



Nedbank Group United Nations Global Compact Communication of Progress for 2010

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Majority of the content for this Communication of Progress was sourced from the Nedbank Group Integrated Report 2010- Financial, Environmental, Social and Cultural. This report can be accessed on the Nedbank Group Website www.nedbankgroup.co.za.

Nedbank Group CEO commitment to the UN Global Compact



17 May 2011

Attention: United Nations Global Compact Office

Nedbank Group - continued commitment to the United Nations Global Compact

As Chief Executive of Nedbank Group, I reaffirm our commitment to the United Nations Global Compact and the 10 principles that underpin it.

In addition, as a Group, we remain a signatory to the Equator Principles and we continue to actively support the UNEP FI African Task Force. These commitments along with our most recent endorsement of the CEO Water mandate form an important part of our overall sustainability journey as we aspire to a better future for all.

We consider it a privilege to be a part of such a vital and valuable initiative.

Yours sincerely,

Mike Brown
Chief Executive
Nedbank Group Limited



NEDBANK

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Company Secretary: GS Nienaber 06.05.2011

We subscribe to the Code of Banking Practice of The Banking Association South Africa and, for unresolved disputes, support resolution through the Ombudsmen for Banking Services.
We are an authorised financial services provider. We are a registered credit provider in terms of the National Credit Act (NCA) Reg No NCRCF15.

A Member of the OLD MUTUAL Group

CEO Letter 17 May 2011 Page 1 of 1

1. Introduction to Nedbank Group

Nedbank Group Limited is a bank holding company, with its principal banking subsidiary being Nedbank Limited. The company's ordinary shares have been listed on JSE Limited since 1969 and on the Namibian Stock Exchange since 2007.

Nedbank Group is South Africa's fourth largest banking group measured by assets, with a strong deposit franchise and the second largest retail deposit base.

The group provides a wide range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering through five main business clusters, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Wealth.

Focused on southern Africa, but with an aspiration to grow its business reach across the whole of the African continent, Nedbank Group is positioned as a bank for all – from both a retail and a wholesale banking perspective. Acknowledged for its sustainability leadership, Nedbank Group is the first and only carbon-neutral financial services organisation in Africa.

Nedbank Group's headquarters are in Sandton, Johannesburg, while it has large operational centres in Durban and Cape Town, complemented by a regional branch network throughout South Africa and facilities in other southern African countries. These facilities are operated through Nedbank Group's eight affiliated banks and subsidiaries, as well as through branches and representative offices in certain key global financial centres that serve to meet international banking requirements of the group's South Africa-based multinational clients.

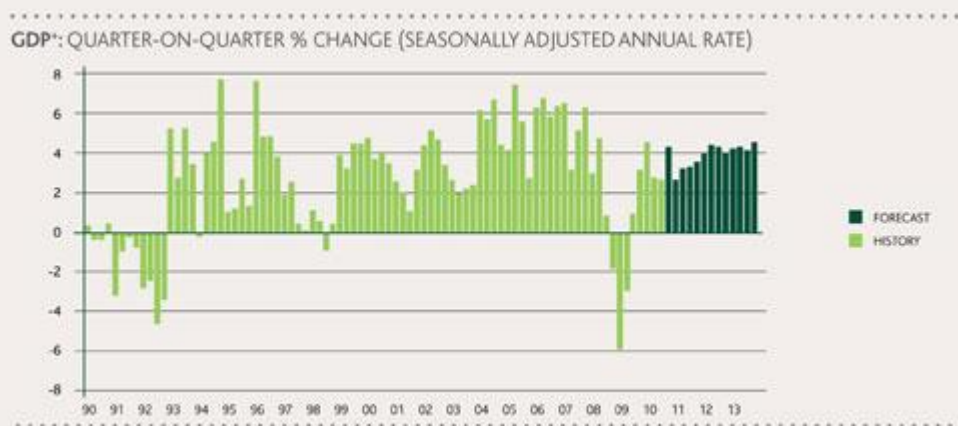
3 Nedbank Investment Case

Nedbank Group's objective of building an organisation that optimises returns to stakeholders and creates a sustainable future is enabled by an integrated approach to economics of the business, environmental preservation, involvement in society and organisational culture.

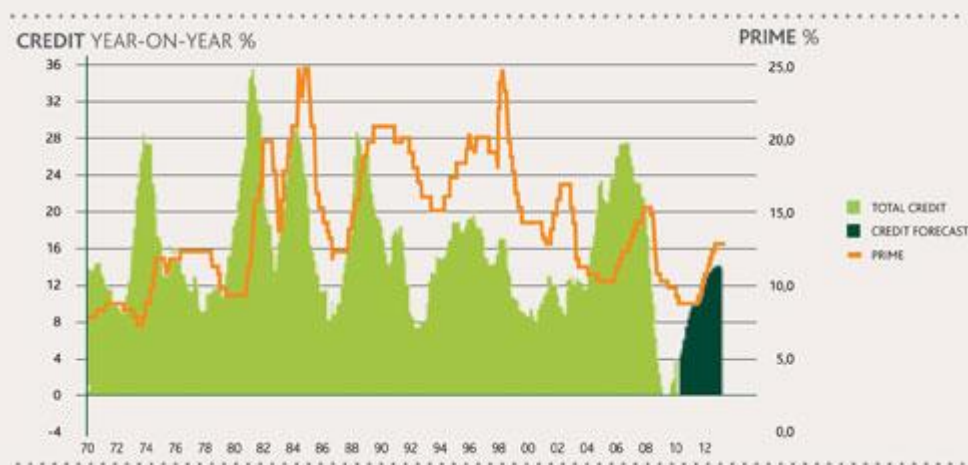
LEVERS FOR GROWTH

- ☐ Recovering economic environment.
- ☐ Experienced management team in place.
- ☐ Continued improvement in impairments, particularly home loans, as the economy recovers.
- ☐ Strong wholesale franchise and retail upside potential.
- ☐ Primary client growth and non-interest revenue (NIR) strategy gaining traction.
- ☐ Growth opportunities in the Nedbank Wealth businesses.
- ☐ Proven cost management culture.
- ☐ Strong position in selected lending categories and liabilities/deposit-taking.
- ☐ Endowment income upside when interest rates increase.
- ☐ Potential from new innovative products.
- ☐ Strategy for low-risk expansion into Africa.
- ☐ Continuous improvement of client service and satisfaction metrics.
- ☐ Continued high staff morale and unique corporate culture.
- ☐ Leadership in transformation making Nedbank Group increasingly relevant to all South Africans.
- ☐ Leadership in environmental issues and related business opportunities arising from the green economy.
- ☐ Integrated approach ensuring sustainable short- and long-term growth.

RECOVERING ECONOMIC ENVIRONMENT POSITIVE FOR NEDBANK



+ Gross domestic product.



AN INTEGRATED APPROACH TO SUSTAINABLE GROWTH

Companies that have integrated sustainability have been proven to yield superior returns over the longer term. With this in mind, Nedbank Group's activities over the past years were focused on entrenching its economic, environmental, social and cultural sustainability in order to enhance its appeal as a viable and attractive long-term investment opportunity.

The group has been acknowledged as a leader in sustainability by qualifying for the JSE Socially Responsible Investment (SRI) and the Dow Jones World Sustainability indices since 2004. This has assisted the group in obtaining preferential funding over the past six years.

ECONOMIC SUSTAINABILITY

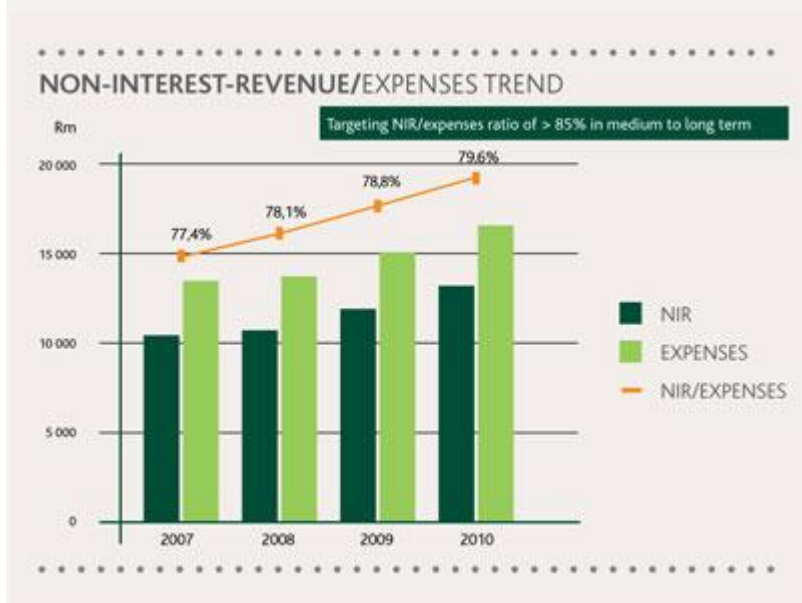
Financial results for 2010 reflect good growth in headline earnings after periods of declining earnings during the peak of the economic crisis and recession. This performance is supported by the following:

Selected growth in the market share of identified portfolios resulted in the group's advances growth being higher than the industry average credit growth levels. The group's portfolio tilt strategy, introduced in 2010, will continue to favour growth in businesses and products of strategic long-term importance, that are less capital consuming but provide sustainable economic profit returns.

An improving trend in impairment levels is evident, particularly within secured retail lending. The wholesale book is of high quality, illustrating strong credit management.

The opportunity exists to increase the group's NIR-to-expense ratio from 79,6% to meet its medium- to long-term target of 85%. The results for 2010 have demonstrated strong growth in core NIR, supported by reasonable primary client growth across all clusters and increased levels of cross-sell. A combination of good client relationships, enhanced systems for electronic banking, growing the insurance and wealth offerings, leveraging price competitiveness and a focus on improving client service will enable the group to grow its transactional banking market share and revenue base in the future.

