



**Nedbank Group 2010
United Nations Global Compact
Communication of Progress for 2009**

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Nedbank Ltd Communication of Progress 2010 – UN Global Compact

1. Introduction

Nedbank Group Limited ('Nedbank Group') 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.

Nedbank Group is South Africa's fourth largest banking group measured by assets, with a strong deposit franchise, the second largest retail deposit base, a client-centric wholesale and retail franchise and a substantial and growing bancassurance and wealth management offering. The group offers a wide range of wholesale and retail banking services through five main business clusters, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Bancassurance and Wealth. Nedbank Group focuses on southern Africa, with the group positioned as a bank for all – from both a retail and a wholesale banking perspective.

The principal banking services offered by Nedbank Group comprise business, corporate and retail banking, property finance, investment banking, private banking, foreign exchange and securities trading. Nedbank Group also generates income from private equity, credit card issuing and processing services, custodial services, unit trust administration, asset management services and bancassurance.

Nedbank Group's headquarters is in Sandton, Johannesburg, with large operational centres in Durban and Cape Town which are complemented by a regional branch network throughout South Africa and facilities in other southern African countries. These facilities are operated through Nedbank Group's 9 subsidiary and/or affiliated banks, 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 SA-based multinational clients.

2. Turning vision into reality

Nedbank Group's vision is to become southern Africa's most highly rated and respected bank by our staff, clients, shareholders, regulators and communities. In achieving this vision, the bank has identified a number of long-term objectives, which are referred to internally as its Deep Green aspirations. These are:

- to become a great place to work, a great place to bank and a great place to invest;
- to unleash synergies;
- to be worldclass 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; and

- to live our values.

Nedbank Group is a values-driven organisation and its vision, strategy and Deep Green aspirations are underpinned by the agreed group values of integrity, respect, accountability, pushing beyond boundaries, and being people-centred.

These values drive the attitudes, decisions and behaviours of the bank and its people and, along with the vision and strategic imperatives of the group, are key to the attainment of its sustainability objectives.

3. Nedbank Group Sustainability Report 2009

3.1. CEO Statement

The year 2009 was difficult for the financial services sector worldwide in the aftermath of the global financial crisis – a crisis that, sadly, was caused by companies adopting non- sustainable business practices at the expense of their stakeholders.

It is pleasing to note that, throughout the financial crisis, South Africa's banking system remained resilient, as demonstrated by the country's move from 15th to 6th place in the latest World Economic Forum Global Competitiveness Report.

Despite the immense pressures of the past two years, Nedbank Group has continued to focus on sustainability by positively contributing to all stakeholders and balancing short-term profitability with our overriding goal of long-term sustainability.

This is because Nedbank Group strives to be a leader in sustainability, not for competitive advantage, but because it makes sound business and moral sense. Our focus is on balancing environmental, social, cultural and economic sustainability issues to make a valuable contribution to the future of our country by uplifting and empowering people and preserving our natural resources.

The financial crisis has heightened the focus on economic sustainability and we have continued to concentrate on entrenching sound risk management practices and refining our governance and compliance policies to improve the competitiveness of our bank.

After lagging on the transformation curve for some time, Nedbank Group has made great strides in becoming a truly southern African group and, in 2009, we were ranked as the most-empowered financial institution in South Africa and the third most-empowered company out of the top 200 companies on JSE Limited.

Within the context of government's commitment to cut carbon emissions over the next 15 years, Nedbank Group is proud to be the only domestic bank to commit itself to becoming carbon neutral within our defined scope and reporting boundary. Our efforts to combat climate change have seen groupwide


intensity reduction targets incorporated into business and individual performance scorecards with the aim of accelerating the rate of behavioural change across the group.

Given these, and the many other initiatives undertaken over the past year, sustainability is definitely gaining traction within our bank, reinforced by a steadily growing sustainability culture that is taking root across the organisation.

We remain a signatory to the Equator Principles, which offer sustainable business guidelines to the financial sectors of the world, and we continue to support the UN Global Compact and the UNEP FI African Task Force, which allow us to remain actively engaged in developing and financing various sustainable solutions across the African continent.

As the first steps are taken towards formulating a comprehensive climate change policy for the country, Nedbank eagerly anticipates walking together with government, business and civil society in developing South Africa's greener future. Central to this aspiration is our desire to serve clients across all of our businesses in exciting, innovative and relevant ways that enable them to participate in the shift to a low-carbon economy.

In signing off on my last sustainability report before handing over the reins to my successor, Mike Brown, I would like to thank all of our stakeholders for affording me the privilege of participating in the sustainability journey of such a committed, dynamic and caring organisation.



3.2. Scope of reporting

We have incorporated the management of environmental and social risks into our Enterprise-wide Risk Management Framework to ensure that these are properly integrated into our strategic focus and risk environment.

The G3 guidelines of the Global Reporting Initiative (GRI) form the basis for this annual report cycle, and an analysis of the group's compliance with these guidelines appears at <http://www.nedbankgroup.co.za/financials/2009Sustainability/gri.asp>, Nedbank Group Sustainability Report 2009, together with selected indicators from the GRI Financial Services Sector Supplement. There have been no significant changes in accounting standards regarding sustainability reporting. Please also refer to the assurance statement at <http://www.nedbankgroup.co.za/financials/2009Sustainability/assurance.asp>

Nedbank Group endorses the recommendations of the King Report on Corporate Governance for South Africa 2010 (King III). This report covers the activities of Nedbank Group, focusing primarily on the South African operations, but also including information from our African operations and our UK/Channel Islands businesses.

3.3. Indices and Awards

As part of Nedbank's sustainable journey, we are proud to be included in a number of indices and are well-represented at various forums.

