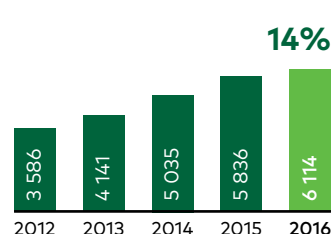


# Value for stakeholders

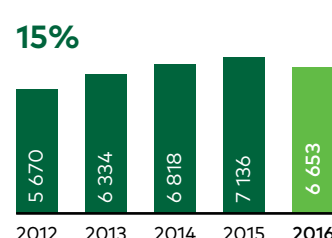
Nedbank is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all other stakeholders. We appreciate the role of our stakeholders and are committed to nurturing impactful relationships that deliver mutual benefits.

$$\begin{array}{|c|} \hline \text{Net interest income} \\ \hline \text{R26 426m} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Impairment losses on loans and advances} \\ \hline \text{(R4 554m)} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Other banking income} \\ \hline \text{R22 035m} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Value added} \\ \hline \text{R43 907m} \\ \hline \end{array}$$

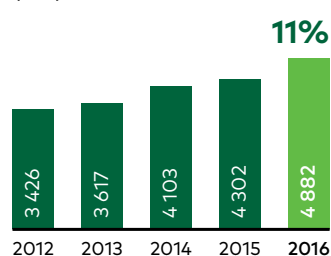
**Dividends paid to shareholders**  
(Rm)



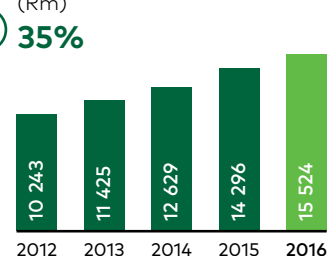
**Retentions for growth**  
(Rm)



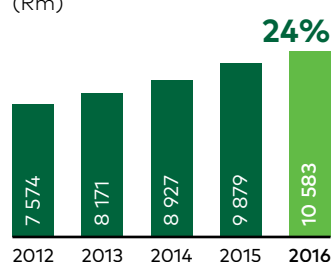
**Government (taxes)**  
(Rm)



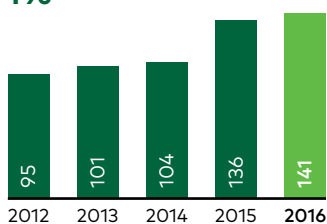
**Staff expenses**  
(Rm)



**Other expenditure**  
(Rm)



**Socioeconomic development spend** (Rm)



**Value-allocated**  
**R43 907m**

## OUR STAKEHOLDER ENGAGEMENT FRAMEWORK

While the Nedbank Group Executive Committee (Group Exco) has ultimate responsibility for our group's stakeholder engagement efforts, the process of engaging with stakeholders is decentralised to form part of the operations of our various clusters and business areas.

Cluster-based stakeholder engagement is governed by a comprehensive group stakeholder engagement framework and policy, which include our corporate identity and communication guidelines. Each business area is required to report regularly on its stakeholder engagements through the Group Exco.

The following pages provide an overview of how we delivered value to our stakeholders in 2016 and prospects for value creation going forward.



## Staff Investing in our staff

### CASE IN POINT

#### Engaging with staff

Group HR together with Group Exco called for a Leadership Lekgotla in March 2016 to deliberate, discuss and decide on the type of leaders needed to drive the people strategy with a focus on engagement and dialogue, so that we could lead Nedbank to the desired culture while living the Nedbank Brand.

In March 2016 Nedbank hosted its first Leadership Lekgotla with 400 leaders from across the various businesses. This was preceded by focus groups attended by employees at all levels and from the various business entities. The lekgotla created the opportunity for Nedbank's leaders to discuss and decide on the type of leaders the bank needs to deliver successfully on its strategy.

The Leadership Lekgotla considered both the internal and external changes in the business environment and created tremendous momentum for the leadership of Nedbank to reposition itself. The lekgotla was designed around three key leadership conversations: strategy, brand and culture. Robust conversations led to the identification of the leadership behaviours and capabilities required to realise Nedbank's strategy. A new leadership persona was developed – a refreshed view of the Nedbank leadership development landscape.

The idea is that if an individual starts practising a different mindset, qualities, behaviours and skills, these behaviours would become habits and new capabilities, creating a new person. It is an effective way of working through complex personal change.

The evolving Nedbank leadership persona provides a holistic, aspirational view of leaders at Nedbank and embodies the core qualities needed. This engagement process is currently being cascaded across the organisation to ensure that the engagement with staff is consistent and results in the success of Nedbank. The Leadership Lekgotla approach has become a benchmark for employee engagement.

#### Engaging with our staff

We engage with our staff on an ongoing basis at all levels. Feedback and input from our staffmembers assist us in understanding and responding to their needs and concerns, and improving their working environment experience. This ultimately improves the performance of the bank. Regular communication also takes place to provide staff with strategic direction and to keep them informed about group activities.