NON-INTEREST-REVENUE-TO-EXPENSE RATIO



The ability to manage costs while investing for future revenue growth is demonstrated in the group's expense growth rates of the past few years. The group's efficiency ratio, at 55,7% in 2010, highlights prudent cost management during times of subdued income growth. Achieving a medium- to long-term efficiency target of 50% should provide a further upside to earnings growth.

Capital adequacy ratios remain above both regulatory levels and internal targets, and the group's relatively low leverage ratios, unlike those of major international banks, illustrate that it is well-positioned within the SA banking system, which remained structurally sound during the global credit crisis. This highlights that the group has a strong balance sheet in an uncertain environment, particularly in the light of Basel III proposals, and also provides a platform for growth as the economy recovers.

Nedbank Group has built a resilient retail and wholesale deposit franchise.

Nedbank Retail provides a significant turnaround opportunity as it implements its new differentiated client-centred strategy. As home loan impairment levels improve and cost synergies are extracted in the short to medium term, the aim of the strategy is to increase transactional business and the number of primary clients for long-term sustainable growth.

The buyout in 2009 of the remaining shares in the former joint ventures with Old Mutual has enabled the Nedbank Wealth Cluster to grow significantly in areas of high-economic-profit business across its insurance and asset and wealth management offerings. In addition, the acquisition of 100% of Imperial Bank and in particular its strong Motor Finance Corporation business has bolstered Nedbank Group's own motor finance business for strong future growth.

The Nedbank Business Banking franchise is positioned well to leverage the high-growth, high-return and mainly sole-banked characteristics of its market segment by applying its unique decentralised and accountable decisionmaking business service model, which includes being involved in the business communities serviced by the bank. Business bankings alignment with Nedbank Retail will also benefit clients and future growth.

Nedbank Corporate is a traditionally strong player in the domestic corporate banking market, is highly rated by clients, and leads in terms of market share in corporate lending and commercial property finance. The business will selectively grow advances while continuing to leverage its position to increase its transactional banking income through targeting primary-client growth.

Nedbank Capital's integrated full-service investment banking model and ability to leverage client relationships, combined with balance sheet strength across the group and expertise in major domestic and African sectors, will provide growth opportunities into the future.

There is the opportunity to grow organically and through acquisitions in the Southern African Development Community region where gross domestic product growth over the medium to long term is likely to outpace that of South Africa.

The landmark alliance with Ecobank enables Nedbank Group to offer clients access to banking services in 35 countries in Africa through an effective one-bank experience.

ENVIRONMENTAL SUSTAINABILITY

Reducing the group's impact on the environment and demonstrating a leadership position in environmental sustainability are becoming increasingly important. Nedbank Group demonstrated its leadership commitment in this area when it became the first financial services institution and major corporation in Africa to achieve carbon neutrality.

As climate change becomes more evident and the scarcity of natural resources increases, Nedbank Group is enhancing its social and environmental risk management tools to extend the philosophy of the Equator Principles beyond the project finance arena. These tools are also applied in a way that ensures that capital investments and shareholder value are protected.

In 2010 the group celebrated its 20th year of partnership with the World Wide Fund for Nature and will continue to leverage and grow this relationship for mutual benefit into the future.

Ongoing environmental impact reduction initiatives by the group continue to build its reputation as a green bank, while these also deliver economic benefits in the form of long-term cost savings.

SOCIAL SUSTAINABILITY

For the second consecutive year Nedbank Group was rated the third most transformed company listed on JSE Limited and the number one financial services group per the Empowerdex annual survey of JSE-listed top 200 companies.

The group has again met the level 2 requirements of the Department of Trade and Industry (dti) broad-based black economic empowerment Codes. This has been achieved through continued improvement in all elements of the scorecard, while still delivering on a number of Financial Sector Charter elements, including access to financial services. Despite increases in employment equity targets in 2012 and the maturity of the black economic empowerment (BEE) Eyethu share schemes, the group plans to remain a level 2 dti contributor.

A number of the Eyethu schemes, including the broad-based employee scheme, the non-executive directors' scheme, the retail and corporate client schemes have matured. These schemes were among the first to have reached a broad base of participants, including over 14 000 employees, 35 000 retail clients, and clients of the Nedbank Corporate, Nedbank Business Banking and Nedbank Capital Divisions. Nedbank Group shares to the value of R1 billion were awarded to these participants (using the share price at 31 December 2010).

A strong commitment to social responsibility is embedded in the group, with R80 million contributed to social upliftment by staff and clients and communities in the period under review.

CULTURAL SUSTAINABILITY

Nedbank Group has a strong and experienced management team in place and completed a smooth leadership transition in 2010 with the appointment of new Chief Executive, Mike Brown, and changes to the Group Executive Committee – which remains among the most skilled and transformed in the SA banking sector.

The group has demonstrated a proven organisational capability to succeed in tough times. A culture of governance, compliance and sustainability is evident in controls and processes, and integrated in the business as illustrated by the early adoption of the principles of King III.

Risk and capital management is embedded in the group's culture and is aimed at creating a strong, stable and economically sustainable group.

Since 2004 a positive shift in staff morale and a strong positive move in corporate culture as a high-performing organisation have been evident.

The results of the 2010 Hewitt Staff Engagement Survey showed that the group remains above the global financial services average and within the accepted high-performance range.

Cultural entropy, which measures the amount of dissonance in the group, remained static in 2010 at 13% after declining steadily from a high of 25% in 2005.

The top 10 cultural values in the group, as measured by the annual Barrett Survey, continue to be aligned to support the group's strategy.

4 Nedbank Group Strategy

During 2010 Nedbank Group's vision was refined to: 'building Africa's most admired bank by our staff, clients, shareholders, regulators and communities'.

While the change in wording is subtle, it represents a significant enhancement to the group's vision and highlights the increasing focus by Nedbank Group on growing its business reach across the African continent not just in South Africa. However, the group recognises that, to become the most admired bank in Africa, it must achieve this in South Africa first, which is why Nedbank Group's primary focus during 2010 was on developing more competitive domestic strategies for each of its frontline businesses. The group's vision continues to be supported by its long-term objectives, which are referred to internally as Deep Green aspirations. These are:

- to become a great place to work, a great place to bank and a great place to invest;
- to be world class at managing risk;
- to create a community of leaders;
- to have the most respected and aspirational financial services brand;
- to be recognised for being highly involved in the community and environment;
- to lead in transformation;
- to be great at collaboration; and
- to live our values.

Other key areas that received additional focus during the 2010 strategy process:

IDENTIFIED TREND		NEDBANK GROUP WILL...
Bank returns are structurally declining.	...	respond through active portfolio management and 'tilting' of its portfolio of businesses to optimise sustainable profitability, utilise capital and liquidity judiciously, invest to exploit new growth opportunities, and build a lean operating model.
The SA financial services' economic profit pool is large, but higher growth is expected in the rest of Africa in the longer term.	...	focus domestically, but continue to explore expansion opportunities in Africa.
SA prospects continue to be driven by infrastructural investment (mostly government) and a wealthier consumer.	...	ensure that it benefits from the opportunities created through infrastructure development, increase its focus on wholesale banking, and improve its retail proposition to capture disposable income shifts. The group will also continue to bring more people into the formal banking system through innovative and affordable products such as M-PESA.
There is high growth from bandwidth, electronic, internet, mobile and new technology developments.	...	leverage new technologies and then lead in these high-growth markets and banking markets linked to these, such as mobile banking.
SA demographic shifts are enabling consumer opportunities.	...	target large and growing segment opportunities such as the underbanked, youth, small and medium enterprise and senior-citizen markets. A differentiated approach is essential to service such new markets in a cost-efficient manner.
The voice of and focus on the client are increasing.	...	meet the need for simplicity, convenience, choice, affordability, advice, and trust from clients. Client centricity will remain a core focus, with the aim to increase direct engagement with clients.
Non-banking solutions are growing faster than banking, but deposits have become a key priority.	...	seek out add-on growth solutions while improving transactional banking capabilities, such as cross-sell, primary clients, and functionality.
Demand for talent is greater than growth of the talent pool.	...	develop unique ways to retain, develop and grow the staff talent pool, especially in businesses that will be targeting higher growth.
Pressure on natural resources is increasing.	...	continue to reduce and neutralise its own operational impact, consider environmental impacts in its lending activities and actively support its clients in their endeavours to reposition their businesses accordingly.

5 Stakeholder Engagement

Effective stakeholder engagement remains central to the effectiveness of Nedbank Group's collaborative approach to economic, environmental, social and cultural sustainability.

In addition to enhancing risk management, effective engagement with the group's stakeholders presents it with numerous opportunities, both to drive performance and to extend its positive influence.

In keeping with the group's aspiration to 'lead through collaboration', such stakeholder engagement extends far beyond mere rules driven disclosure or regulatory requirements. Rather, Nedbank Group considers stakeholder engagement a strategic imperative and seeks continually to evolve and innovate in terms of the way in which it builds inclusive, mutually beneficial relationships based on transparency, respect and idea sharing.

So, while stakeholder engagement within Nedbank Group may be decentralised and take many different forms, the ultimate aim is the same: to work with those who have an interest in the group's business to ensure sustainable performance and beneficial outcomes for all stakeholders.