Full details can be obtained from the following link:

<http://www.nedbankgroup.co.za/financials/2009Sustainability/environmentalApproach.asp>

Highlights for 2009 include:

Nedbank Group's environmental sustainability credentials	
Indices	South African Carbon Disclosure Leadership Index: 2009 overall winner
	Dow Jones World Sustainability Index
	JSE Social Responsibility Index
Awards	Ask Afrika Trust Barometer®, 2009: Leading Green Corporate
	<i>Mail & Guardian</i> Greening the Future Awards: Finalist in the category 'Water care'
	Africa Investor: Award for the Best Carbon Finance Initiative
Representation/ Signatory	Equator Principles – First African bank signatory
	UNEP FI: Co-chair: African Task Force and Water and Finance Workstream; Member: Biodiversity and Ecosystem Services Workstream
	Climate Neutral Network (founding partner)
	United Nations Global Compact – Caring for Climate Programme
	National Energy Efficiency Accord
	National Business Initiative Climate Change Working Group
	University of Cambridge – Prince's Rainforests Project: Copenhagen Communiqué

4. Key Sustainability Indicators

	Indicator	2009	2008	2007	Progress
	Headline earnings (Rm)	4 277	5 765	5 921	The group is solidly profitable, but earnings declined in the context of the global financial crisis. Earnings were impacted by increasing retail impairments and reduced NII from reduced endowment earnings following the 450 basis point decrease in interest rates. ROE and ROA metrics declined in line with the reduction in earnings, and a stable capital and asset position being maintained.
	Diluted headline EPS (cents)	983	1 401	1 429	
	ROE (%)	11,5	17,7	21,4	
	ROA (%)	0,75	1,09	1,30	
	Efficiency ratio (%)	53,5	51,1	54,9	Good expense management, but declined owing to lower income and inclusion of joint ventures.
	Total capital adequacy (%)	14,9	12,4	11,4	Capital position strengthened significantly above the group's internal targets.
	Assets under management (Rm)	93 627	84 381	85 438	Domestic asset management showed good growth.
	Number of permanent employees	27 037	27 570	26 522	Good progress. Refer section 5 for further details.
	Black staff at executive level (%)	40	30	30	
	Black staff				
	at senior management level (%)	27,88	26,96	22,25	
	at middle management level (%)	46,89	44,64	35,99	
	at junior management level (%)	74,39	72,76	48,88	

	Training and skills development spend as percentage of payroll	4,32	4,05	2,02	
	Overall BEE spend ratio (%)	83,4	62,0	48,1	
	Compliance (%) to the Nedbank Group Occupational Health and Safety (OHS) Programme	Above 95	93,56	91,22	
					Measured in terms of Nedbank's OHS Policy, which is more stringent than legislation requires. Compliance in terms of the Occupational Health and Safety Act: 98,88% (2008: 98,56%).
	Corporate social investment (CSI) spend (Rm) (Nedbank Foundation, other foundations and trusts and Nedbank Affinities)	68,31	38,01	37,12	Increase is due to a new bursary scheme as well as an increase in spend from the Community Trust and BoE Education Fund.
	Socioeconomic development spend (Rm)	72,55*	66,90*	45,30*	Good progress. Refer section 4 for further details.
	Electricity consumption (kWh) [#]	95 546 670	98 710 927*	100 580 577*	Good housekeeping initiatives and technical interventions for lighting and air conditioning to continue reduction of electricity consumption.
	Water consumption (kilolitres) [#]	310 210	373 935	445 459*	Good housekeeping initiatives and rolling out of technical interventions to reduce water consumption.
	Waste reduction: Landfill (tonnes) [#]	552	674 [†]	774 [†]	Waste sent to landfills has decreased due to better sorting, which in turn has increased recycling.
	Total recycled materials – glass, plastic, tin, cardboard and paper (tonnes) [#]	454,91	419,20 [†]	396,20 [†]	Increase in recycling is due to waste being sorted more efficiently, and therefore less waste going to landfill.
	Paper consumption (tonnes) [#]	989	1 007	1 047	Refer to the overview of the 2009 carbon emissions in the Environmental sustainability section.
	Total carbon emissions (tonnes) [‡]	213	135 468,69	129 946,25	Please refer to section 4 for further details.

		606,23			
	The Green Trust disbursements (Rm)	5,31	5,35	5,3	Details of The Green Trust projects are contained in section 4, page 66.
	Total environmental expenditure (Rm)	31,5	13,6	6,5	2009 increase due to R15m spend towards carbon neutrality.
	Dow Jones World Sustainability Index	Yes	Yes	Yes	Only SA bank included in index, 2009: 77% (2008: 74%).
	JSE Social Responsibility Index	Yes	Yes	Yes	Included since launch of index in 2004.

■ Includes CSI and sports development and consumer education.

□ Includes CSI and developmental sponsorship, external bursary scheme and consumer education.

□ Includes CSI and consumer education.

Campus sites only.

¤ Groupwide.

* 2007 figures restated.

□ 2008 base restated for certain premises as a result of (i) amended billing and occupation statistics and (ii) to reflect actual data now available where averages were used in initial 2008 calculation.

□ Data converted from cubic metres (as previously reported) to tonnes.

□ 2008.

5. United Nations Global Compact 10 Principles

As a signatory to the UNGC, it is expected of Nedbank 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 Sustainability Report 2009.

Highlights / extracts and references to more in-depth information in the report.

5.1. Human rights

- 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.

5.1.1. Initiatives in 2009

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 participated 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.