In addition to the regular, direct communication between managers, teams and individuals, specific employee engagements in 2016 included the following:

- Group Exco communication sessions.
- The Barrett Culture Survey and the Nedbank Staff Survey (NSS).
- Nedbank results presentations.
- Chief Executive and cluster head staff roadshows across SA and at the SADC offices.
- 2016 Leadership Lekgotla.
- Regular electronic and printed newsletters.
- Cluster and group recognition functions, which culminated in an international trip for top achievers.
- The annual Employment Equity Summit.

#### Delivering value to our staff in 2016

- Staff costs, including benefits, increased 8,6% in 2016 to R15,5bn, underpinned by an average salary increase of 6,3% (unionised salary increases were 8,0%) and ongoing job creation (1 089 new permanent staffmembers).
- Training spend increased to R413m, supporting 19 600 staff-learning interventions, bursaries and other types of training.
- Our staff, as our clients, are impacted by a challenging environment and we assist them through difficult times. We assisted 2 379 staff with their children's school and tertiary-fee commitments of R6,7m and 1 127 staff with R4m of medical costs not covered by medical aid or gap cover.
- Staff turnover of 9,6% was again below the industry benchmark of between 11% and 13%. This was supported by high levels of staff morale, as reflected in cultural entropy reducing to 12% (from 13% in 2015).
- Black staff representation increased to 78,3% as we focused on progressing employment equity and meeting our employment equity (EE) targets, although more progress is required at senior management level.
- Female staff representation increased to 62,7%.
- Millennials make up 86,1% of the Nedbank population, which positions us well for the digital transformation that we have embarked on.

#### Looking ahead

The achievement of our purpose and vision is wholly dependent on the people of Nedbank. That is why we are focused on optimising the way we operate through our People 2020 strategy. This strategy is a key enabler and will be the major focus for the next three years. We have based this strategy on the following key expectations of Nedbank employees:

- Competitive remuneration, effective performance management and recognition.
- Career development and advancement opportunities.
- Challenging and rewarding work in a safe, positive and inspiring work environment.
- A strong brand that resonates with them and is demonstrated through Nedbank's reputation as a good employer.
- Ongoing progress around the transformation of the Nedbank staff profile and the continued promotion of diversity and inclusivity.
- The opportunity to make a difference to the business and our stakeholders.



## Clients

### Exceeding the expectations of our clients

#### Engaging with our clients

In the fast-changing and competitive environment we operate in, truly understanding our clients' needs and expectations, and delivering value to them are central to all that we do. We are committed to delivering great client experiences with simpler, convenient and efficient service, innovative products, and competitively priced products through our client-centred innovation strategies.

To continuously understand what is important to our clients we engage with them through various mechanisms, including client forums and events, face-to-face personal interviews for Nedbank Brand Tracker and other client surveys. We also utilise the Net Promoter Score (NPS)<sup>®</sup> to measure our service levels and review client feedback from our bankers and financial advisors, service resolution teams, social media centre and website.

#### Delivering value to our clients in 2016

- Loan payouts of R162bn reflect Nedbank's continued support for our clients, although this is down from 2015 as a result of weak credit demand.
- We processed Nedbank App Suite™ transactions to the value of R25bn, up 60%, enabling our clients to transact through more efficient and cost-effective channels. We expect this growth trend to continue as we enhance our digital offerings further. Digitally enabled and active clients have been restated to include all digital channels and to allow for only the last 90 days of recent activity. Digitally enabled clients increased by 59% to 5,3m, underpinned by the ongoing trend of digital and mobile adoption.
- Our Net Promoter Score of 21%, reflecting client satisfaction in our retail businesses, improved by 1% when benchmarked against the industry average. Of special note was a continued improvement in the ratings in the entry-level banking segment (2016: 45%; 2015: 38%; 2014: 36%).
- We performed especially well in service resolution, with the number of client complaints decreasing by 5%. We also won the 2016 Ombudsman for Banking Service award based on quality, fairness and efficiency of complaint resolution. Part of this success can be ascribed to an improvement in systems uptime as well as solid progress in implementing our Treating Clients Fairly programme. Overall Nedbank once again made good headway towards a leading position in the industry, and being recognised by clients for superior service. However, we acknowledge that more needs to be done in the coming years, and innovative and robust plans are in place to drive this.
- System uptime remained at very high levels of 99,9% and at the top end of the industry, limiting inconvenience to clients by ensuring that they can always transact on our systems and access their funds.
- An average annual bank fee increase of 4,2% in 2016 was again well below inflation and has ensured that Nedbank remains competitive.
- We increased our new-style staffed outlets by 49, making branch engagements more convenient and consistent, while providing self-service enablement through internet kiosks, cash-accepting ATMs and video banking. We migrated in excess of 900 000 transactions a month from teller counters to our network of 769 intelligent depositor devices. Cash-recycling capabilities were also landed during the year. These have facilitated an improvement in cash and device availability to clients.
- Investment performance in our asset management business again ranked among the top three in the industry. This is the eighth consecutive year that Nedgroup Investments has received this ranking and is testimony to our commitment to creating value for clients choosing to invest their money with us.
- In CIB we continued to innovate for our clients and this was evident in numerous awards – Nedbank won nine of the 32 Spire Awards for excellence across the commodity derivatives, currency derivatives, fixed-income derivatives and bond markets.
- New products innovations in the retail space include interactive tellers, GAP Access, CIPC Online, Zero rate App, Investments online and Nedbank Masterpass.
- We are acutely aware of the growing threat of cybercrime to the banking industry and its clients. We counter these risks by implementing comprehensive fraud detection systems as well as client-end security software (Trusteer) and transaction notification services. Gross losses for Nedbank and its clients accounted for only 0,8% of the industry gross losses.
- Our focus on responsible finance continued with the bank further implementing principles for responsible investment and ensuring the social and environmental concerns are considered in our lending decisions.

