy and dynamic environment for cultural activity in SA. In 2017 the Nedbank Arts Affinity donations to ACT totalled R1,5m (2016: R1,6m).

One example of the initiatives funded by ACT is the ACT Performing Arts Scholarships Programme. In partnership with the Dramatic Artistic and Literary Rights Organisation, the programme works to stimulate arts education in SA. It raises awareness of the importance of artists and provides a development platform for young performers and artists by investing in their future. In 2017 scholarships were awarded in four categories of singing, acting, dancing and visual arts. Recipients received R50 000 each towards the cost of studying their chosen performing arts disciplines at SA tertiary institutions. To date 36 scholarships have been allocated nationally through the programme.

For more information on ACT go to www.nedbankarts.co.za or www.act.org.za.

The Nedbank Children's Affinity and the Nelson Mandela Children's Fund

The Nelson Mandela Children's Fund (NMCF) was founded in 2005 by former President Nelson Mandela in an effort to change the way SA society treats its children. Functioning as development agency, it not only supports children in need, but also provides capacity building to the social development sector through institutional capacity building, programme development and policy influence, reform and lobbying. The NMCF has three overarching programmes of Child Survival and Development, Child Safety and Protection, and Youth Leadership.

Examples of the many projects and organisations funded by the Nedbank Children's Affinity and the NMCF are:

- **The KG Maluleke Memorial Disability Integration Organisation (Kgomano)** – This programme facilitates the integration of young learners with disabilities into mainstream high schools. In 2017 it supported 50 learners across the five districts of Limpopo.
- **Childline** – The organisation was established in 1986 in response to high levels of child sexual abuse. The main programmes are Crisis Line, which is a tollfree crisis counselling line for children and adults, and online counselling, focusing on counselling children up to age of 18 years. New initiatives in 2017 included video-relay services, which allow children who use sign language to make calls to Childline.

Since the launch of the Nedbank Children's Affinity Nedbank has donated over R82,1m to the NMCF. In 2017 Nedbank Children's Affinity donations to the fund were R8,5m (2016: R8,5m).

For more information on the NMCF go to www.nedbankchildren.co.za or www.nelsonmandelachildrensfund.com.

The Nedbank Sports Affinity and The Sports Trust

The Nedbank Sports Affinity supports and enables the vision of The Sports Trust to enhance education through sport. The trust achieves this by increasing access to opportunities to participate in sport and through the provision of sporting kit, equipment and facilities.

Soccer development is one area in which The Sports Trust is actively involved in. The Nedbank Soccer Development Programme is linked to the Nedbank Cup. Since 2010 Nedbank has provided over 500 soccer kits, as well as equipment, to learners in disadvantaged schools throughout SA. These resources provide a healthy outlet for young girls and boys to play and develop their social interaction skills. The Soccer Development Programme also provides a platform for the development of SA's future soccer stars by allowing them to prepare for the annual Nedbank Ke Yona Team Search that identifies talented young people aged 18 to 23 throughout SA.

To date Nedbank has donated more than R26m to support sports development projects in SA through The Sports Trust, with an additional R3,6m donated in 2017 (2016: R2,3m).

For more information on The Sports Trust go to www.nedbanksport.co.za or www.thesportstrust.co.za.

Using knowledge to unlock collective action

Nedbank regularly invests in the research for and publication of sustainability guides in partnership with a number of reputable institutions. These guides are made freely available to our stakeholders to encourage and enable widespread sustainable behaviour change in relation to how we live our lives as individuals and how we run our businesses. These guides include:

- **Carbon Footprinting Guide**
This practical carbon footprint calculation guide has been very well received by businesses across SA. Produced in collaboration with the University of Stellenbosch and the Sustainability Institute, it provides practical, understandable guidance on measuring, monitoring, reporting and verifying an organisation's carbon footprint to enable it to effectively lessen its impact on the environment over time. Since it was first produced, various versions of the guide have been downloaded more than 60 000 times.
- **Smart Living Guide**
Individuals and homeowners have an important role to play in helping to address the country's increasing environmental challenges such as climate change, pollution and resource depletion. This comprehensive guide, developed with the Sustainability Institute, walks all South Africans through the various actions they can take – big or small – to ensure that they are part of the solution, rather than the problem. The guidelines focus on the four key sustainability areas of energy, water, waste and ecosystem health. The second edition of this immensely popular guide was released early in 2017 and has since been accessed or downloaded close to 4 500 times.
- **Guide to Biodiversity In Your Garden**
Produced in collaboration with Pam Golding Properties and the Endangered Wildlife Trust, this unique guide offers practical advice on how to embrace, nurture and protect biodiversity in gardens of all shapes and sizes. Beautifully designed with stunning full-colour photographs, the guide includes valuable information on everything from what to plant, how to plant it, and how to save water and money through sustainable gardening principles. Since it was first released in mid-2017, the guide has been downloaded over 2 000 times.

PARTNERING WITH OUR SUPPLIERS

Our suppliers are key to our long-term success. Our procurement methodologies and practices are therefore designed to meet our need for goods and services in a way that achieves value for money while also promoting positive outcomes for our suppliers, the environment and society as a whole. To enable this our procurement function works closely with our suppliers to promote and enable shared growth, strong relationships and greater sustainability across our entire supply chain.

Global research has shown that the key procurement risk categories for financial services organisations are regulatory compliance risk, information and data security risk and reputational risk. To manage and mitigate risk across our supply chain we use a comprehensive Supplier Risk Framework and have established a High-risk Supplier Committee. We constantly review our suppliers in an effort to mitigate any potential negative impact they could have on the bank. While it is not always possible to predict or completely avoid negative impact from suppliers, timeous and decisive action can certainly minimise it.

Nedbank supply chain at a glance

In 2017 total procurement spend across Nedbank Group amounted to R12bn (2016: R10,8bn) and was overseen by the Group Procurement Committee (GPC). Most of this spend is incurred across the four categories of professional fees and insurances, occupation and accommodation, computer processing and marketing.

Number of suppliers engaged or supported in 2017	6 783
Total procurement spend	R12bn
Primary supplier locations and relative % of spend	Gauteng: 87% KwaZulu-Natal: 5% Western Cape: 4% Other regions: 4%

Growing our procurement transformation spend

Our total supplier base has a transformation status that counts towards Nedbank's BBBEE procurement spend scorecard (2016: 94,80%). Over the past two years we have seen pleasing improvements across key transformation categories, particularly through supplier relationships in the small, medium and microenterprise (SMME) business development sectors.

In addition to the above, which has positive social impact for our country, we maintain our relationship with our suppliers in terms of their environmental performance too. An example of this is the thorough review of our travel policy and related suppliers in 2017. Incorporating environmental sustainability considerations has helped to reduce wasteful spending and carbon emissions, and supports Nedbank's culture of responsible corporate citizenship.

Case in point

Enterprise Supplier Development Programme: A vehicle for job creation

Nedbank's Enterprise Supplier Development Programme is a holistic intervention that seeks to provide business development as well as resources and support to suppliers with potential for growth and expansion. The programme entails a diverse composition of business acumen, mentorship, networking and access to markets. In 2017 the participating suppliers included service providers in the cleaning, IT and property maintenance industries. The key focus areas were growth strategies, diversification and sustainability. In 2017 suppliers on this programme employed nearly 500 people and created 35 new jobs, they were given 180 hours of mentoring collectively and contracts to the value of R21m. This resulted in increased turnovers and improved debt collections.

Procurement focus areas for 2018

In 2018 we will be enhancing our Enterprise Supplier Development Programme. Some of the key skills this three-year programme will focus on delivering are business acumen, strategy, networking, market access, financial management and personal leadership. It will also incorporate a widened scope of commodities to ensure that participating suppliers are those that deliver some of the most important and complex commodities we procure, including IT services consulting, technical security, facilities management and marketing.