The past few years have seen Nedbank Group working with the SA Human Rights Commission and the African Institute of Corporate Citizenship (AICC) to develop a customised human rights compliance assessment tool for South Africa. The Human Rights Compliance Assessment was implemented in 2009, with no adverse findings.

Nedbank Group is a platinum partner with, and sponsor of, the AICC on the Human Rights and Business Project South Africa – supporting the implementation of the UNGC 10 Principles.

During 2009 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.

Nedbank Group hosted the AICC Human Rights as well as the NBI Human Rights round-table meetings during 2009, and was the main sponsor for the Human Rights in Business Project through the AICC. The Nedbank Ethics Officer assisted the AICC and Aim for Human Rights (Netherlands) to implement the same project in Tanzania.

The Human Rights and Business Project South Africa focuses on the development of a basic human rights and business approach for companies. The project, which was initiated by Aim for Human Rights, aims to enhance the capacity of selected civil society and business organisations in South Africa to use and promote the human rights and business tools, as well as to raise awareness about human rights and business. Since its inception in 2007 the project has been driven solely through donor funding. From January 2009 the project has been driven through a combination of private sector support and donor funding.

The secretariat for the project, the AICC, approached Nedbank to become one of the key private sector supporters of the project by taking up platinum sponsorship.

5.1.2. Code of Ethics and Business Conduct

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 please access the following link: <http://www.nedbankgroup.co.za/financials/2009Sustainability/economicCode.asp>

5.1.3. Contributing to the economic sustainability of our clients

The economic sustainability of Nedbank Group's stakeholders – clients, investors, employees or individuals or communities touched by the work we do – is directly influenced by the bank's ability to operate according to key sustainability requirements, including compliance with relevant legislation and regulations, continued profitability through sound business and risk management practices, a commitment to responsible lending and environmentally friendly operations, and an ongoing passion to uplifting those who find themselves in less than fortunate situations due to poverty or illness.

The report focuses on in-depth initiatives undertaken to make this a reality for Nedbank at <http://www.nedbankgroup.co.za/financials/2009Sustainability/economicContributingClients.asp>

5.1.4. Social sustainability

GRI – Financial Services Sector Supplement:
FS1, FS2, FS3, FS5, FS7, FS11, FS13, FS14 and FS16

While the effective management of the money entrusted to us by our clients is at the core of our business purpose, there is far more to Nedbank Group than mere financial operations. So, while our business strategies are what drive us forward in terms of financial profitability on our sustainability journey, our 'heart' is what ensures that we make a difference to the lives of others along the way. Nedbank Group is determined to play a central role in uplifting the economy of South Africa and improving the lives and futures of all our country's people. Rather than being an aspect of our business that happens by chance, such socioeconomic development and community upliftment form a significant part of Nedbank Group's strategic intent.

5.1.4.1. The creation of an inclusive future

In 2009 the Dinokeng scenarios exercise was sponsored by Old Mutual and Nedbank Group. Calling on the collective experience and expertise of the various participants – representing the full spectrum of civil society and government, political parties, business, public administration, trade unions, religious groups, academia and the media – Dinokeng considered our nation's key accomplishments and failures since 1994, and the critical challenges that lie ahead. The scenarios suggest three possible futures for South Africa and highlight the importance of adopting an approach of 'walking together' into the future through active citizen engagement with a government that listens and is effective, and shares a common national vision that cuts across economic self-interest in the short term.

The different scenarios can be accessed on the flowing link: <http://www.nedbankgroup.co.za/financials/2009Sustainability/socialDinokeng.asp>

5.1.5. Socioeconomic development

5.1.5.1. Integrating economic and social sustainability

The global economic crisis of 2008 and 2009 saw much of the world facing recessionary conditions, which resulted in the closure, or near closure, of a number of well-known and highly regarded international financial institutions. Despite having managed through the resulting financial crisis, Nedbank Group was left in no doubt regarding the importance of ensuring that its economic sustainability does not depend solely on external factors or the state of the economic environment in which we operate. This understanding that inherent economic sustainability is the bedrock of any viable and resilient business has led us to focus on developing and

implementing worldclass governance and compliance practices and honing our risk management skills to ensure that, regardless of external forces, Nedbank Group is well-positioned to continue growing shareholder value, protecting the financial interests of our clients, employees and suppliers, and contributing positively to the economic future of the country.

The following initiatives are covered under this section:

- Empowerment Financing
 - Nedbank's internal targeted investments
 - BEE transaction financing
- Access to financial services
- Consumer and community education
 - Sustainability education among clients
- Enterprise development
- Affordable housing
- Preferential procurement

<http://www.nedbankgroup.co.za/financials/2009Sustainability/socialSocioeconomic.asp>

5.1.6. The Nedbank Foundation

The Nedbank Foundation is the primary corporate social investment (CSI) arm of Nedbank Group and is integral to the organisation's achievement of its Deep Green aspiration of 'being highly involved in the community and environment'.

Established in 1992, the foundation contributes significantly to community upliftment and development programmes that are both empowering and sustainable – and encourages others to do the same. To ensure the long-term effectiveness of the contributions it makes the foundation focuses its CSI efforts and contributions on the following key focus areas:

Education	Assistance is given to a variety of school-based educational projects, early-childhood development, rural-school refurbishment, support for teacher training initiatives, support for tertiary institutions and any other priority areas in education in line with national priorities.
Community	Support for HIV/Aids initiatives, children's homes, hunger and disaster relief and non-profit organisations

development	(NPOs) that serve vulnerable groups.
Socioeconomic development	Support for a variety of skills development and enterprise development projects.
Volunteerism	Opportunities for staffmembers to volunteer and support various causes that they are passionate about.