#### Looking ahead

- Despite a challenging environment we are well positioned to continue to gain clients and extend credit in line with our portfolio tilt strategy described on page 44.
- We aim to improve client satisfaction and experience by building our capabilities in advanced analytics, user experience design, effective campaign management and a more assertive marketing and commercialisation approach. We are encouraged by the progress of our client onboarding and servicing programme.
- The launch of Digital Fast Lane is also expected to unlock some new technology such as enablement of our single client portal (the new Nedbank app), which we plan to launch in 2017.
- Progress with internet banking refactoring will allow us to have a pipeline of new offerings to take to market, presenting an opportunity to deliver innovative client solutions that are in step with changing needs.
- Bank fees increased on average 5,2% on 1 January 2017, well below inflation.

## Delivering value by optimising staffed outlets through technology enhancement

During 2016 we launched the 'interactive teller', that provides clients with extended teller functionality through a video link. A new client relationship management capability was introduced in 2016, further enhancing the contact centre experience as we strive to maintain the 'Top Contact Centre' accolade awarded to our contact centre in 2015. Our contact centre volumes, including voice- and non-voice-based interactions, have increased by 8% year on year, as clients' preference for alternative communication methods increases.

The above innovations are complementary to our inbranch network of 342 internet and 219 video banking stations. The video banking solution includes servicing options for clients in five South African official languages, as well as advice on global trade. We have a clearly articulated strategy for developing self-service banking enablement across our mobile and digital channels, which will create further capacity to manage our increasing client base.

Investment in physical distribution focuses primarily on the reformatting of our branches and outlets to ensure a consistent client experience and to enable and educate clients to adopt and use our self-service devices. Altogether 45 branches and outlets were reformatted, resulting in 44% of our physical footprint in the new design at 31 December 2016. Investment in new distribution continues in high growth micro markets, with an additional six branches and four inretailer outlets being built in 2016. Smaller, cost-effective formats are being explored in remote towns through distribution agreements with Hinterland and Boxer stores. Our distribution investment was offset by 22 branch closures and a reduction of 5 000 m<sup>2</sup> of floor space, as we continue to optimise our distribution network.

Refer to Nedbank interactive ATMs on page 41.



## Shareholders

### Delivering consistently to our shareholders

#### Engaging with the investment community

We proactively communicate our strategy and activities to shareholders through a planned investor relations programme:

- Twice a year at the reporting of our annual and interim results – we have ceased quarterly reporting in line with the global trend of focussing on long-term value.
- More than 350 meetings with investment analysts, investors and the media during non-closed periods.
- Seven broker-hosted conferences and non-deal roadshows.
- Two Nedbank-initiated investor days, including our governance roadshow.
- Nedbank AGM held annually in May.
- On an ad hoc basis with financial media.
- Biannually with our credit-rating agencies.
- Through relevant information on our website at [nedbankgroup.co.za](http://nedbankgroup.co.za).
- Regular engagement with Old Mutual plc to align our financial reporting and communications, ensuring that we have a holistic group message and that arm's length collaboration opportunities are maximised.

#### Delivering value to our shareholders in 2016

- An excellent business and financial performance from our managed operations offset the associate loss from ETI. Excluding ETI, our ROE increased to 18,1% and cost to income declined to 56,4%, showing progress towards our medium-to-long-term targets.
- Our share price increased 26,3%, the second highest growth among the peer group, and dividend per share rose 8,4%. This resulted in a total shareholder return of 32,3%.
- We continued to practise sound corporate governance and maintained good relationships with the investment community, underpinned by regular engagements and transparent reporting, which was acknowledged through a number of industry awards.
- Resolutions at our 2016 AGM were all passed, with approvals well above 90%.