For details of Nedbank Group's stakeholder engagement during 2010:

http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/sustainable/sustainable_development.asp

6 2010 Performance Highlights

		% change 2009- 2010	2010	2009	2008
ECONOMIC					
Headline earnings	Rm	14,6	4 900	4 277	5 765
Income attributable to shareholders	Rm	(0,3)	4 811	4 826	6 410
Diluted earnings per share:					
– Headline	cents	8,7	1 069	983	1 401
– Basic	cents	(5,3)	1 050	1 109	1 558
Dividend declared per share	cents	9,1	480	440	620
Dividend cover	times		2,30	2,30	2,29
Net asset value	Rm	6,3	47 814	44 984	40 073
Tangible net asset value per share	cents	10,3	8 160	7 398	7 179
Net interest income to average interest-earning banking assets	%		3,35	3,39	3,66
Credit loss ratio – banking advances*	%		1,36	1,52	1,17
Non-interest revenue (NIR) to total income	%		44,3	42,2	39,9
NIR to total operating expenses	%		79,6	78,8	78,1
Efficiency ratio	%		55,7	53,5	51,1
Group capital adequacy ratios: Basel II (including unappropriated profits)					
– Core Tier 1	%		10,1	9,9	8,2
– Tier 1	%		11,7	11,5	9,6
– Total	%		15,0	14,9	12,4
Average interest-earning banking assets	Rm	3,0	495 930	481 378	441 713
Total assets under administration**	Rm	7,1	711 288	657 907	644 250
Total assets	Rm	6,7	608 718	570 703	567 023
Assets under management**	Rm	9,6	102 570	87 204	77 227
Return on total assets (ROA)*	%		0,82	0,76	1,09
Return on shareholders' equity (ROE) (excluding goodwill)*	%		13,4	13,4	20,1
ROE*	%		11,8	11,8	17,7
Economic (loss)/profit*	Rm		(289)	57	1 790
Life assurance embedded value	Rm	29,7	1 031	795	566
Life assurance value of new business	Rm	57,8	295	187	121

HEADLINE EARNINGS RECONCILIATION

ECONOMIC

Income attributable to shareholders	Rm	4 811	4 826	6 410
Non-headline earnings items:	Rm	(89)	549	645
– Non-trading and capital items	Rm	(91)	624	756

– Taxation on non-trading and capital items	Rm	2	(75)	(111)
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Headline earnings	Rm	4 900	4 277	5 765
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ENVIROMENTAL

Residual carbon emissions following reduction initiatives but including expanding scope and boundary of carbon footprint calculations	tCO ₂ e***	0,16	213 428	213 081	135 469
Offset through carbon emission reduction projects allowing buffer	tCO ₂ e***		220 000	220 000	–
Carbon status	tCO ₂ e***		Neutral	Neutral	135 469

SOCIAL

Socioeconomic development spend	Rm	9,6	80	73	67
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CULTURAL

Headline earnings per employee	R'000	12,7	178	158	209
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* 2010 and 2009 are calculated using a daily-average denominator. 2008 is calculated using a simple-average denominator.

** Restated 2009 and 2008.

*** tCO₂e = tonnes of CO₂ equivalent.

7 Sustainability Targets

Economic Sustainability

SHAREHOLDERS OBJECTIVE	2010	2009	2010 SELF-ASSESSMENT	MEDIUM-TO LONG-TERM TARGETS*
Return on equity (excluding goodwill)	13,4%	13,4%	In line with expectations.	5% above monthly weighted-average cost of ordinary shareholders' equity (cost of equity).
Efficiency ratio	55,7%	53,5%	Not achieved.	< 50%.
Growth in diluted headline earnings per share	8,7%	(29,8%)	Improved, exceeding 2010 forecast expectations.	At least CPIX + gross domestic product (GDP) growth + 5%.
Credit loss ratio	1,36%	1,52%	Improved but at a slower rate than expected for 2010.	Between 0,60% and 1,00% of average advances.
NIR/expense ratio	79,6%	78,8%	Improved in line with 2010 expectations.	> 85%.
Core Tier 1 ratio**	10,1%	9,9%	Exceeded.	7,5% to 9,0%.
Tier 1 ratio**	11,7%	11,5%	Exceeded.	8,5% to 10,0%.
Total ratio**	15,0%	14,9%	Exceeded.	11,5% to 13,0%.
Economic capital	Yes	Yes	Achieved.	Capitalised to 99,93% confidence interval on economic capital basis (target debt rating A including 10% buffer).
Dividend cover policy	2,3	2,3	Achieved.	Range of 2,25 to 2,75 times.

* *Unchanged from 2010 targets.*

** *Capital adequacy ratios.*

Environmental Sustainability

2010 target	Status	Performance	2011 target
Minimising our environmental footprint	Achieved	Reduction efforts continued during 2010, with good progress being made against the electricity, travel and overall carbon reduction targets. Paper reduction targets were not met. (See commentary on page 106 for details.) The group remains committed to reducing its carbon emissions further and achieving the target of 12% emissions reduction by 2015, from its 2007 baseline.	Continued carbon reduction, with the overall target being emissions reduction of 12% by 2015, from its 2007 baseline.
Achieving carbon neutrality	Achieved	By offsetting its 2009 carbon footprint (of approximately 213 000 tonnes) Nedbank Group was the first financial services company in Africa to achieve carbon neutrality. Importantly, this was via a 'reduce first and offset only where necessary' approach. Please refer to the carbon neutrality case study here for details of the process and resulting benefits for the group and its stakeholders.	Maintaining carbon neutrality.
Increased focus on water efficiency	Achieved	The group's 2010 water intensity reduction target of 5% per fulltime employee (FTE) from the 2005 baseline was met at the end of 2009. As such, a new target of reducing water usage by 10% per FTE (from 2009 levels) by the end of 2011 has been set. As part of the ongoing water reduction commitment the group has undertaken a number of focused water reduction initiatives (see here for further details).	Continued focus on water efficiency.
Centralised electronic carbon database	Not achieved	The group set out to develop a centralised electronic carbon database to improve the accuracy of the reporting and monitoring of natural resources usage and carbon emissions. Complications in terms of integrating the various data flows from across the organisation meant that this objective was not achieved in 2010. It remains a high priority for 2011.	Centralised electronic carbon database.

Social and Cultural Sustainability

Remaining a level 2 Department of Trade and Industry (dti) contributor	Achieved	Nedbank Group has been able to strengthen its position by scoring a total of 89,50%. Employment equity and skills development, however, remain under pressure, as natural staff attrition has slowed. Preferential procurement is an area of strength with the overall group operating at levels above 2016 targets. The only challenge in this area is the growth in the black women-owned (BWO) subcategory. Please refer to the dti summary scorecard .	To maintain level 2 contributor status with improving scores.
Beyond compliance – enhancing access for all to financial services	Mostly achieved	While this is not a requirement under the dti Codes, Nedbank Group remains committed to providing ready access to financial services as part of its vision of becoming a bank for all South Africans. The recovery from the financial crisis and availability of suitable land for property development are some of the factors that inhibited delivery of all internal targets. Despite this, its efforts have gone a long way to furthering access to financial services. Please refer to the 'Non-scoring performance' section of the scorecard .	Continue to enhance access for all to financial services.
Empowerment financing	Achieved	Despite the challenging economic backdrop, and this target not forming part of the dti Codes, the group has continued to focus on empowerment and transformation financing as a means of realising its commitment to corporate development in South Africa. Non-scoring performance' section of the scorecard .	Continue to grow our involvement in empowerment financing.

8 Indices and Awards

Our sustainability highlights, awards, indices and memberships include:

- Carbon Neutral – Africa's first carbon neutral financial organisation.
- Dow Jones World Sustainability Index membership – the world's premier performance benchmark for companies in terms of corporate sustainability. Included for fifth year. One of only 25 banks worldwide and three companies with primary listings in South Africa to be included on the index (only SA Bank). 2010: 78% (2009: 77%).
- JSE SRI Index – inclusion since 2004.
- South African Carbon Disclosure Project Leadership Index – 2010, the group recognised as a leader in the performance category and placed third in the disclosure category.
- CDP's Water Disclosure Project – 2010 voluntary participant.
- Global 1000 Sustainable Performance Leaders Index – Ranked 284th (third highest SA company).
- Financial Times – 2010, Emerging Markets Sustainable Bank of the Year for Middle East & Africa.
- Equator Principles – first African bank signatory.
- WWF-SA Conservation Partnership
- Ernst & Young Excellence in Sustainability Reporting – award of excellence received.
- UNEP FI – signatory to official Statement on Climate Change.
- Signatory to the Cancun Communiqué.
- Climate Change Leadership Awards – 2010 joint winner Financial Services Sector.
- Nedbank is the first company in South Africa to be awarded a Green Star 'as built' rating for Phase 2 of its headoffice complex

Nedbank is represented on:

- Climate Neutral Network
- UNEP FI African Task Force
- UNEP FI Banking Commission
- UNEP FI Human Rights Work Stream
- UNEP Water & Finance Initiative Work Stream
- United Nations Global Compact - 'Caring for Climate' Programme
- National Business Initiative Advisory Committee on Climate Change
- National Energy Efficiency Accord
- Banking Association of South Africa: Sustainable Finance Committee
- UNISA Climate Change Advisory Committee
- UNGC Advisory Committee for South Africa

9 United Nations Global Compact – Human Rights

As a signatory to the UNGC, it is expected of Nedbank Group to report on an annual basis, the progress shown on the achievement of the 10 principles in a Communication of Progress. All the relevant information pertaining to these points can be found in the Nedbank Group Integrated Report 2010.

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure that they are not complicit in human rights abuses.

9.1 Ethics Initiatives in 2010

Respecting human rights in all its business activities is fundamental to the way Nedbank Group operates. It achieves this largely through compliance with South Africa's Bill of Rights in the Constitution and labour legislation. The bank participates in the United Nations Environment Programme Finance Initiative (UNEP FI) Human Rights working group, which specifically promotes the importance of human rights within the financial sector.

The group continues to support the 10 principles of the UN Global Compact (UNGC) in respect of human rights, labour rights, environmental protection and anticorruption. We are proud to be a signatory to this global compact and strive to advance the principles of the compact.

During 2010 the Nedbank Ethics Officer was asked to serve on the UNGC Advisory Committee for South Africa – which provides support and strategic guidance to the activities of the National Business Initiative (NBI) in its capacity as the regional UNGC focal point. Membership to this committee is still in place. During 2010, delivering feedback on the UNGC collective business activities on human rights in South Africa, the Nedbank Ethics Officer summarized the 2009 approach as in-ward looking and one that focused on assisting member companies with tools and information to enable progress on human rights performance; integration of human rights issues into corporate strategy; and a continuous emphasis on values and ethical leadership as a foundation for business sustainability. She noted that even the recent World Economic Forum in Davos has called for ethical leadership and placed the issue of human rights at the centre of its discussions due to the direct impacts of the recession.