<http://www.nedbankgroup.co.za/financials/2009Sustainability/socialFoundation.asp>

5.1.7. Nedbank Affinities

- 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 is to 'change the way society treats its children and youth'. It was founded by former president Nelson Mandela in 1995 to look after orphaned, abandoned and vulnerable children and youths from birth to 22 years of age. To maximise the positive impact of its resources the NMCF works closely with fellow development organisations, government, the private sector and other interested parties.
- The Sports Trust was established in September 1995 as a joint venture between the private and public sectors – all with a shared goal of providing opportunities for all South Africans to play sport, at all levels, across all sporting codes and thereby building communities.
- The Arts & Culture Trust (ACT) is a unique alignment of agencies involved in the development of culture and the fostering of creativity in South Africa through the support of arts, culture and heritage projects.

<http://www.nedbankgroup.co.za/financials/2009Sustainability/socialAffinities.asp>

5.1.8. Extending our social reach

Please see details about our initiatives by subsidiaries <http://www.nedbankgroup.co.za/financials/2009Sustainability/socialReach.asp> at <http://www.nedbankgroup.co.za/financials/2009Sustainability/socialReach.asp>

5.1.8.1. Nedbank Group sponsorships

- Golf
- Sport for the disabled
- Soccer

- The Businesswoman's Association
- Cape Winemakers Guild
- The Nedbank and Old Mutual Budget Speech Competition
- Brand Ambassadors

<http://www.nedbankgroup.co.za/financials/2009Sustainability/socialSponsorships.asp>

5.1.9. Occupational Health and Safety

Nedbank's Occupational Health and Safety (OHS) Programme remains of the highest standard, with compliance with the Occupational Health and Safety Act (85 of 1993) by headoffice sites, regional offices and branches above 95%. The group's OHS Department measures compliance on a monthly basis and implements policies and procedures to ensure risks are identified and eliminated.

Nedbank Group has incorporated measures, over and above those required by the OHS Act, to ensure each site has the highest possible levels of health and safety. These measures include monitoring monthly OHS meetings, incident investigation, biannual evacuation drills and training. The overall compliance for Nedbank, measured against the OHS Act and its regulations for 2009, was 98,88% (2008: 93,56%).

Nedbank Group tracks safety performance, work-related injuries and fatalities, and near misses. Contractors working at Nedbank Group premises are monitored in terms of safe work practices and registration of all such contractors with the Compensation Commissioner is compulsory.

A total number of 52 injuries on duty (workmen's compensation claims) were reported to the Compensation Commissioner during 2009. Zero fatalities were recorded.

The Disability Incident Frequency Rate (DIFR) for Nedbank is 0,15, measured against the banking, finance and insurance industries of 0,19. This is 22% below the national average of DIFR.

Nedbank tracks safety performance, work-related injuries and fatalities and near misses.

Some of the 2009 OHS highlights included:

- 25 396 staffmembers throughout Nedbank Group completed the compulsory OHS induction training.
- 52 staffmembers made use of the injured-on-duty leave category, resulting in 1 287 man-days lost.
- An emergency evacuation policy was implemented and all Nedbank Group sites completed biannual emergency evacuation exercises.

- All headoffice sites were issued with emergency evacuation chairs to ensure the safe evacuation of any person with disabilities or injuries.
- The annual Health and Safety Awareness Day, which covered all aspects of health, workplace safety and security, personal safety, dread-disease management, home security, stress management, nutrition, fitness, first aid at home, Nedbank Group's OHS Programme, safe work practices, emergency procedures, and fire safety, was held.
- A Pandemic Planning Team was formed to address contagious diseases such as the H1N1 (Swine Flu) pandemic, and all other contagious diseases.

5.2. Labour

- 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.

5.2.1. Cultural sustainability

GRI – Financial Services Sector Supplement:
FS1

All successful transformation journeys start with the people of the organisation concerned. As an employer of more than 27 000 people and a business that utilises a wide variety of services and products procured from thousands of suppliers, Nedbank Group is in the privileged position of being able to make a tangible difference in the lives of many South Africans and their families. By successfully transforming our bank from the inside, we are in the position to help effect transformation outside our organisation – influencing thoughts, attitudes and behaviours, developing leaders and creating a society that values and embraces diversity and works together for the greater good of all its members.

Details of Nedbank's transformation journey are contained in the Black Economic Empowerment Report at <http://www.nedbankgroup.co.za/sustainabilityTransformation.asp>

5.2.2. Building a unique culture for competitive advantage

5.2.2.1. Entrenching the Nedbank Group Vision

The bank has embarked on various initiatives aimed at embedding the vision and values of the organisation. Key to this is the Leading for Deep Green (LFDG) cultural intervention, which runs concurrently with the Management Development Programme (MDP). The MDP focuses on empowering all employees to become better managers.

5.2.2.2. Living our values

Nedbank's core values form the foundation of our group strategy and have been central to the development of our new organisational structure. Our focus in 2010 will include defining key behaviours that support our values for all our stakeholders, especially our new leadership team and employees. Values will continue to be measured through our biannual performance management system and annual culture and climate surveys.

5.2.2.3. Driving high performance

Nedbank Group's high-performance culture is characterised by openness and trust, with clear accountability for execution, and the freedom to take calculated risks, thereby constantly raising individual and organisational performance. Performance scorecards reflect an integrated approach to sustainability and are balanced across economic, environmental, social, transformational and cultural elements. Our commitment to driving high performance is evident in our new organisational structure, with the separation of support structures from the client-facing clusters to ensure that the business is able to focus on improving economic performance regardless of economic conditions..