#### Looking ahead

- Over the past five years we have returned R22,7bn in dividends to our shareholders, maintaining an average dividend cover of 2,1 times, while our share price has risen 64,2% over the same period. Our guidance on pages 60 – 61 and delivery on our targets point to our underlying performance remaining strong.
- We will continue to engage with the investment community to communicate our investment case and the delivery of our strategic focus areas.
- Managed separation would improve the free float of the Nedbank share, which will be attractive for shareholders.
- We aim to broaden our international shareholder base, despite having reached an all-time high of 17,8% in 2016, through sustained engagements in new geographic regions.



## Shareholders (continued)

### Delivering consistently to our shareholders

#### CASE IN POINT

### At Nedbank we engage regularly with the investment community

At Nedbank we engage regularly with the investment community. The following were the main topics discussed during the year:

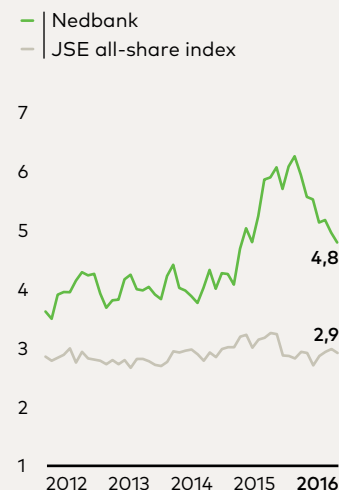
- The impact of a sovereign-credit-rating downgrade: This was a popular topic raised in almost all meetings and the main focus of the RMB Morgan Stanley conference covering the risks to impairments and other key cyclical challenges, as well as the Renaissance Capital Treasury Day. We reiterated that we performed extensive stress-testing on our balance sheet and income statement to test the impacts of high- and severe-stress events. Relative to the period before the global financial crisis, we are in a much stronger position today to weather any potential downturn.
- Old Mutual managed separation: Old Mutual announced its managed separation strategy in 2016 and the key issue for investors is what the implications are for Nedbank from a strategy and business perspective. We have always been a separately listed entity with an independent board. Our business is not integrated into Old Mutual and managed separation will therefore not have a material effect on our strategy, staff and clients, or financial performance and prospects. We will continue to work collaboratively with Old Mutual and Old Mutual Emerging Markets on the managed separation and synergies from our arms' length collaboration initiatives.
- ETI outlook, possible capital raising and impairment of investment value: Our Africa strategy is expected to take time to deliver and is aimed at building sustainable returns for shareholders over the longer term. Refer to page 58 of the CFO review for more information. We will continue to follow a disciplined approach to the allocation of financial resources, such that portfolio returns and risks are optimised.
- Information technology strategy: We shared our Managed Evolution strategy, as described on page 49, at the 19th UBS Financial Services Conference. Investors noted our cost-efficient and risk-mitigating approach.
- Governance matters ahead of our AGM: During our annual governance roadshow we provide shareholders with the opportunity to engage with our Chairman and Lead Independent Director on governance matters. On page 99 we provide feedback on the key topics of discussion and the voting outcomes at our AGM.

Presentations on the abovementioned topics are available at [nedbankgroup.co.za](http://nedbankgroup.co.za).

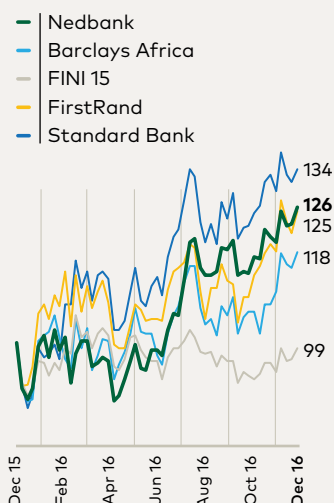
### OUR TOP 10 SHAREHOLDERS

Major shareholders/Managers	Number of shares	% holding 2016	% holding 2015
Old Mutual Life Assurance Company (SA) Ltd and associates	270 790 980	54,61	54,11
Nedbank Group treasury shares	17 477 014	3,52	3,61
Public Investment Corporation (SA)	30 675 529	6,19	6,24
Coronation Fund Managers (SA)	29 448 206	5,94	7,57
Lazard Asset Management (US and UK)	15 307 808	3,09	2,64
BlackRock Inc (US and UK)	10 744 457	2,17	1,56
Allan Gray Investment Council (SA)	8 930 970	1,80	2,35
Dimensional Fund Advisors (US, UK and AU)	7 502 781	1,51	1,59
Investec Asset Management (SA and UK)	7 217 177	1,46	0,14
The Vanguard Group (US)	6 979 289	1,41	1,26

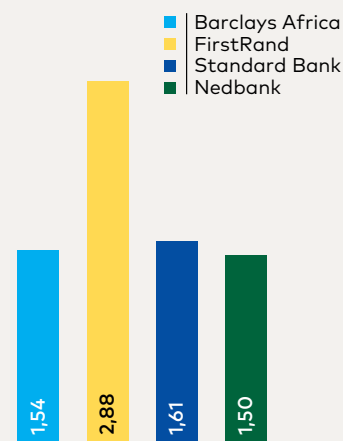
#### Dividend yield



#### Share price performance



#### Price to book ratios



See pages 124 and 125 for our investment case.