As part of a corporate social responsibility and promoting human rights in business, the Nedbank Ethics Officer has partnered with a company called Advantage Training to deliver ethics and governance training to delegates from across Africa representing business and government (+/- 70 during 2010) since 2010 continuing into the foreseeable future.

Nedbank is in the process of developing and implementing a Human Rights Statement to be approved by management. The statement is an overt commitment to the Universal Declaration of Human Rights and the United Nations Global Compact Principles. This will also be a further extension of the inclusion of our commitment to the principles as found in the Nedbank Code of Business Ethics and further clarified in our values statements contained in the Nedbank Code of Conduct.

9.2 Code of Ethics, Business Conduct and Values

9.2.1 Nedbank Code of Business Ethics and Nedbank Code of Conduct

At Nedbank Group we recognise that the employment of a new staffmember, manager or director is more than a contract – it represents a significant fiduciary relationship. In return for agreed compensation and benefits the Nedbank Group employee promises to render appropriate services in good faith and in a way that helps to build a relationship of trust.

To this end Nedbank Group requires all its employees to uphold high ethical standards, which not only serve the interests of the bank and its clients, but also build its reputation as an organisation that always does the right thing in spite of the consequences.

Over the past five years the Enterprise Governance and Compliance Cluster has applied itself to establishing a solid ethical foundation across the group, including the revision and annual re-commitment of Directors to the Nedbank Board Ethics Statement, the creation of a user friendly Nedbank Code of Conduct, and the development of a Nedbank Pledge for agreement by all staffmembers and directors.

Considerable work has also gone into mentoring and guiding more than 12 000 employees in adopting and applying ethical business practices as well as the development of dedicated channels to reinforce positive, values-driven behaviour.

There is no right way to do the wrong thing

This simple, but undeniable truth lies at the heart of the ethics culture across Nedbank Group and has resulted, often directly, in many measureable achievements, possibly the most important of which are employees who:

- feel empowered to identify and report instances of fraud and misconduct;
- think before they act – thereby steadily decreasing instances of misconduct;
- have a passion for caring for communities and conserving the environment; and
- share their employer's vision of becoming the most admired bank in Africa and are committed to realising this vision through integrity and accountability.

The annual Nedbank Staff Survey is conducted in various dimensions important to business. The following dimensions are measured:

- Ethics
- Strategic Direction
- Leadership
- Communication
- Change and Transformation
- Management Style
- Organisational Culture and Values
- Training and Development
- Policies and Procedures
- Relationships & Trust
- Diversity
- Rewards, Recognition & Performance Management

71% of our staff members participated in the 2010 NSS. Ethics was the highest rated indicator for the fifth year in a row. Three of the five top positive statements were also related to Ethics which is a testament to our continued training and awareness creation. Over the past four years we have trained more than 12 000 staff members face-to-face on the Code of Business Ethics and Code of Conduct.

During 2010 we have started to see a significant decline in the rate of dismissals and instances of misconduct statistics. We believe that this is as a result of continued awareness creation, training and good risk management systems and controls.

For further information on Nedbank's Code of Business Ethics please access the following link:
<http://www.nedbankgroup.com/sustainabilityCodeOfEthics.asp>

9.2.2 Values

Nedbank Group regards its values as an effective way of ensuring consistent action and behaviour across the group. The group values were developed in consultation with all employees and provide a clear framework on which the culture of the organisation is built.

The group values are as follows:

Value	Application
Integrity	Be honest, trustworthy, truthful, consistent and open. Act according to the highest ethical standards. Communicate openly, directly and ethically.
Respect	Treat others as you would have them treat you. Use diversity as strength. Listen to others and treat all people with dignity. Provide individuals with fertile ground in which to grow. Treat everyone in the organisation as important. Foster individual strength to build the greater whole.
Accountability	Be prepared to make commitments and be judged against your commitments. Deliver on commitments. Take responsibility for your actions.
Pushing beyond boundaries	Play to the maximum of your abilities – as individuals, as teams and as an organisation – across boundaries. Always strive to break new ground, fuelled by

	passion and commitment.
Being people-centred	Invest in people. Create empowering environments through development, support, mentoring, coaching, recognition and reward. Always be aware that people are the source of our bank's strength and success.

For further information on our code of please access the following link:

<http://www.nedbankgroup.co.za/sustainabilityCodeOfEthics.asp>

9.3 Sustainable Development Performance (as it relates to Human Rights)

Respecting human rights and uplifting the communities within which we operate is woven into the way that Nedbank operates daily. As the Nedbank Group Chairman, Dr Reuel Khoza states: 'For Nedbank Group sustainability is ultimately about walking the path to a better future, together, and helping one another to complete the journey. This philosophy drives the group's aspiration to make things happen, for its clients, staff, partners and shareholders, as well as the communities and environment in which it operates.'

As one of the main financial institutions in South Africa, Nedbank Group plays an important role in improving access to financial services for previously disadvantaged individuals, businesses and communities. This is primarily achieved through delivery in areas previously measured under the Financial Sector Charter (FSC), but not included in the dti Codes, including:

- Access to financial services.
- Targeted investments.
- BEE transaction financing.

9.3.1 Access to Financial Services

By way of realising its vision of being a bank for all South Africans, Nedbank Group continues to invest in making banking services and accounts more accessible to all members of South Africa's population.

Mzansi

Nedbank adopted the industry standard Mzansi product, opting not to introduce its own similar product given the affordability of Mzansi Accounts for the previously unbanked market. Nedbank Retail has implemented mobile sales teams that visit rural settlements to help residents open Mzansi Accounts. This has been a key driver of the group's continued success in terms of Mzansi Account acquisition. Nedbank has almost 318 000 active accounts (2009:315 024).

Nedbank branches

In 2010 Nedbank Group opened five new branches dedicated to the needs of the previously unbanked market: two in Gauteng (Soshanguve and Westonaria) and three in Western Cape (Nonqubela, Z evenverwacht and Nomzamo).

ATMs

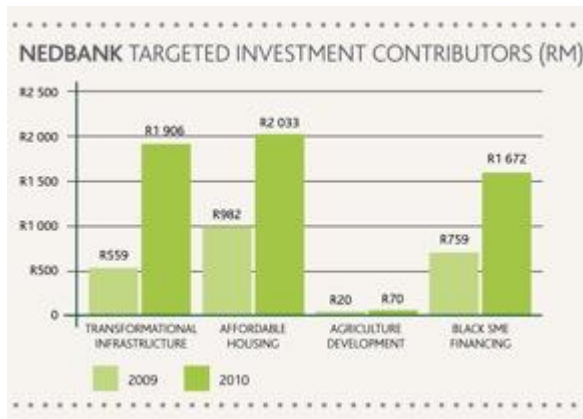
Nedbank Group has maintained its steady penetration of the market, recognising the accessibility of ATMs as secondary only to a full function branch in terms of the provision of financial services. In 2010 our total number of ATM's grew from 1 847 in 2009 to 2 283

9.3.2 Targeted Investment

Targeted investment by Nedbank Group comprises the following subcategories:

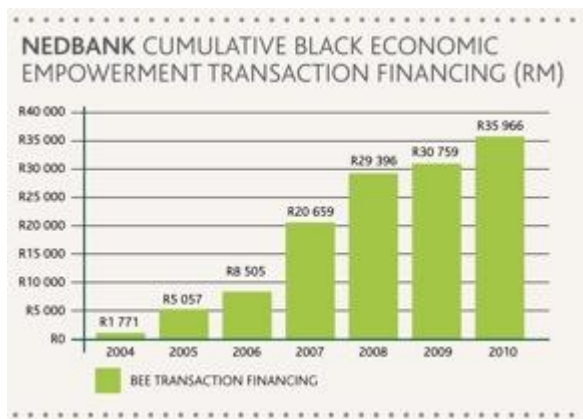
- Transformational infrastructure- deals with the financing of the supply of basic infrastructure in previously disadvantaged areas, which can include, but is not restricted to, water, sanitation, schools, roads and any other infrastructure that can help the area become more productive and inclusive within the mainstream economy.
- Affordable housing. This target market remains under affordability pressure due to ever-increasing property (land) and building prices. Fortunately, the stable interest rates over the reporting period have not added further pressure to new and existing clients.
- Black agriculture financing. Challenges in agriculture continue to impact on overall investment in the sector. Nedbank Group has embarked on various strategies and initiatives to help to transform this market and has been vocal and visible in the media and the market with its view on sustainable land reform.
- Black small and medium enterprise (SME) financing. Nedbank Group is actively engaged with the SME market and puts a specific focus on the financing of black SMEs through the delivery of innovative solutions to this market segment, such as the 'Free banking' offer to startup small businesses. Furthermore, the group has given priority to markets where it previously had a limited presence, such as business communities in townships.

The graph below shows Nedbank Group's performance in each of these areas in 2010:



9.3.3 Black Economic Empowerment Transaction Financing

The supply of equity and transaction financing for BEE companies is known as BEE transaction financing. This is a particular area of strength for Nedbank Group. The financing enables black-empowered and black owned entities to achieve their own growth goals and prosper in the long term. Equity deals allow ownership by more people, promoting the sharing of wealth and sustainable development of the economy.



For more in-depth information on these initiatives including enterprise development and preferential procurement:
http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/sustainable/social.asp

9.4 Relevant Products

Nedbank Group is committed to enabling its staff and clients to make a difference in the lives of those less fortunate and to the world in which they live. This cooperative approach to social and environmental sustainability not only enhances the effectiveness of the group's efforts, but also increases the group's sustainability reach and contributes to the creation of a more inclusive mindset among all stakeholders. The continued success of the Nedbank Affinity programme also serves as proof of the value that can be unlocked via a highly integrated approach to sustainability – for the organisation, the beneficiaries it serves and the environment.