See also the following at <http://www.nedbankgroup.co.za/financials/2009Sustainability/staffMatters.asp>

- Nedbank Group staff and human resources (HR) highlights for 2009
- Challenges in achieving our 2009 cultural sustainability goals
- Cultural sustainability goals for 2010
- Employee profile
- Managing the Nedbank Way
- Employee Morale
- Employee Wellbeing
- Flexible work practices
- HIV / AIDS Management Programme
- Employee relations
- Embedding talent management
- Developing and growing our people

- Eyethu BEE Scheme
- Accelerating transformation
- BEE stakeholder engagement
- Nedbank's people strategy going forward

The 2010 focus areas are:

- building a unique culture for competitive advantage;
- accelerating transformation;
- embedding talent management;
- learning and growing;
- aligning the Total Rewards Strategy; and
- enabling HR capability.

5.2.2.4. Staff volunteerism

As a bank that is committed to being highly involved in the community and environment, Nedbank Group is committed to encouraging and enabling its staff to share their skills and talents in service of others – thereby contributing to the transformation of the country as well as the business. The group's Staff Volunteerism Programme is designed to cater for staffmembers who wish to give of their time to worthy causes. Many opportunities are available within the group for staff to involve themselves in volunteer work or charity support. These include:

- Team Challenge 2009
- Local Hero Programme
- Payroll Giving Programme
- Angel Tree 2009
- Deep Green Day
- Cause-related marketing – Shavaton 2009

<http://www.nedbankgroup.co.za/financials/2009Sustainability/staffVolunteerism.asp>

5.2.3. GRI

The Global reporting Initiative Content Index can be found at <http://www.nedbankgroup.co.za/financials/2009Sustainability/gri.asp>

5.3. 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.

5.3.1. Guiding principles for responsible lending

As a responsible lender, Nedbank Group follows rigorous policies and procedures in all its lending or financing activities. This responsible lending approach is informed by:

- Human Rights and the United Nations Global Compact
- The Code of Banking Practice
- Policy regarding political contributions
- Our relationship with regulators

<http://www.nedbankgroup.co.za/financials/2009Sustainability/economicGuidingPrinciples.asp>

5.3.2. Environmental and Social Risk Management

Environmental and social risk management is incorporated into Nedbank Group's strategic objectives and the way the group conducts business, shapes its risk management disciplines and processes, develops policies to govern behaviour and conduct, and assesses employee performance.

We consider the following:

- The role of Equator Principles in financing decisions

<http://www.nedbankgroup.co.za/financials/2009Sustainability/economicRiskManagement.asp>

5.3.3. Environmental Sustainability

GRI – Financial Services Sector Supplement:
FS1, FS2, FS3, FS4, FS5, FS8 and FS11

As South Africa's 'green' bank, Nedbank Group embraces the role it has to play in conserving our country's natural resources for future generations. As such, our pledge to the environment extends beyond legislative compliance and is part of our integrated sustainability strategy and approach. While our day-to-day business operations may not have a significant impact on the environment, we acknowledge that we have a responsibility towards protecting our country's natural heritage and helping to preserve our planet for future generations. This is not a responsibility we take lightly, and our passion for environmental sustainability lies at the heart of our reputation as a pioneering 'green' South African organisation.

5.3.4. Nedbank's approach to environmental management

The Group Transformation and Sustainability Committee, a committee of the Nedbank Board, is responsible inter alia for monitoring and refining the environmental policies and ensuring that these are integrated into the Nedbank Group philosophy and practice. At an executive level, the Group Executive: Enterprise Governance and Compliance assumes overall accountability for the management of environmental sustainability.

Nedbank Group's environmental policy confirms our commitment to developing an environmental protection and conservation culture in our own operating environment and among all the parties with whom we have a business association. The policy is aimed at ensuring that the group's business is conducted in a responsible, fair and honest manner and in keeping with government's stated objectives in terms of environmental protection. The policy sets out the high-level principles of the Nedbank Board for environmental management across the group and forms part of our operating philosophy, policies, standards and values. Although the group cannot prescribe environmental management policies to its clients and suppliers, it does encourage sound environmental management and compliance with legislation and regulations.

Nedbank seeks to continually improve its environmental management by conducting internal environmental reviews and reporting on progress made in achieving its targets in respect of the integration of environmental sustainability considerations into its operations.

The Environmental Policy is linked to, and bolstered by, the sector guidelines for the mining, property, water, waste management and mergers and acquisitions sectors. The sector guidelines include all the national and international best-practice guidelines and regulatory frameworks that are to be taken into account in a social and environmental assessment of a project related to the specific fields covered by the sector guidelines.

5.3.5. Group Environmental Forum and Working Committees

In 2008 Nedbank Group formalised the structure and objectives of our Group Environmental Forum (GEF), chaired by the Group Executive: Enterprise Governance and Compliance.

During 2009 the forum served to:

- enhance the effective coordination of environmental initiatives across the group;
- provide a recognised platform for information sharing and capturing of synergies;
- streamline and facilitate environmental sustainability reporting, communication and marketing; and
- play an integral role in shaping the group's strategy through, inter alia, contributing to the Group Integrated Environmental and Social Business plan for 2010 to 2012.