## Regulators

### Ensuring sustainable banking with our regulators

#### Engaging with our regulators

In line with international and local trends, Nedbank observed an increase in regulatory scrutiny and inspections. Regulatory reviews were attended to with significant attention to detail, professionalism and prompt reaction to matters raised.

- With regard to legislative developments, Nedbank has been involved in engaging with regulators through various industry associations.
- We maintain a close and transparent working relationship with the FIC and the Bank Supervision Department of SARB. We attend quarterly meetings with the regulator and supervisor to ensure compliance with their requirements and to obtain clarification where necessary.
- We participated in industry meetings on the Regulatory Consistency Assessment Programme undertaken by the Bank for International Settlements in Basel.
- We attended a trilateral meeting in London between SARB, the Financial Conduct Authority and the Prudential Regulatory Authority.
- We participated in a Regulatory Supervisory College held at SARB, where we presented to the majority of regulators in the rest of Africa where we have a presence and we were commended by the regulators.
- We maintained resilient business continuity management processes and successfully conducted a liquidity simulation test with SARB in attendance.

#### Delivering value to our regulators in 2016

- We complied with or made progress on all key aspects of Basel III requirements, with a tier 1 ratio of 13,0%, above the SARB requirements of 8,375% and well above our target of > 12%. With regard to the liquidity coverage ratio we have achieved 109,3% – above the 2016 SARB minimum requirement target of 70% and remain well on track to achieve 100% NSFR compliance by 2018.
- Our focus has been on regulatory compliance across multiple regulators and significant work done on AML, CFT and sanctions. We did not incur any regulatory fines or penalties in 2016.
- We consider the fair treatment of clients at all stages of their relationship with us of critical importance. As such, we have fully embraced and adopted the TCF regulations and continue working towards ensuring that our clients benefit from the consistent delivery of all six TCF outcomes. These TCF outcomes connect very closely to our existing client-centred ethos and our Code of Conduct. As such, TCF is already an integral part of our culture, the way we design, market and promote our products, and the way we communicate with and service our clients. In 2017 we will continue to embark on operationalising TCF and focus on conduct requirements to ensure that industry guidelines and best practices are embedded in our business.
- In 2016 there was an increased focus on the closure of high-risk accounts across the industry.
- The required FATCA submissions were successfully delivered to SARS on 31 May 2016. The Rest of Africa Cluster, who submit directly to the Internal Revenue Service of the US, also met the registration and reporting requirements. External validation of the status of implementation was achieved through the appointment of an external consultant.
- We increased awareness of and protection against cybercrime.
- We paid R8,7bn in direct, indirect and staff taxes to support the governments and societies of the countries in which we operate. We are committed to maintaining our integrity all of our tax obligations and strive to be a responsible corporate citizen by ensuring that we pay and or collect the appropriate amount of tax in all the jurisdictions in which we operate.
- We achieved a BBBEE level 2 for the eighth consecutive year. This resulted in a culmination of our ongoing commitment to sustainable transformation and maintaining our position as SA's most transformed financial services provider. This contributed to various wholesale client wins over the past few years and a favourable profile in the market.

#### Looking ahead

- We will continue to meet all Basel III requirements and gain clarity on Basel IV proposals, which appear to be softening.
- We will implement the myriad of regulatory and compliance requirements, noted on page 33, on time through greater focus, IT spend and coordination across the Regulatory Change Programme.
- We will maintain our status as a responsible tax payer in all the jurisdictions in which we operate.

#### CASE IN POINT

### CEO initiative

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 solutions our country needs. This by no means implies political interference, but simply requires a commitment by the private sector and other concerned parties to help ensure that the outcomes of the country meet the expectations of its citizens and those who have the power to invest in its future growth.

To this end Nedbank is a member of the CEO Initiative, which sees government, business and labour coming together to help bring about economic stability in the country. Mike Brown (CE), Mfundo Nkuhlu (COO) and Vassi Naidoo (Chairman) have also been involved in various other projects such as attendance of the SA Tomorrow Conference in New York.

One of the key outcomes of the CEO Initiative in 2016 was the creation of the R1,5bn SA SME Fund with the vision of stimulating and supporting much-needed growth in SA's small-and-medium-enterprise sector, which is central to sustainable economic development and employment creation. In addition the CEO Initiative plans to introduce one million youth into the business sector through an internship programme. Nedbank contributed R20m to the SA SME Fund.