THE NEDBANK CHILDREN'S AFFINITY AND THE NELSON MANDELA CHILDREN'S FUND

The Nedbank Children's Affinity was launched in mid-2005 in partnership with the Nelson Mandela Children's Fund (NMCF). The vision of the NMCF, which was founded by former president Nelson Mandela in 1995, is to 'change the way society treats its children and youth'. The fund was established to look after orphaned and vulnerable children. To achieve this it supports five key strategic programme areas, namely:

- **The wellbeing of a child** – strengthens families and communities to mitigate the impact of both HIV/Aids and child abuse.
- **Leadership and excellence** – identifies and nurtures youth with leadership potential.
- **Skills development** – realises the potential of young people to contribute positively to their own development

and that of others.

- **Disability** – improves the quality of life of disabled children and youth.
- **Goelama** – builds links between services offered by government and NGOs in communities.

Since inception the Nedbank Children's Affinity has donated over R25 million to the NMCF. In 2010 Nedbank Affinity donations to the NMCF amounted to more than **R5,7 million**.

DELIVERING BANKING BENEFITS THROUGH INNOVATION AND PARTNERSHIPS

2010 saw the launch of M-PESA, a new mobile money transfer service resulting from a collaboration between Nedbank and Vodacom. The service is targeted at South Africa's vast unbanked population, none of whom have traditional bank accounts. M-PESA allows these people, many of whom have no access to mainstream banking facilities, to send and receive money via their cellphones.

The individual's cellphone number is effectively used as their bank account and allows M-PESA customers to deposit cash into an M-PESA account at an authorised M-PESA outlet and then send the details to another person, anywhere in the country, who can withdraw the funds from an M-PESA outlet in their area.

These M-PESA outlets are businesses that have been approved to service customers for M-PESA transactions. In launching M-PESA, Nedbank has removed the major obstacle of a lack of transactional banking access and delivered a valuable service to a large segment of South Africa's population.

For more information on how our operations support the protection of Human rights through responsible lending, products and appropriate risk management:

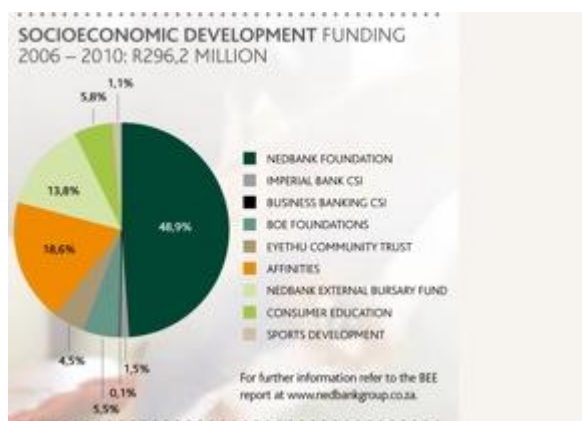
http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/operational.asp

9.5 Nedbank Foundation – Corporate Social Investment

When it comes to supporting, uplifting and empowering individuals and communities, Nedbank Group takes the term 'socioeconomic' literally. Based on the belief that neither 'social' nor 'economic' can be fully effective on its own, this component of the group's social sustainability thrust comprises both economic and social development initiatives. Wherever possible, these are closely and fully integrated to deliver lasting results relating to the living conditions, financial situations, business potential and transformation of individuals and companies benefiting from the group's social sustainability commitment.

While this commitment is never purely target-driven, the Department of Trade and Industry (dti) Codes stipulate that 1% of SA net profit after tax (NPAT) (based on the 2009 financial year) should be allocated to SED. For Nedbank Group this equated to R54,1 million.

The following chart illustrates the group's performance against the compliance target since the inception of the dti Codes. Nedbank Group has consistently spent more than the minimum required, which is aligned to its commitment in this area. Socioeconomic development spend for 2010 was more than R 79 million (1,46% of NPAT).



As the primary CSI arm of Nedbank Group, the work of the Nedbank Foundation is key to the group's social sustainability efforts. To ensure that the difference it makes to individuals and communities in need is a lasting one, the foundation focuses its efforts and contributions on:

- **Education** – including school-based educational projects, early childhood development (ECD), rural-school refurbishment, teacher training, tertiary education and other government-identified priorities.

- **Community development** – with a particular focus on initiatives that support and care for communities in need and vulnerable groups.
- **Skills development** – including training, skills development and enterprise support and development.
- **Health** – including interventions for people with disabilities, diseases such as HIV/Aids, cancer, diabetes and tuberculosis (TB), as well as providing training and infrastructural development in communities.

When selecting projects within the four focus areas, environmental issues and impacts are important considerations.

For more in-depth information on these focus areas and related projects:
http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/sustainable/social.asp

9.6 Nedbank Group's HIV Aids Programme

As part of its commitment to addressing HIV/Aids in a positive, supportive and non-discriminatory manner, Nedbank Group offers treatment to HIV-positive employees through its HIV/Aids management programme. At 31 December 2010 there were 488 (2009: 444) employees or dependants registered on the programme. Registered employees and their dependants qualify for unlimited HIV/Aids benefits, including chronic medication and blood tests required to treat the condition. Free antiretroviral drugs are also provided as part of a managed care programme.

In support of the government's HIV Counselling and Testing Campaign, Nedbank Group relaunched its Voluntary Counselling and Testing (VCT) Programme in December 2010 to offer both on and off site testing to employees until the end of February 2011. In December 2010 a total of 597 employees were tested as part of the VCT Programme.

An actuarial assessment of the impact of HIV/Aids on employees was also commissioned in 2010 and the results will be used to enhance current HIV/Aids management practices.

9.7 Occupational Health and Safety

A culture of safety is of utmost importance at Nedbank Group. This entails compliance with various pieces of legislation including the Occupational Health and Safety (OHS) Act, 85 of 1993, and its regulations, and the Compensation for Occupational Injuries and Diseases Act (COID), 130 of 1993, as well as internal OHS policies aimed at the health, safety and security of employees, clients and all other stakeholders. Measures to ensure compliance include the following:

- OHS training is compulsory for all Nedbank Group employees.
- Evacuation drills are practised at least twice annually. During 2010 the time taken to clear all sites was materially reduced.
- All OHS representatives undergo annual training.
- OHS committees meet monthly at all Nedbank Group sites to review the effectiveness of OHS within the group as well as compliance with legislation.
- The Nedbank OHS intranet site is available to all employees and includes relevant OHS information, training, a copy of the OHS Act, and important policies and procedures.
- Recognition for all OHS wardens is endorsed by the annual recognition process and the OHS function is now provided for in their performance agreements.
- Health, safety and security awareness events are held regularly.
- Regular communications are sent to all staff in terms of health and safety.
- Commitment from the Nedbank Group Exco to maintain a culture of safety.

Accident reports and investigations

In 2010 altogether 61 workmen's compensation claims were accepted by the Compensation Commissioner (2009: 52). Incidents are investigated for accidents involving all Nedbank Group permanent and temporary staff members and contract workers, and are reported.

OHS incidents reported during 2010

First-aid incidents*	1 057 (2009: 1 077)
Medical incidents	196
Medical incidents, including workmen's compensation (COID Act)**	
Nedbank Limited	61
Contractors onsite	16
Total incidents 1 253 (2009: 1 259)	

* First-aid incidents reported include minor injuries such as paper cuts.

** Workmen's compensation – injured-on-duty incidents are included in the total number of medical incidents.

OHS highlights

- The 2010 FIFA World Cup brought some new challenges to OHS as soccer teams were hosted close to Nedbank sites and so alternate emergency routes and assembly points were identified and successfully drilled.
- Compliance with the OHS Act by Nedbank Group remained consistent at 98,88% (2009: 98,43%).
- The group complied with changes in legislation, eg the promulgation of the Tobacco Act that resulted in all Nedbank buildings being declared non-smoking areas.
- The Imperial integration into Nedbank Group resulted in an increase in the number of sites included in the Nedbank Group OHS programme.
- The disability incident frequency rate (DIFR) for Nedbank Group in 2010 was 0,33. This aligns with the industry standard and is 0,4 below the national average.
- The group's OHS Act compliance target for 2010 was to achieve a gold rating. This target was achieved, with a final rating of 98% for 2010.

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: The elimination of all forms of forced and compulsory labour.
- Principle 5: The effective abolition of child labour.
- Principle 6: The elimination of discrimination in respect of employment and occupation.

Nedbank Group recognises that an innovative, values driven corporate culture is an essential cornerstone of sustainability. To this end the group strives to create an empowering environment in which employees have the freedom to contribute to a culture that encourages personal and career growth, values alignment, innovation and a shared vision for the future.

Investment continues to be made into fostering and entrenching cultural sustainability across the organisation. Importantly, Nedbank Group recognises that achieving the desired cultural sustainability is not the exclusive responsibility of the Human Resources (HR) Division, but requires the commitment of all stakeholders at every level of the organisation.

During 2010 positive shifts continued in the culture and corporate climate of the group as it retained its strong focus on developing its people, with a particular focus on the retention and attraction of talented employees who support the organisation's goals and objectives. The group's people strategy for 2010 included the following focus areas:

Accelerating transformation
Building a unique culture for competitive advantage
Embedding talent management
Aligning the total reward strategy
Learning and growing
Enabling HR capability and excellence

These focus areas are supported by HR policies that set out the high level principles to be applied across the group in attracting, recruiting, selecting, motivating, managing and retaining the required skills. These policies play a critical role in reducing people-related risk by ensuring consistent, compliant and fair practices.

MAIN CHALLENGES IN 2010

Despite having made much progress in transforming Nedbank Group into a 'great place to work', a number of key challenges remain in terms of the group's cultural sustainability efforts. These include:

- The adequate appointment and development of people with disabilities.
- The appointment of Africans, especially African females, at middle and senior management levels.
- Difficulties in establishing a robust talent pipeline to support transformation at senior management and executive level.
- A scarcity of skills despite the focus on developing a pool of graduates.
- The need to formalise mentoring and coaching programmes to ensure the transfer of skills within designated groups.
- The rising cost of attracting and retaining talent within designated groups.