5.3.6. Nedbank Group's environmental sustainability credentials

Indices	South African Carbon Disclosure Leadership Index: 2009 overall winner
	Dow Jones World Sustainability Index
	JSE Social Responsibility Index
Awards	Ask Afrika Trust Barometer®, 2009: Leading Green Corporate
	<i>Mail & Guardian</i> Greening the Future Awards: Finalist in the category 'Water care'
	Africa Investor: Award for the Best Carbon Finance Initiative
Representation/ Signatory	Equator Principles – First African bank signatory
	UNEP FI: Co-chair: African Task Force and Water and Finance Workstream; Member: Biodiversity and Ecosystem Services Workstream
	Climate Neutral Network (founding partner)
	United Nations Global Compact – Caring for Climate Programme

	National Energy Efficiency Accord
	National Business Initiative Climate Change Working Group
	University of Cambridge – Prince's Rainforests Project: Copenhagen Communiqué
	The UNEP FI Statement on Climate Change

Further environmental credentials can be viewed at <http://www.nedbankgroup.co.za/financials/2009Sustainability/environmentalApproach.asp>

5.3.7. Nedbank's Greenhouse Gas Report

Please see the

- Carbon Footprint measurement and
- Driving Carbon reduction at

<http://www.nedbankgroup.co.za/financials/2009Sustainability/environmentalGreenhouse.asp>

5.3.8. Nedbank's Climate Change Journey

Addressing the impacts of climate change has remained the key environmental focus for Nedbank Group and 2009 saw this focus intensify as a central element of our integrated sustainability journey and strategy.

Our climate change journey has included the continued reduction of our impact on the environment and the recognition of the crucial role that the banking industry has to play in enabling SA's transition from a carbon-intensive economy to more efficient low- carbon alternatives.

5.3.9. Driving awareness of Climate Change initiatives:

- Enhancing awareness through training and Communication
- Enhancing awareness through staff engagement
- Enhancing awareness through internal 'Greening' and carbon reduction initiatives
- Taking 'greening' to the next level
- Enhancing awareness through external engagements and partnerships
- Vote Earth
- WWF

- United nations Environmental Programme Finance Initiative
- Environmental expenditure
- Driving carbon neutrality

5.3.10. Extending our environmental reach

- The Nedbank Green Affinity and the Green Trust
- Green Trust Project Selection
- Nedbank Capital Green Mining Awards
- The Prince's Rainforest Programme
- Greening our Supply Chain
- Extending our environmental reach through our supplier base
- Extending our environmental initiatives through our subsidiaries

<http://www.nedbankgroup.co.za/financials/2009Sustainability/environmentalReach.asp>

5.4. Anti-corruption

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

5.4.1. Risk Management

○ The Evolution of Risk Management

- The recent global financial crisis has seen risk management become more important than before as an enabler of business sustainability. Nedbank Group is acutely aware of the challenging global conditions facing the banking industry, and remains committed to risk management as an integral component of its business.
- A proactive, timeous and effective response to the impact of changes on operational needs is essential if we are to sustain and build on the solid fundamentals of risk management already entrenched throughout the organisation.

5.4.2. Lessons learned from the Global Financial Crisis

In the wake of the global financial crisis – which saw shareholder value around the world severely eroded and many large financial institutions become insolvent – considerable blame has been directed at poor risk and capital management, inferior corporate governance within the financial services industry, and inadequate regulation and supervision by regulatory bodies and governments.

With all this in mind, history has shown that the key risks that could result in the failure of any bank include the following:

- Poor quality of a bank's board and/or executive management, and/or its failure to endorse sound risk management.
- Badly managed liquidity risks.
- Insufficient capital.
- Concentration risk(s) – especially credit risk and associated poor-quality lending.
- Poor governance, risk management and/or internal controls.
- Lack of transparency (and undue complexity).
- Reputational risk (and any erosion of a bank's franchise value).

South Africa's banking industry managed to remain structurally sound in the face of the global crisis, and Nedbank Group's stringent risk and capital management practices contributed to such structural soundness. This resilience was enhanced by a number of external factors, which include, but are not limited to, a strong regulator, early adoption of Basel II principles, conservative credit and monetary policies, and the successful implementation of the National Credit Act (NCA), which minimised irresponsible lending practices, overgearing and excessive consumer debt.

Please also see

- An integrated approach to risk management and
- Enterprisewide Risk Management at

<http://www.nedbankgroup.co.za/financials/2009Sustainability/economicRiskManagement.asp>

5.4.3. Tackling Financial Crime

Nedbank Group will not be associated with money laundering or terrorist financing and maintains policies and procedures to ensure statutory duties and regulatory obligations or, in their absence, agreed standards are met.

Nedbank Group operates in a geographic area where a legacy of socioeconomic disbalance has led to heightened levels of crime. Financial crime encompasses various, disparate phenomena united by the same insidious consequences of weakening the fabric of society, eroding shareholder value and entrenching the very social conditions that trigger it, thereby creating a vicious circle that undermines the goals of sustainable development. Nedbank has realised the threats posed by financial crime to our society and plays an active role in assisting the criminal justice system to ensure that perpetrators are brought to book.

5.4.3.1. Management approach

- The group maintains a policy of 'zero tolerance' in respect of the commission or concealment of fraudulent or illegal acts and does not tolerate any form of dishonesty, fraud, theft, corruption or unethical behaviour in its activities and operations.
- The group will investigate allegations of fraudulent or illegal acts and take appropriate action against any person in its employ that is involved in, or assists with, such acts and will, furthermore, actively seek legal recourse against all parties involved.
- The group maintains a centralised inhouse investigation capacity, namely Group Forensic Services, as well as several specialised investigative units in critical business areas such as Card Fraud.
- Group Security and Safety Services is responsible for ensuring the physical safety of the clients, staff and assets of the bank.
- A level 3 policy, the Fraud and Corrupt Activities Policy, defines the acts of fraud and corruption and outlines the measures undertaken by the group to counter such activity.
- Employees are encouraged to report any suspicion of wrongdoing to the bank. The Whistleblowing Policy (level 3) guarantees protection of any individual reporting suspicions of serious malpractice in the group.
- Staffmembers and the public who wish to remain anonymous when reporting suspicions of wrongdoing may do so by means of an independently administrated anonymous reporting line, Tip-offs Anonymous.
- All new applicants, whether permanent, contractors or temporary staff, undergo preemployment screening to minimise the risk of infiltration of the bank by criminal elements.
- Nedbank participates in various crime-prevention initiatives with other financial institutions, government services such as the South African Police Service (SAPS), the National Prosecuting Authority (NPA) and the Department of Home Affairs and non-government organisations (NGOs), both directly and under the auspices of the South African Banking Risk Information Centre (SABRIC), a section 21 company formed by South African banks to support the banking industry in the combating of crime.