## Communities

### Contributing to a thriving society while respecting environmental limits

Communities represent broader society and include citizens of the countries within which we operate, including individual members of society, NGOs and suppliers, as well as the environment on which those citizens depend for their wellbeing.

Nedbank recognises that it has a responsibility not only to be good with money, but more importantly to do good with it. Our core purpose as a bank is therefore to use our financial expertise and leverage our lending capabilities to do good for individuals, businesses and society across our country and continent and, indeed, anywhere in the world where we can deliver a positive impact. By seeing money differently in this way, we are confident that we will achieve our vision to be Africa's most admired financial services provider.

As part of Nedbank's response to contributing to a thriving society, Fair Share 2030 is our strategy to integrate sustainability across our business activities. It enables delivery on the bank's purpose. It guides our lending activities and product development, ensuring that we focus on identifying and investing in finance opportunities that have the potential to impact social, environmental and economic development positively. It also informs our operational and corporate social investment activities.

#### Engaging with our communities

In delivering on our purpose, we work with:

- special-interest groups, relevant industry bodies (Business Unity SA, The Banking Association SA, the National Business Initiative and renewable-energy associations, etc), academic institutions and thought leaders. We do this to explore areas of mutual interest to understand how we can use our core business of financial services in a manner that creates long-term value for the bank and our stakeholders; and
- various NGOs, including those with whom we engage through the Nedbank Foundation and environmentally focused NGOs with whom we engage through our sustainability team. Our primary stakeholders include education NGOs, schools, tertiary institutions, WWF-SA, Wildlands and the Endangered Wildlife Trust.

#### Delivering value to our communities in 2016

When integrating sustainability across the Nedbank business we focus on products and service development to promote a positive impact, collaboration and partnership (including advocacy), and on the management of our operational impact. A summary of our 2016 activity follows. Further details on these and Nedbank's other sustainability actions and investments are contained in the 2016 Sustainability Review at [nedbankgroup.co.za](http://nedbankgroup.co.za).

#### Products and services

- **Empowerment finance** – Since 2009 we have invested a total of R64,4bn in empowerment financing, including R14,1bn in 2016 (2015:5,9bn).
- **Renewable energy** – We enabled 1 162 MW (2015: 796 MW) of renewable energy in SA through R13bn (2015:R11bn) of lending.
- **Embedded Generation Unit** – This is a new unit set up to facilitate the scale-up of lending into rooftop solar.
- **Continued focus on responsible finance** – We looked after the needs of our clients and greater society, including the environment, through a stringent governance process and social and environmental management system (SEMS). In addition to the four equator principle deals that drew down in 2016, all investment banking and client coverage credit risk reviews and new applications included the screening of high-risk clients through SEMS, both of which received external limited assurance. Through the SEMS assessment, 435 deals were screened (2015: 512), of which 194 were SEMS applicable.
- **Nedbank Green Saving Bonds** – Nedbank offered SA's first green bond to retail clients. It is unique in that it allows regular investors to contribute to socioeconomic and environmental conditions because the funds they invest are earmarked for the support of renewable-energy projects in SA. Since inception R17,5bn has been invested in the Nedbank Green Savings Bond, of which R5,6bn flowed during 2016 (2015:R4bn).
- **Bursaries for black students and enterprise development** – Nedbank has created the Nedbank Mogale Empowerment Trust for the benefit of black students and enterprise development. It is an additional intervention to support issues around the Fees Must Fall initiative. The initial investment of R100m made by the trust is in the MTN Zakhele Futhi scheme. The trust will distribute the dividends earned on investments to the defined beneficiaries based on a ratio of 33,% and 66,7% to black students and enterprise development respectively. This type of support will enhance Nedbank's empowerment credentials and it is envisioned that the trust would invest in further transactions for the benefit of black beneficiaries to come.
- **Student accommodation** – More than 5 000 student beds were made available through the new Fair Share 2030 property finance lending of R2,3bn (2015: R1,3bn).

#### CASE IN POINT

### Partnering to deliver drought relief

In 2016 Nedbank donated R1,25m towards various drought relief and water provision initiatives. The donations were made either directly or in partnership with organisations such as Gift of the Givers. Our donations contributed to the installation of boreholes in the driest regions of the country, namely the Free State, North West Province and Northern Cape. We contributed towards the installation of 17 boreholes, three water storage reservoirs and 20 storage tanks. The boreholes provide 700 000 l of water daily, equating to 21 million litres per month. We have also provided 200 tonnes of animal feed aid and humanitarian assistance in the form of food and hygiene aid, as well as thousands of litres of bottled water through a staff collection campaign. This work augmented the debt restructuring and provision of an additional R100m of working capital that was provided to assist clients in the agricultural sector affected by the drought.