For more in-depth information on Nedbank's Employee Profile:

http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/sustainable/cultural.asp

10.1 Employee Relations

Nedbank Group is committed to fostering sound employee relations and acknowledges the rights of employees to representation, freedom of association and collective bargaining as a way to determine conditions of service.

The following table provides an overview of the number of disciplinary incidents, disputes and Commission for Conciliation, Mediation and Arbitration (CCMA) cases recorded in 2010:

	2010	2009
Employee relations incidents logged	8 426	6 044
Resolved through counselling	3 554	3 710
Resolved by means of verbal warnings	1 575	1 668
Resolved by means of written warnings	2 717	2 645
Cases referred to the CM A	142	144
OF THE CASES REFERRED TO THE CCMA:		
Settled	67	42
Withdrawn	15	24
Resolved by means of verbal warnings	20	23
Unfavourable decisions against Nedbank Group	3	2
In progress	37	53

While the number of disciplinary incidents and disputes referred to the CCMA in 2010 represents an increase over 2009, it is not possible to ascribe this increase to any single factor. The number of dismissals during the period under review decreased compared with 2009. The majority of dismissals occurred as a result of dishonesty or gross negligence. Nedbank Group's approach to dismissals remains one of a fair disciplinary process.

A special escalation procedure was established for unfair discrimination, sexual harassment and bullying cases. A number of cases reported via this procedure have been escalated to the Industrial Relations Oversight Committee. All cases of this nature now receive attention at senior levels of the organisation, protecting staff and helping to prevent unnecessary litigation.

Formal and informal management training, as well as focus group sessions, were offered on the industrial relations (IR) aspect of managing discipline, grievances and performance. In 2010 a total of 319 (2009: 333) managers and supervisors attended these sessions.

INTERNAL OMBUDSMAN

The Nedbank Ombudsman provides employees with an additional channel to voice any concerns they may have regarding issues such as victimisation, racism and discrimination. The ombudsman's role is to facilitate discussions between employees, HR and line managers and to allow the line manager to resolve matters accordingly. In 2010 a total of 99 incidents were handled by the Nedbank Ombudsman, compared with 77 in 2009.

COLLECTIVE BARGAINING

The group continues to embrace the principles of collective bargaining as a means of encouraging a healthy employer-employee relationship. At 31 December 2010 altogether 68,2% of permanent Nedbank Group employees belonged to the collective bargaining unit. The group is committed to utilising this process as a means of agreeing the terms and conditions of employment as well as any restructuring that may be required.

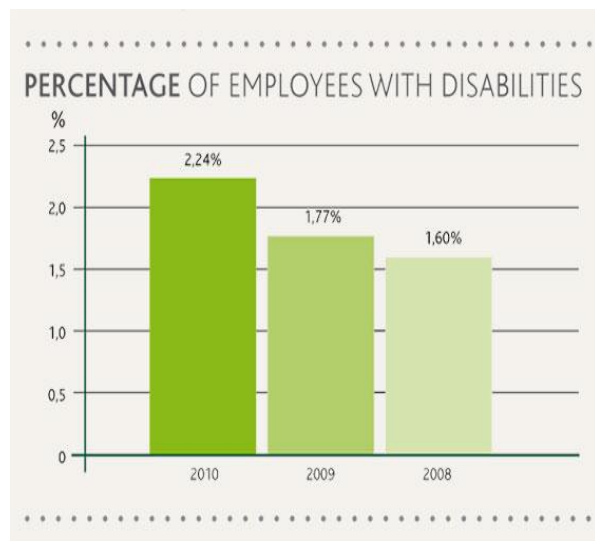
10.2 Accelerating Transformation

Nedbank is committed to continuing to accelerate transformation, both within the organisation and in support of the country, and 2010 saw the group moving forward in its realisation of this objective. During the period under review Nedbank Group was in joint first place in the Financial Mail/Empowerdex Top Empowered Companies Survey on the Department of Trade and Industry (dti) Codes in respect of the employment equity, social development and management control dimensions.

OCCUPATIONAL LEVEL	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management	4			9	1			1	0	0	15
Senior management	59	21	49	334	33	12	26	87	25	8	654
Professionally qualified	709	371	599	1 665	709	469	648	1 685	92	91	7 038
Skilled technically	1 793	742	687	703	3 294	1 833	1 370	2 099	32	103	12 656
Semiskilled	645	219	135	77	1 373	556	281	421	3	11	3 721
Total permanent	3 210	1 353	1 470	2 788	5 410	2 870	2 325	4 293	152	213	24 084
Contractors, temporary employees and commission earners	379	109	89	335	666	176	101	260	23	14	2 152
Grand total	3 589	1 462	1 559	3 123	6 076	3 046	2 426	4 553	175	227	26 236

PEOPLE WITH DISABILITIES

As part of a broader diversity framework that was developed and approved in 2010, Nedbank Group has implemented a number of initiatives aimed at promoting tolerance and fostering good relations among all its employees, including specific initiatives for women and people with disabilities.



GENDER EQUITY

The Nedbank Women's Forum continues to perform a vital function in the group and remains a key vehicle in advancing gender equity in the workplace. In 2010 the forum again offered its highly successful Women Empowerment Programme, which is aimed at equipping Gauteng-based female junior managers with skills for better career prospects within the bank. The Women's Forum also hosted a number of events to mark Women's Month in August as well as Breast Cancer Awareness in October.

For more in-depth information on our People Practices as they relate to performance management, remuneration and development : http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/sustainable/cultural.asp

11 United Nations Global Compact - Environment

- Principle 7: Businesses are asked to support a precautionary approach to environmental challenges.
- Principle 8: Undertake initiatives to promote greater environmental responsibility.
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Nedbank Group acknowledges both the direct and indirect impact of its operation on the environment and the resultant need to promote environmental sustainability. As South Africa's recognised 'green' bank, Nedbank Group has a well-established reputation for being absolutely committed to environmental sustainability. In fact, this commitment to the conservation of the natural heritage of the country, and planet, is integral to the culture of the organisation and represents a key element in the ongoing assessment of overall corporate performance. Nedbank Group's approach to environmental sustainability comprises three distinct, but interrelated components:

• **MANAGING ITS OWN IMPACT**

The group's focus, in the first instance, is on making sure that it 'gets its own house in order' and effectively manages the direct impact it has on the environment, particularly through its efforts in the areas of energy efficiency, carbon reduction, carbon neutrality, water efficiency and responsible lending.

• **LEADING THROUGH COLLABORATION**

Although Nedbank Group has a fairly low direct impact on the environment, the group's sphere of influence and potential to have a highly positive indirect environmental impact is vast. To this end it works closely with all stakeholders – from employees and clients to business partners and suppliers – to help them understand their impact on the environment and strive to reduce any negative aspects of that impact.

• **FACILITATING SUSTAINABILITY THROUGH PRODUCTS AND SERVICES**

Nedbank Group strives to support the 'green' efforts of its clients by offering them a range of environmentally friendly banking and financial products and services. This commitment to promoting environmental sustainability via innovative product development is supported at every level of the organisation.

11.1 Managing Nedbank's Own Impact

ENVIRONMENTAL MANAGEMENT

The Group Transformation and Sustainability committee Social business Plan. (a subcommittee of the Nedbank Group board) is responsible for monitoring and refining all environmental policies and ensuring Given the increasing impact of climate change and the related risks, that these are integrated into the Nedbank Group philosophy and practice. at an executive management level the group executive responsible for enterprise governance and compliance assumes overall accountability for the management of environmental sustainability.

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

Given the increasing impact of climate change and the related risks, and in addition to the group's commitment to the Equator Principles, the group has placed even greater emphasis on consolidating its social and environmental risk policies and management processes to protect shareholder value and returns on capital investments. Nedbank Group's environmental policy reflects this consolidation and ensures responsible, fair and honest business practices that are aligned with government's environmental protection objectives.

The group works towards ensuring compliance with environmental legislation and regulations. regular reviews of the environmental policy ensure it remains relevant, while detailed reporting provides stakeholders with a clear view of environmental sustainability effectiveness.

The Environmental Policy is linked to, and supported by, Nedbank Group's Social and Environmental Management System (SEMS). consolidated in 2010, SEMS is based on ISO 14001, and details the policy, procedures and workflow required to identify and assess the environmental or social impacts of investments or lending activities undertaken by Nedbank Group. The Environmental Policy and SEMS, in turn, include sector guidelines on mining, property, oil and gas, water infrastructure, waste management, and mergers and acquisitions.

To give effect to all of the above a social and environmental risk evaluation tool (Screening Tool) was developed and is being implemented across the group

DRIVING CARBON REDUCTION

For carbon neutrality truly to mean anything it cannot merely be a badge, it needs to be a promise. This was the philosophy at the heart of Nedbank Group's decision to strive for carbon neutrality and remains a key focus now that the bank has achieved this objective.

While carbon neutrality represented the next logical chapter in the 'green' bank's 20-year environmental sustainability and climate change journey, it also demonstrated a commitment to realising Nedbank Group's vision of assuming a leading role in sustainability – both within financial services and further afield – via a balanced and integrated approach to addressing environmental, social, cultural and economic sustainability issues.

Of particular relevance to the group's ability to assume a sustainability leadership role was the way in which its carbon- neutrality vision was realised. by following a '**reduce before offsetting**' approach, Nedbank Group's carbon neutrality was achieved, as far as possible, by means of behavioural change, reduction targets (including paper, water, electricity, travel and waste) and operational efficiencies. Only once reduction initiatives for the year had been achieved did the bank use carbon credits to offset the remaining, unavoidable carbon emissions.

Working with WWF-SA to achieve credible and sustainable carbon neutrality, Nedbank Group now boasts a powerful platform on which to build its client value proposition, deliver value and drive the 'green' agenda among all stakeholders, including:

-
- **Government** – Nedbank will continue to support government, wherever possible, in leveraging the opportunities presented by the growing 'green' economy to address some of the environmental and social challenges facing South Africa.
 - **Clients** – Nedbank Group is in a good position to enhance its client value proposition through the provision of 'green' financial products and services.
 - **Suppliers and partners** – Through collaboration with suppliers and business partners the group is looking forward to helping move South Africa's financial services industry, and the country's economy as a whole, towards a low-carbon future.
 - **Staff** – The group's aim is to continue reducing its own direct carbon footprint in partnership with its employees. Intensity reduction targets remain in place and are incorporated in performance assessments, as does a focus on promoting environmental awareness and action among staff members.
 - **Investors** – as environmental regulation increasingly drives the Sa economy, 'green' companies and technologies are set to become key contributors to sustainable investment success. carbon neutrality positions Nedbank Group at the crest of this investment wave.