5.4.3.2. Key performance indicators

- In the course of 2009 Group Forensic Services investigated a total of 12 976 cases, which is an increase of 0,16% over the number of cases investigated in 2008.

- At the same time gross financial-crime losses decreased by 43,71% compared with 2008.
- Bank robberies targeting Nedbank increased by 11% from 2008, burglaries decreased by 29% and ATM attacks were down by 68%.
- By the end of 2009 90% of staffmembers had undergone screening for past misdemeanours, a decrease of 3,12% over 2008.
- A total of 246 staffmembers were dismissed for dishonesty in 2009.
- During 2009 a total of 1 114 anonymous tip-offs were received, a minimal increase on the 1 089 whistleblowing reports received in 2008.
- A total of 71 individuals were arrested in 2009, which represents a decrease of 13,41%.
- A total of 694 suspicions of corruption and/or fraud were reported to the SAPS in terms of the Prevention and Combating of Corrupt Activities Act of 2004, compared with the 897 reports made in 2008.

5.4.3.3. Impact

- Nedbank's efforts to combat financial crime are supported on all levels within the group.
- Nedbank continued to enjoy a healthy relationship with the SAPS, the NPA, the Financial Intelligence Centre (FIC), the SARB, the Financial Services Board (FSB), the Department of Home Affairs and other relevant players in the financial-crime-prevention landscape.

5.4.3.4. Initiatives

- Nedbank is exploring various biometric solutions as a means of preventing identity theft in the twenty-first century as well as to serve as a deterrent against bank robberies.
- Fraud risk assessments were conducted in all clusters in the bank in terms of ISA 240.
- An increase in home loans fraud led to the creation of a multidisciplinary team to focus exclusively on the detection and investigation of fraud in the home loans space.
- Proactive detection of financial crime was expanded through the introduction of several new data-mining measures for the early identification of potential fraud.

5.4.4. Combating Money laundering – Management Approach

- Nedbank Group will not be associated with money laundering or terrorist financing and maintains policies and procedures to ensure statutory duties and regulatory obligations or, in their absence, agreed standards are met.
- The Business Risk Management Forum (BRMF), a Group Exco subcommittee, provides strategic direction and monitors the effective implementation of anti-money-laundering (AML) and combating the financing of terrorist and related activities (CFT) initiatives throughout the group. The Executive Steering Committee of the Money-laundering Control Programme (MLCP), a subcommittee of the BRMF, ensures the internalisation and operationalisation of AML/CFT initiatives. The status of AML/CFT is communicated through the MLCP governance forums and structures and tracked through MIS and minutes of meetings.
- The policies related to AML/CFT have been developed on four levels. Levels 1 and 2 are the risk framework principles and Old Mutual plc group-level policies applicable to all principle subsidiaries (including Nedbank). Level 3 refers to the group-level policies of Nedbank, fully complete and aligned with Old Mutual plc levels 1 and 2. Level 4 consists of the business unit policies of Nedbank, complete and fully aligned with Nedbank's group-level policies (level 3).

5.4.4.1. Key performance indicators

- A total of 4 015 616 client information system (CIS) client records reflect as verified and 1 081 492 client records reflect as exempted at 23 December 2009. The total number of not-verified client records (121 975) is comprised of:
- 110 982 records that have been restricted.
- 10 993 records that are currently in the restriction process. This equates to 0,21% not-verified, not-restricted records against a risk threshold of 1% (maximum threshold percentage).
- Clients whose records reflect as 'not verified' after a specified period following account opening form part of the ongoing process to restrict clients.
- Training for AML and CFT remains a high priority. Training statistics at 31 December 2009 were as follows:
- 21 575 of the selected 27 037 employees completed the Awareness Training for AML/CFT within the past 24 months and are compliant. The ongoing training requirement was operationalised during 2009 and Nedbank is currently 79,05% compliant against a recently agreed risk threshold of 80% (minimum compliance percentage), which should be achieved shortly.
- 15 298 of the 17 076 Retail employees completed the Money-laundering Control Basic Training.

- 1 353 of the 3 483 Nedbank Corporate employees completed the Money-laundering Control Specialised Training for Corporate and Merchant Banking. The assessment for this training intervention has been deactivated until the training intervention has been updated.
- 1 730 of the 2 278 Business Banking employees completed the Money-laundering Control Specialised Training for Corporate and Merchant Banking. The assessment for this training intervention has been deactivated until the training intervention has been updated.
- 1 971 employees completed the Training for the Combating of the Financing of Terrorist and Related Activities.
- Nedbank has not been subjected to any regulatory penalties or negative reviews during 2009.
- Altogether 471 suspicious-transaction reports were submitted to the FIC in 2009, compared with the 809 reports made in 2008.

5.4.4.2. Impact

- The Nedbank Group MLCP continues to be supported by group and business line executives. Decisionmakers are active members and participants of the MLCP Executive Steering Committee and related governance forums and structures.
- There have been positive interactions with the regulator and the supervisors, contributing to sustainable and trusting relationships beneficial to all parties.
- The current focus is on innovative implementation of initiatives, considering the economic climate and pressures on scarce knowledgeable resources.