## Partnerships and collaboration (including advocacy)

- **Fees Must Fall** – In 2016 we awarded Nedbank bursaries to 104 undergraduate students (2015: 111) across 16 SA public universities and universities of technology. The total investment amounted to R11m (2015: R11,2m), of which R9m went to undergraduates and R2m towards helping students with student debt in their final year.
- **Socioeconomic activities** – R141m (2015: R136m) was invested primarily through the Nedbank Foundation.
- **Drought support** – Over R100m was provided for drought support, including working capital for clients, donations for boreholes, animal feed and bottled water.
- **Affinity programme** – Since the inception of the programme in 1990 the four affinities (Green, Children's, Sports and Arts and Culture) have contributed more than R350m to more than 1 200 projects across their social and environmental development focus areas. For 2016 the value of donations made through the Nedbank Affinity Programme grew by 3,1% to R39m (2015: R37,8m).

## Managing our own impact

Our commitment to combatting climate change is evident in the following areas:

- **Carbon neutrality** – Since 2013 our total carbon footprint decreased by 6,05 % and our carbon footprint per FTE (tCO<sub>2</sub>e) decreased by 14,09 %.
- **Water** – We reduced our operational water usage by 1,1% and invested R1m in invasive alien removal and ecosystem restoration through the WWF Water Balance Programme.

## Nedbank scoops the Best Supplier and Enterprise Development Project Award

Competing against peer banks, manufacturers and other multinational corporates across Africa, Nedbank was announced as the winner in the pan-African region for the Best Supplier and Enterprise Development Project. This was external validation of the success of our Enterprise and Supplier Development programmes, which started only in 2015. Suitable suppliers are identified for participation in the formalised business growth and support programmes, and are given access to markets through the Nedbank supply chain. One of the biggest success stories is Monabo, a black-woman-owned cleaning and hygiene company. Monabo's annual turnover has grown from a mere R300 000 a year before signing its first contract with Nedbank in 2012 to over R10m a year for the financial year ending February 2015.

## Looking ahead

- Aligned with our purpose, a broader approach is being adopted for Fair Share 2030. One of the key changes is that the R6bn annual target will be replaced by a larger cumulative target for sustainable- development finance up to 2020.
- A home loan product will be introduced that will allow our clients to add solar installations to their homes as part of their mortgage bond agreement.
- Product development will be aligned to support the delivery of the Sustainable Development Goals.
- Our support for issues around the Fees Must Fall initiative will be expanded through our core business.

## Partners for Possibility

Partners for Possibility (PfP) is the flagship programme of Symphonia for South Africa, a national non-profit organisation with a bold vision to deliver quality education for all children in SA by 2025. PfP has been an ideal vehicle for Nedbank's value proposition to staff as it provides staff with an opportunity to make a difference in our communities.

The PfP programme provides our staff with this invaluable opportunity by establishing a partnership between a business leader and a school principal from an under-resourced school. Together, the business leader and school principal complete a tailored leadership development course, which aims to facilitate the design of a school improvement plan that addresses the school's specific challenges. The partners then collaborate to bring the whole community together to become involved in the education of their youth, and help one another address and overcome the various challenges faced by the school and the community.

PfP allows Nedbank leaders to learn and apply key leadership skills outside the usual classroom environment. The programme equips our leaders to deal with ambiguity and complexity and to develop a better understanding of colleagues and clients who come from diverse communities.

One of the schools that were part of the programme earned a 100% pass rate for the first time since being formed in 1995. The Kwena Molapo High School, situated in the densely populated township of Diepsloot, credits their partnership with Nedbank through the PfP initiatives for their success. In total, 80 students wrote exams, with 41 qualifying for study towards a bachelors degree.

Nedbank has supported PfP since 2010 through a total investment of R3,4m and with 35 employees committing many hours each year to work with the school principals they are assigned to (2016: R1m investment and 13 employees).



# Stakeholder value creation – progress and outlook

	Key performance indicators	How does it link to value creation?	Yoy change
	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 drives levels of staff morale higher	✓
	Transformation – black staff	Transformation of Nedbank staff profile in line with demographics	^
	Transformation – female staff	Progressing female diversity	^
	Loan payouts (Rbn)	New loan payouts to clients	✓
	Digital – App Suite transactions (Rbn)	Uptake of more convenient and affordable channels	^
	Service – NPS	Quality of service experience reflected in reputational Net Promotor Score	–
	Service – client complaint resolution (days)	Resolution of escalated complaints to retain clients	–
	Service – Nedbank systems availability	Systems uptime to enable uninterrupted financial processing	–
	Pricing – average annual price increase	Value-for-money banking	^
	Convenience – new-style staffed outlets (% converted)	Technology-enabled outlets providing an improved client experience	^
	Investment performance in asset management business	Raging Bull awards illustrative of investment performance for clients	^
	Digitally enabled clients (m)	Enable clients to have access to convenient digital channels/products	^
	Total shareholder return	Total return for shareholders per annum	^
	Share price performance	Share price appreciation	^
	Full-year dividend per share (cents) and cover (times)	Dividends for shareholders	^
	Basel III compliance – tier 1 ratio	Strength of capital position	^
	Basel III compliance – LCR ratio	Strength of liquidity position	^
	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	^
	dti level as per the FSC scorecard	Reflection of corporate transformation	–
	Consumer finance education (no of participants)	Value through education	✓
	Total socioeconomic spend (Rm)	Contribution to society	^
	Local procurement spend as 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 <sub>2</sub> e) offset to neutral	The impact of our business on the environment	✓
	Carbon footprint per FTE (tCO <sub>2</sub> e)	The impact of our business on the environment	✓