As a direct result of the reduction targets associated with the achievement of carbon neutrality, Nedbank Group achieved approximately R36million in operational savings between 2007 and 2010.

CLIMATE CHANGE POSITION STATEMENT

In 2010 Nedbank Group updated its formal climate change Position Statement. The statement is a public declaration and pledge by the group to reduce its impact on the environment through driving a reduction in the consumption of energy, water and paper, and reducing business travel, thereby furthering an overall reduction in carbon emissions. The intensity reduction targets were set in line with the National Energy Efficiency accord (to which the group is a signatory) and in consultation with WWF-SA. To support continued carbon neutrality these reduction targets remain highly relevant and, in addition to including new targets for paper and water efficiency, the updated climate change Position Statement sees the group working more closely with suppliers to help them measure, manage and reduce their carbon emissions, thereby enhancing the overall impact of reduction efforts. A policy of preferential procurement from suppliers that demonstrate a commitment to these reduction principles will serve to entrench further environmental sustainability as a core business imperative among many of the bank's supplier businesses.

REDUCTION TARGETS

Intensity reduction targets per fulltime employee (FTE) were chosen to measure Nedbank Group's carbon reduction, as this allows for both organic growth and continuous improvements in reporting on greenhouse gases (GHG) (carbon footprint).

Targets include:

Resource	Target
Energy	12% reduction by the end of 2015 based on 2005 levels or 5 335 kwh per FTE.
Water	10% reduction by the end of 2011 based on 2009 levels or 17,2 kl per FTE.
Paper*	5% reduction by the end of 2015 based on 2010 levels.
Waste	10% reduction by the end of 2011 based on 2009 levels or 34,12 kg reduction per FTE.
Recycling	3% increase in recycling by the end of 2011 based on 2010 levels or 34,69 kg per FTE.
Carbon emissions (includes business travel)	12% reduction by 2015 (from 2007 levels) or 7,67 tonnes per FTE.

** The new paper target has been set as an absolute target and not an intensity reduction target, as most of the group's paper usage has proven to be related to client communications and related regulatory requirements and less so to individual employee usage.*

CARBON FOOTPRINT MEASUREMENT

Nedbank was the first financial services organisation in Africa to declare carbon neutral status in 2010. Since then much effort has gone into not only reducing our emissions wherever possible but also expanding the scope of the carbon footprint.

Nedbank Group's emissions per fulltime employee were reduced year-on-year by 6% to 8,25 tonnes per annum and emissions per m² of office space also reduced by almost 4% to 0,39 tonnes per annum.

The overall reported GHG emissions in absolute terms increased by 0,16% year-on-year from 2009 to 2010. However, this increase is as a consequence of efforts to continue to expand Nedbank Group's GHG report boundary and scope (see below), while simultaneously focusing efforts on reducing its environmental impact. The year 2010 saw a significant increase in reported Sa facilities and operations through the incorporation of Imperial bank's carbon data following its acquisition during 2010. In addition, 2010 also saw the inclusion of the electricity consumption emissions arising from non-Sa Nedbank Group operations.

For in-depth information on Nedbank's Carbon Footprint: <http://www.nedbankgroup.co.za/sustainCarbon.asp>

TRAINING AND RELATED POLICY ACKNOWLEDGEMENTS

Ensuring that employees fully understand the group's environmental sustainability objectives and commitments is considered essential in order to afford them every opportunity to contribute to the relevant initiatives. To this end, and by way of aligning the environmental vision of all internal stakeholders, Nedbank Group employees are required to acknowledge that they have received, read and understood the relevant policies on an annual basis. Sustainability policy acknowledgements include a formal assessment. In 2010:

- 84% of employees completed the Environmental Policy acknowledgement;
- 85% of employees completed the Corporate Responsibility acknowledgement; and
- 65% of employees completed the commuting and awareness survey.

The commuting data is used to calculate the group's carbon footprint (scope 3), while the awareness data informs future communication and behavioural change initiatives. It is pleasing to note that individual staff commitment to overall sustainability and green issues has increased from 74% in 2009 to 95% in 2010. Also, more than 88% of staff surveyed believe that Nedbank Group has assisted them in reducing their own environmental footprint.

A total of 81% of Nedbank Group employees have completed the online sustainability training, 4 804 of whom undertook the training in 2010. Training covers the basic principles of sustainability, including the Nedbank Group's philosophy and approach to sustainability, its achievements to date and the role of the individual employee in assisting it in achieving its sustainability objectives.

11.2 Leading through Collaboration

For its environmental sustainability efforts to be as effective as possible Nedbank Group recognises that it needs to involve as many stakeholders as possible in its sustainability journey. Environmental sustainability is not approached with a view to securing a competitive advantage, but rather with the intention of becoming a leading corporate citizen in this area, so that the group can enable as many other companies and individuals as possible to join the 'cause' for the ultimate benefit of all. The year 2010 has been a year of sharing learnings and experience with stakeholders, including the media, unions, suppliers and academic institutions.

PARTNERSHIP WITH WWF-SA

After two decades the unique conservation partnership between Nedbank Group and WWF-SA remains as strong and mutually beneficial as ever. WWF-SA continues to provide direct input into the group's sustainability and environmental policies, investment guidelines, strategies, systems and training. A representative of the organisation attended the GEF, which was also supported by a number of working committees. WWF-SA continues to work with Nedbank Group to define, review and assess targets for the group's environmental actions to ensure that they serve to drive the group's environmental influence and enhance its environmental risk management processes. WWF-SA remains involved in the WWF-SA/ Nedbank Carbon-neutral Task Team. They provide input into ongoing offsetting projects and ensure the environmental integrity of further work being done in this area.

NEDBANK GREEN AFFINITY AND THE GREEN TRUST

In 1990 Nedbank Group helped establish The Green Trust in partnership with WWF-SA. Since then the group, through The Green Affinity Programme, has donated more than R100 million to more than 170 conservation projects throughout South Africa (see [here](#) for further details). Since inception The Green Trust's mission has been to bring together environmental and social sustainability in order to enable people to live and work in harmony with the environment. As it celebrates its 20th anniversary, The Green Trust has proven that a strong people focus is imperative to achieve environmental sustainability and the protection of the planet's natural heritage. The Nedbank Green Affinity donations to The Green Trust increased by 19% to over **R6,3 million** (2009: R5,3 million).

The Green Trust funds projects in climate change, freshwater conservation, marine conservation, preservation of outstanding places, conservation of species of special concern and conservation leadership.

For more information on The Green Trust go to www.nedbankgreen.co.za.

UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE

Nedbank Group was the first SA bank to join the United Nations Environment Programme Finance Initiative (UNEPFI) in February 2004. This initiative is a unique global partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEPFI works with some 200 financial institutions that are signatories to the UNEPFI Statements, and a range of partner organisations to develop and promote linkages between sustainability and financial performance.

EXTERNAL ENGAGEMENTS AND ENVIRONMENTAL SUSTAINABILITY INITIATIVES

As part of Nedbank's commitment to influencing others to embark on their own sustainability journeys, the group engages with numerous organisations and individuals in order to share sustainability experience and knowledge. Some of these engagements and initiatives during 2010 included:

- **Nedbank Group Sustainability Outlook** – Researched by the University of Cambridge Programme for Sustainable Leadership and with a distribution of over 100 000, this sustainability publication has as its primary aims to encourage debate around, and awareness of, sustainability issues – particularly in terms of investments and the need to consider sustainability criteria when making investment decisions. Two editions were sent out in 2010 to banking analysts, the financial and environmental media, various Nedbank Group clients, Green Affinity members and a number of educational and industry databases. Very positive feedback was received from recipients.
- **Financial Mail Green Business Guide** – In 2010 Nedbank Group sponsored this publication, which is aimed at promoting 'green' purchasing behaviour and highlighting companies that are committed to environmental conservation.
- **Nedbank BDFM Greening Your Business** – To extend the group's sphere of 'green' influence Nedbank Group's sustainability division partnered with *Business Day* and *Financial Mail* to produce an online training course Greening Your Business. The course was offered free of charge for a limited period to Nedbank Group clients and the general public. More than 1 200 companies completed the course, with positive feedback received from participants.
- **Earth Hour** – Nedbank Group again participated in the WWF Earth Hour Campaign in 2010. It is the world's biggest mass action initiative aimed at addressing climate change. For one hour people on all seven continents switched off their lights in a symbolic gesture to call on world leaders to adopt a unified approach that will succeed in keeping global warming below two degrees celsius. As a corporate sponsor of Earth Hour, Nedbank Group hosted a media event in Cape Town, which included switching off the lights at the then newly completed FIFA World Cup Cape Town Stadium and on Table Mountain. In addition to encouraging its clients, suppliers and staff to switch off their lights on 27 March 2010 between 20:30 and 21:30, lights were also switched off in approximately 30 Nedbank Group buildings around the country.
- **Nedbank Green Wine Awards (Cape Winemakers Guild)** – Building on Nedbank's 14-year partnership with the Cape Winemakers Guild (CWG) and the CWG Development Trust, as well as the Biodiversity and Wine Initiative – which integrates conservation considerations into winemaking – in 2009 Nedbank Group partnered with *WINE Magazine* to launch the Nedbank Green Wine Awards. The awards serve the purpose of raising consumer awareness by elevating sustainable farming practices so that they can make an informed choice when making their wine purchases. The awards also recognise SA winemakers who are making a difference and encourage environmentally sustainable farming.