Nedbank and Old Mutual BBP Legacy Programme

The Nedbank and Old Mutual Black Business Partners' (BBP) Legacy Programme is the continuation of the strong relationships forged between Nedbank, Old Mutual and their BBP's namely, WIPHOLD, Brimstone and Izingwe, during their respective 10-year BBEE transaction periods.

The parties have committed a total endowment of R300m, to be disbursed over three years, under three investment themes championed respectively by the BBPs. Nedbank established the Nedbank BBP Legacy Trust to manage its R100m commitment to the legacy programme. The programme comprises three broad-based investment streams: (i) commercialisation of small-scale farming and food security, led by WIPHOLD; (ii) job creation and support of entrepreneurs, led by Brimstone and (iii) the development of township economies and urban renewal, led by Izingwe. Key outcomes of the past two years include the disbursement of R126m in aggregate to date across all three streams.

Projects highlights include:

CENTANE/MBASHE AGRICULTURAL INITIATIVE

(WIPHOLD stream)

With the funding provided, this project drives large-scale social change through rural employment, income generation and provision of food security. A total of 2 028 families in 22 villages are direct beneficiaries of the project, which has created 12 permanent and 16 temporary jobs.



TP FASHIONS (BRIMSTONE STREAM)

(Brimstone stream)

A working capital loan from the legacy programme has enabled this clothing manufacturer to approach several major retail chains for contracts. This should result in the creation of an additional 100 jobs when operating at full capacity.



PICK N PAY TOWNSHIP ECONOMY REVITALISATION PROGRAMME

(Brimstone stream)

This partnership between the Gauteng and Western Cape provincial governments, Pick n Pay, local spaza shop owners, the Masisizane Fund and the legacy programme is aimed at improving the competitiveness and sustainability of the spaza shops in high density townships. The legacy programme participated in phase two of the rollout by funding 15 stores, which is expected to result in the creation of approximately 10 jobs per participating store and skills development and training for the owners.



ME HAIR SALON FRANCHISE

(Izingwe stream)

Funding to this franchise chain established by Cosmic Fashion Options and Izingwe gives entrepreneurs the opportunity to own and manage upmarket-styled professional hair salons that provide best-quality service at an affordable price to ordinary community members of townships and urban-renewal sites. Five pilot salons, each expected to create six jobs, are being rolled out in 2018.

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
Response to the Knysna fires	<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>
Political and economic uncertainty	<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>
Vulnerability of Nedbank's systems	<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

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.

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.

Impact of a sovereign-credit-rating downgrade on Nedbank's performance

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.

Performance of the group and dividend outlook

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.

ETI's financial performance

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.

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.

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.

Threat of new competitors in SA market

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.

Appointment of auditors

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.

The results of the independent enquiries into KPMG SA to assess if any further action or response is required are awaited.

Remuneration policy and disclosures

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.

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.
- In-depth 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><small>* 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.</small></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

Improvement of higher education in SA

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.



For more information on our education-related activities please see page 32.

Rate of transformation in the banking sector

- 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.

Partnering with government to meet their banking needs

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.

ANC Elective Conference

In an open letter in December 2017 Nedbank CE Mike Brown congratulated Cyril Ramaphosa on his appointment as the 14th President of the ANC. 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. 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.

'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
Poor governance of certain service providers	<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>
Organised Crime and Corruption Reporting Project	<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.
Rating downgrade and its impact on macroeconomic and political environment	<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
Impact of operations and banking activities on social development and transformation	<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.
Unlocking shared value for all banking stakeholders	<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>
Sharing knowledge and insights to drive sustainable business practices	<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>
State capture and corruption	<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>
Delivering a sustainable positive impact through our banking and finance operations	<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 Trialogue 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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