<sup>1</sup> Digitally enabled and active clients have been restated to include all digital channels and to allow for only the past 90 days of recent activity.

<sup>2</sup> Peer average consists of the simple average of the four largest SA banks using latest year-end financial results, except for transformation numbers which were sourced from prior year's integrated reports.

## Assurance indicators

**LA** External limited assurance on selected sustainability information and the application of the FSC and the group's BBBEE status.

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

**FS** Financial information extracted from the 2016 Nedbank Group Limited Audited Annual Financial Statements.

**IN** Information sourced from external sources, eg independent surveys.

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

	2016	2015	2014	Benchmark/Peer average <sup>2</sup>	Outlook/Target	Assurance
	15 524	14 296	13 838	N/A	Maintain competitive remuneration	MO FS
	8,0%	7,5%	8,2%	N/A	Above the increase for management	MO
	413	370	491	N/A	Continue to invest in staff	LA
	9,6%	9,9%	8,0%	11% – 13% (industry benchmark)	Maintain despite organisational change	MO LA
	12%	13%	12%	10% (worldclass levels)	Improve	IN (Source: Barrett Survey)
	78,3%	76,9%	75,9%	68% (peer average)	Continue driving transformation	LA
	62,7%	62,2%	62,7%	61% (peer average)	Continue driving transformation	LA
	162	185	167	N/A	Continue to extend credit responsibly	MO
	25	16	9	N/A	Continue to drive digital adoption over time	MO
	21%	21%	15%	20% (peer average)	Improve	IN LA
	8	8	7	21 (industry average)	Continue to improve and remain below target of < 10	MO
	99,99%	99,94%	99,95%	Nedbank: Top performer	No 1 in industry	IN LA
	Below inflation	Below inflation	Flat fees	N/A	Below inflationary increases	MO
	44%	36%	22%	N/A	82% of total outlets by 2020	MO
	Top 3	Top 3	Top 3	No 1: Allan Gray No 2: PSG Asset Management No 3: Nedgroup Investments	Remain among top three	IN (Source: Raging Bull awards)
	5,34	3,35 <sup>1</sup>	2,44 <sup>1</sup>	N/A	Continue to increase digital enablement actively	MO LA
	32,3%	(19,8)%	23,2%	31,9% (peer average)	Perform above peers	IN (Source: JSE)
	26,3%	(24,3)%	18,6%	(1%) (FINI 15)	Perform above peers	IN (Source: JSE)
	1 200	1 107	1 028	N/A	Within our 1,75 times to 2,25 times target range	MO FS
	2,0	2,06	2,07			
	13,0%	12,0%	12,5%	SARB: > 8,375%	> 12%	MO OV
	109,3%	88,5%	66,4%	SARB: 70% for 2016	Continue to phase in to > 100% by 2019	MO OV
	Pro forma compliant	ND	ND	SARB: 100% for 2018	> 100% by 2018	MO OV
	1	0	25	N/A	Zero, although risk of fines has increased	MO OV
	8,7	8,2	8,0	N/A	Responsible tax payer	OV
	2	2	2	Nedbank: No 1 bank	Top tier bank, but dti level to be impacted by new codes	MO LA
	180 000	260 000	400 000	N/A	Maximum aligned impact to strategy	MO LA
	141	136	112	Top performer in <i>Triologue CSI Handbook</i>	Spend greater than R100m	MO LA
	75%	75%	80%	As per FSC charter	> 75%	MO LA
	13,3	11,0	3,5	Nedbank: No 1 bank	R35bn committed, with drawdowns over next few years	MO
	2,3	1,8	0,5	N/A	Longer-term annual target of > R6bn	MO
	207 975	214 967	213 133	Nedbank: a leader, only carbon-neutral bank in Africa	Maintain carbon-neutrality	MO LA
	6,54	6,97	7,08	Leader in performance on the Carbon Disclosure Project	Continue to reduce our impact on the environment through the resetting of reduction targets in 2017	MO LA

ND – Not disclosed