NEDBANK CAPITAL GREEN MINING AWARDS

Despite the impact of the global economic crisis on the mining industry, industry stakeholders remain committed to the preservation of the environment and the upliftment of the communities within which they operate. The Nedbank capital Green Mining awards recognise african mining and mineral beneficiation operations that have made a significant effort to promote sustainability. The 2010 winners of the fifth annual Nedbank capital Green Mining awards are mentioned below.

GREENING THE GROUP'S SUPPLY CHAIN

As part of the extension of Nedbank Group's Climate Change Position, it is focused on working closely with suppliers and influencing them to make greater efforts to incorporate environmental sustainability in the way they work.

During 2010 the group hosted supplier training and awareness sessions with about 150 key suppliers in the Retail

and Group Technology areas. Nedbank's journey and learnings were shared to encourage similar actions and behaviours among suppliers.

Nedbank's Group Technology Division added environmental commitment and action to its procurement decision formula in an effort to prioritise the purchase of materials and equipment that reduce environmental impact. A set of standards was developed as the main criteria for evaluation of suppliers and products going forward. These standards are to ensure that environmental considerations are included in the overall evaluation of potential suppliers.

11.3 Facilitating Sustainability through Products and Services

- **The Nedbank Green Affinity** – Nedbank Group clients are encouraged to support environmental causes via The Green Trust. They can do this by selecting Nedbank Green Affinity banking, investment and insurance products. As clients utilise the products, Nedbank Group donates money on their behalf to the trust at no cost to the clients. In 2010 Nedbank Green Affinity donations to The Green Trust increased by 19% to R6,4 million (2009: R5,3 million).
- **Nedbank Savvy Account** – The Nedbank Savvy Electronic Account remains a popular transactional banking vehicle for environmentally conscious consumers. An electronic current account with a full range of transactional account features, Savvy is completely paperless and linked to the Nedbank Green Affinity offering, allowing clients to conserve and contribute to the environment.
- **eStatements** – For every client that elects electronic statements rather than paper statements, Nedbank donates 25 cents to The Green Trust specifically for the Climate Change Programme.
- **Solar water heater programme** – The group is committed to supporting government in achieving its goal of installing one million solar water heaters in SA homes by 2014. To this end Nedbank Group has prepared a comprehensive solar water heater initiative, including the option to replace a burst geyser with a solar geyser, to be launched early in 2011. The programme also includes accessible and understandable consumer education and affordable solar geysers for staff and clients.
- **Nedbank Wealth become programme** – In 2010 Nedbank Wealth introduced a world class life insurance offering, complemented by a holistic health and wellbeing programme called *become*. In addition to personal wellness, the programme provides members with access to educational information on how they can contribute to the wellbeing of the planet.
- **Carbon financing** – Given the growth of the 'green' economy, investors and business are actively seeking innovative, environmentally aware finance partners that can help them drive their involvement in this dynamic economy. Nedbank Capital's Carbon Finance Team provides forward-thinking finance solutions, guidance and advice.
- **Advisory services** – Nedbank Group's respected 'green' credentials have resulted in the group becoming a sought-after provider of environmental guidance and assistance to a variety of retail and corporate clients. Not only does this allow the group to extend its environmental influence, but it also offers further opportunities for new business, thereby contributing to the economic sustainability of the group.
- **Greenbacks 'green stream'** – following demand from clients, the Greenbacks loyalty programme was enhanced through the addition of a 'green stream', allowing members of the programme to redeem their loyalty points for goods that are environmentally friendly. To date more than 3% of the total number of client redemptions have been for 'green' products.

For in-depth information on Nedbank Group's Environmental Activities:
<http://www.nedbankgroup.co.za/sustainEnvironmentIntro.asp>

12 United Nations Global Compact - Anti-corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Nedbank Group follows a multipronged approach in addressing and eradicating financial crime. In 2010 key aspects of this approach included:

- Close cooperation with law enforcement by rendering all possible assistance to see to the successful prosecution of offenders.
- Client and staff education in printed and electronic media.
- A substantial increase in the number of investigators.
- Continued focus on proactive, early detection of financial crime both against the bank and its clients.
- The introduction of new technologies such as biometric client authentication for the prevention of identity theft.
- The creation of a dedicated capacity for the combating of home loans crime to address the increased onslaught.
- Additional measures to combat new types of crime, specifically in the area of online fraud.

INTERNAL FRAUD AND DISHONESTY

Nedbank Group maintains a policy of zero tolerance of any dishonesty committed by staffmembers. Altogether 234 staff members were dismissed as a result of internal investigations in 2010, which is a decrease of 15,8% compared with 2009.

ASSESSMENT OF FRAUD RISK

The risk of internal and external fraud is evaluated on several levels:

- Risk control self-assessments are conducted on an ongoing basis to ensure that the appropriate controls are in place and monitored effectively. Where controls are lacking, action plans are formulated and implemented to ensure that the risk of fraud is within the accepted risk appetite of the group.
- Fraud key risk and control indicators have been developed and are monitored, tracked and reported on in accordance with the Operational Risk Management Framework (ORMF).
- Facilitated fraud risk assessments are undertaken as outlined in the International Standards for Auditing 240 (ISA 240).
- New products and all processes related to their use are evaluated to ensure that all aspects of fraud risk, legal risk and regulatory risk (such as the anti-money-laundering requirements) are considered.

DUE-DILIGENCE INVESTIGATIONS

Due-diligence investigations are performed at the outset of any business relationship with clients, partners, vendors, agents/ intermediaries and joint ventures. In addition, an ongoing assessment of the commercial, political, social and security environment where business is undertaken or likely to be undertaken is done. Social, economic and governmental changes in a country can create an environment that reduces security and increases the risk to the group's assets: staff, premises and information and, consequently, its ability to continue to do business.

INTERNAL AND EXTERNAL WHISTLEBLOWING REPORTING LINES

Security and fraud incidents can be reported, around the clock, through an internal reporting line, which is supported by an external, independently managed whistleblowing hotline, available to staff and clients. The facility also extends to Nedbank Africa subsidiaries in Namibia, Swaziland, Lesotho, Malawi and Zimbabwe. An ethics panel has been established for the appropriate handling of reports of a sensitive or serious nature.

In 2010 **1 497** anonymous tipoffs were received (2009: 1 114).

ONLINE FRAUD

During 2010 the group undertook various initiatives to protect its clients from online fraud, including participation in a concerted media campaign with the rest of the banking sector to educate consumers about online safety. Free software to all internet banking clients to protect them from phishing attacks was provided by Nedbank and a sophisticated phishing response infrastructure was created, which led to the successful prevention of 89,6% of all phishing losses.

CYBERCRIME RISK

Nedbank Group has taken note of the current and expected impact of cybercrime on the banking industry and its clients and has established an extensive internal digital forensic capability to deal with this risk effectively. The group also provides training and awareness in digital forensics at tertiary institutions and to the law enforcement community in South Africa.

SECURITY RISK

In 2010 a concerted focus on staff and client safety saw a 90% decrease in robbery incidents against 2009 figures. Robberies and burglaries remain a threat and these are mitigated, managed and monitored by highly sophisticated technology in a joint operations centre. Biometric doors at branch entrances, automated roller shutter doors, a well-implemented cash management system and improved response to incidents are critical in the management of security risk. A guard tracking device, digital video recorder live camera streaming and a security analysis management system are all scheduled for implementation in 2011.

Relations with the South African Police Services (SAPS) and National prosecuting authority were strengthened for the banking sector under the facilitation of South African Business Intelligence Centre.

COOPERATION WITH THE CRIMINAL JUSTICE SYSTEM

In addition to the day-to-day cooperation with law enforcement in the fight against crime, in 2010 Nedbank Group reported 522 suspicions of corruption and/or fraud in excess of R100 000 to the SAPS in terms of section 34 of the Prevention and Combating of Corrupt Activity Act. The group was also able to assist the SAPS in its investigations by responding to 3 163 subpoenas.

Nedbank Group considers financial crime to be a major operational risk that leads to significant losses, and it is for this reason that the group pursues a vigorous policy of mitigating the risk through active risk management.

MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS RISK MANAGEMENT

Nedbank Group does not associate, in any way, with money-laundering activities or terrorist financing. Clearly defined policies and procedures ensure compliance with all statutory requirements and regulatory obligations or, in the absence of these, that agreed standards are met. The group takes a proactive approach by endeavouring to identify any business relationships or applications for business relationships or transactions with individuals, entities and countries targeted in financial sanctions legislation.

The Business Risk Management Forum (BRMF), a Group Executive subcommittee, chaired by the Chief Risk Officer, is mandated to provide strategic direction for, and monitor the effective implementation of, anti-money-laundering (AML), combating the financing of terrorists (CFT) and sanctions compliance initiatives throughout the group. The Executive Steering Committee of the Money Laundering Control Programme, a subcommittee of the BRMF, ensures the internationalisation and operational implementation of AML, CFT and sanctions compliance.

Nedbank Group Risk maintains a close and transparent working relationship with the Financial Intelligence Centre (FIC), attends bimonthly meetings with the FIC, regular meetings with the SARB and JSE Limited and the Financial Services Board to ensure compliance with their requirements and obtain clarification, where necessary.

At 31 December 2010 a total of 4 387 503 client records were reflected on Nedbank Group's Client Information System as having been verified. Of the 123 090 non-verified client records 105 946 have been restricted, with 17 144 records currently being restricted. The number of non-verified, not yet restricted records equates to 0,31% of the total number of records, which compares well with the BRMF-approved risk threshold of 0,5%.

Training for AML and CFT remains a high priority. For the 24 months to 31 December 2010 a total of 21 255 of the selected 29 699 employees completed the awareness training for AML and CFT.

Nedbank Group's e-learning training intervention for CFT and related activities, which was first implemented in 2009, was recognised by the FIC as 'innovative and a first of its kind in South Africa'.

For in-depth information on Nedbank Group's Risk and Governance Practices:

http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/governance/risk_balance_sheet.asp
http://www.nedbankgroup.co.za/financial/Nedbank_ar2010/governance/enterprise.asp