5.4.4.3. Initiatives

- The Training for the Combating of the Financing of Terrorist and Related Activities (an eLearning intervention) was developed and implemented in mid-October 2009.
- Annual directors' training programmes for money-laundering, terrorist-financing and sanctions risk management have been developed and presented at the Group RCMC to meet SARB and FIC obligations and international requirements.
- The group-level Policy for Anti-money-laundering and the Combating of the Financing of Terrorist and Related Activities and the Policy for Client Acceptance, Maintenance and Monitoring were updated at the end of 2009 as part of the annual review.
- The Guidelines for non-profit organisations (NPOs), politically exposed persons (PEPs) and non-government organisations (NGOs) were updated.

- A Crossborder Monitoring Project has been completed from a technical perspective to address regulatory compliance for all crossborder transactions. Operational implementation is in progress.
- An enterprise data warehouse (EDW) sanctions and PEP-monitoring process has been implemented for client relationship monitoring, where client records are screened against the Nedbank-ratified sanctions and PEP-monitoring lists.

See <http://www.nedbankgroup.co.za/financials/2009Sustainability/economicRiskManagement.asp> for more information relating to our subsidiaries.

5.4.5. Enterprise Governance and Compliance

Nedbank Group remains committed to the management of funds in our care and the diverse investments made across the group. Competitive governance and compliance remain strategic imperatives and the commitment to good governance is at the heart of operations linking corporate governance and compliance to performance management.

Nedbank Group's Enterprise Governance and Compliance (EGC) Division is headed by Advocate Selby Baqwa, who also serves as a member of the Nedbank Group Executive Committee (Group Exco), reports directly to the Chief Executive and has direct access to the Chairman of the Nedbank Group Board. A strong network of divisional governance and compliance officers work closely with the central EGC Division in implementing projects, fulfilling monitoring and training requirements and creating a governance and compliance culture throughout the group.

The EGC framework ensures a consistent focus on day-to-day governance requirements, while maintaining a focus on the long-term and sustainable growth and profitability of the group. Coupled with our commitment to complying fully with regulatory requirements and maintaining well-governed, carefully monitored internal policies and procedures, the group adopts a governance and compliance approach that is enabling for the whole of Nedbank Group.

The growing cost of compliance in terms of resources, system changes and staff training has resulted in an ever-increasing focus on governance and compliance structures and processes by the group.

Please also see references to

- King II Implementation Plan
- King III Implementation Plan
- UK Combined Code

<http://www.nedbankgroup.co.za/financials/2009Sustainability/economicGovernance.asp>

6. Stakeholder engagement

While this report represents one of the most significant means by which Nedbank Group engages with its stakeholders, we are committed to ensuring such engagement occurs throughout the year. This ongoing stakeholder engagement takes many forms and can be of a formal or informal nature.

The focus and nature of all stakeholder engagement are determined:

- by our strategic focus areas;
- in terms of our material reporting focus areas; and
- according to business and stakeholder requirements.

All stakeholder engagement occurs on a decentralised basis within the guidelines and parameters set out by the Nedbank Group Strategy and Corporate Affairs Division. An exception to this decentralised approach is that communication with the SA Reserve Bank (SARB) is undertaken by the group's SARB liaison officer.

The following pages outline the key Nedbank Group stakeholders with whom engagement has occurred during the course of 2009 as well as a brief description of such engagement.

<http://www.nedbankgroup.co.za/financials/2009Sustainability/journeyStakeholder.asp>

NOTE: Not all engagements resulted in feedback that required specific action from Nedbank Group. Where no mention is made of any specific feedback received, it can be taken that the feedback was positive and that the expectations of the relevant Nedbank Group stakeholders were met.

7. Conclusion

A reflection on our 2009 sustainability journey

The past year saw Nedbank Group enhance our integrated sustainability approach through the introduction of an Integrated Group Environmental and Social Business Plan, which links the four sustainability focus areas – economic, environmental, social and cultural sustainability – and which aims to position the bank to capture the benefits that arise from the interconnectedness that exists between these key sustainability focus areas.

Nedbank Group remained committed to our values, our Code of Ethics and Business Conduct, responsible lending practices, sound risk management, competitive governance and compliance, all of which enhance the resilience of the bank – a key success factor in a challenging economic environment.

Being great at listening, understanding clients' needs and delivering on those needs remain at the heart of ensuring not only the economic sustainability of the bank, but also assist in enhancing the economic sustainability of our clients. We acknowledge that attaining and maintaining worldclass service is a journey of continuous improvement, and we are determined to place more focus on enhancing the Nedbank service experience in 2010.

As transformation is central to both our socioeconomic and cultural sustainability focus areas, Nedbank Group remained committed to continue on our journey to transform our organisation into a truly SA bank, and we are encouraged by our ranking in the list of the most-empowered companies on JSE, and our level-two BEE contributor status.

The past year saw continued focus on carbon awareness, measurement and reduction. By living our commitment to helping address climate change, Nedbank Group became the first SA bank to commit to carbon neutrality – a significant milestone in the group's ongoing environmental sustainability journey.

Retaining, developing and attracting talent remains core to the overall sustainable success of any organisation and corporate culture is becoming increasingly important as a differentiating factor. During 2009 Nedbank Group continued to foster a culture of caring for the environment and our society and focused a great deal of attention on enhancing sustainability awareness and education. Nedbank offers various opportunities for employees to become engaged in social and environmental initiatives and has provided practical examples demonstrating how to embrace a caring and environmentally aware lifestyle at work and at home.



Selby Baqwa

Group Executive: Enterprise Governance and Compliance