



Nedbank Environmental Policy

Nedbank's commitment

The development of an Environmental Policy confirms Nedbank Group's commitment to develop an environmental protection and conservation culture in both its own operating environment and with all the parties with which it has a business association.

The Nedbank Group thus recognises environmental management as an important area of corporate performance and accepts that sustainable development is a crucial part of responsible business management

The Policy is aligned with the philosophy of conducting business in a responsible, fair, honest manner and in keeping with government endeavours of environmental protection.

Although the nature of our business activities are not necessarily harmful or threatening to the environment, the effective implementation of this policy nevertheless requires the co-operation and involvement of employees at all levels and in all areas.

Purpose

The purpose of this document is to formalise *Environment Management* in Nedbank Group and to provide guidelines for the introduction, development, maintenance and exercising of proactive *Environmental Management* processes and procedures.

Directing *environmental* sensitivity ensures that:

- Nedbank Group will be sensitive to the environment in its business activities.
- Address possible Risk areas related to its activities from facilities occupied.

- Realise the Group's responsibilities that relate to World Heritage sites where some of its facilities are located.
- Nedbank group will address the impacts of its lending/financing activities in a responsible manner.

The Nedbank Group is committed to complying with relevant environmental legislation and regulations applicable to its operations, as well as incorporating best practice where appropriate. This *Policy* therefore supports international conventions on the *environment* and the scope of regulating National Legislation.

Objective

The objective of this *Policy* is to introduce *environmental standards* that the Nedbank Group has to comply with when formulating business decisions and implementing its business strategies when operating from various facilities. In so doing, the Nedbank Group will be able to protect its assets, shareholders, stakeholders, and clients and support sustainable development of the *environment*.

Since Nedbank Group is an office bound business enterprise within the banking sector; direct influence on the *environment* will be minimal.

Nedbank Group thus remains sensitive to the protection and conservation of the environment when dealing with third parties and clients whose activities may influence environmental matters

The *Environmental Policy* will cover key performance area indicators and identify the responsibility of staff for ensuring compliance with the *Policy*. Introducing the *Policy* will also ensure that the Nedbank Group staff will be sensitized positively regarding *environmental* matters.

Scope

This *Policy* applies to all the divisions, departments, branches and business units of Nedbank Group regarding all their activities and interactions with stakeholders.

Associated documents

- South African Constitution Act, No 108 of 1997
- Occupational Health and Safety Act, No 85 of 1993
- Atmospheric Pollution Prevention Act, No 45 of 1965
- National Environmental Management Act, No 107 of 1998
- Environmental Conservation Act, No 73 of 1989
- National Environmental Impact Assessment Regulations in terms of Government Notices R1182 and R1183
- Water Services Act, No 108 of 1997
- National Water Act, No 36 of 1998
- Hazardous Chemical Substances Act, No 15 of 1973
- Tobacco Products Control Act, No 12 of 1999
- Conservation of Agricultural Resources Act, No 43 1983
- Health Act and Regulations Act, No 63 of 1977
- Marine Living Resources Act, No 18 of 1998
- Minerals Act, No 50 of 1991
- National Building Act and Regulations Act, No 103 of 1977
- National Forest Act, No 84 of 1998

- National Veld and Forest Fire Act, No 101 of 1998
- Mineral and Petroleum Resources Development Act 28 of 2002
- National Heritage Resources Act 25 of 1999
- National Parks Act 57 of 1996
- SABS ISO 14001 Environmental Standards
- SABS O/400 Building Regulations of 1990
- Nedbank Group Occupational Health and Safety Policy
- Nedbank Group Smoking Policy
- Nedbank Code of Ethics
- Nedbank Corporate Citizenship principles

Review

The policy must be reviewed at least annually.

Policy owner

The owner of this policy is the Nedbank Corporate Governance division.

Awareness and communication

The Policy Owners are responsible to make all Nedbank Employees aware of the contents of this Policy. The actions they are expected to take in terms of this policy must be clearly communicated to them.

Conventions

All text in *Italics* is defined in the "Definitions" Section and has specific meaning in this document.

Definitions

The following definitions apply:

Term	Meaning
Environment	<p>The surroundings within which humans exist are made up of:</p> <ul style="list-style-type: none"> • The land, water and atmosphere of the earth; • Micro-organisms, plant and animal life; • Any part or combination of the above and the interrelationships among and between them; and • The physical, chemical, aesthetic and cultural properties and conditions of the foregoing that influence human health and well being.
Hazard	A source for, or exposure to <i>danger</i> in the <i>environment</i> or to the <i>environment</i> .
Risk	The probability that human and animal health could be endangered by human and animal activities that impact on the <i>Environment</i>

Environmental Risk	A measure of the potential threats to the environment that activities may have. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of the degradation
N F P S	Nedbank Forensic and Protection Services
Danger	Anything, which may cause deterioration of life and deterioration to the <i>environment</i> .
Environmental Standard	Any <i>environmental standard</i> defined in any legislation or international convention signed by the Republic of South Africa. Any prescribed level of compliance or conduct required regarding environmental matters, as defined in legislation or international conventions adopted by South Africa.
Sustainable Development	Development that meets the needs of the present without compromising the ability of future generations to meet their needs. This encompasses the economic, social and <i>environment</i> dimensions of development.
Environmental Management Programme	The Nedbank strategy to achieve minimum impact on the <i>environment</i> in the scope of its business activities.
Precautionary Approach	The application of preventative measures in situations of scientific uncertainty where a course of action may cause harm to the environment. This principle recognises that harm to the environment may be irreversible, and that it is therefore better to avoid any possible harm rather than try to remedy it later.
NEMA	National Environmental Management Act, 107 of 1999
Minister	The Minister of Environmental Affairs and Tourism.
OSH Act	Occupational Safety and Health Act, 85 of 1993
EOHS	Integration of Environmental and Occupational Health and Safety
Facility	Any structure attached to the ground, building or structure or part thereof which is in the process of being erected, any prefabricated building or structure not attached to the ground that Nedbank Group is the owner of or is leased by Nedbank Group.
Policy	The Nedbank Group Environmental Policy
Non Conformance	Any identified violation of this policy must be reported to N F P S who will take appropriate action

Environmental Management Program

Managing environmental impacts

The Nedbank Group *Environmental Management Program* covers the Group's comprehensive business operations and endeavours to achieve minimum impact on the *environment* in the scope of its business activities. The program is not restricted to the Nedbank Group *Policy* on the *environment* since it will also be governed by applicable legislation. The Nedbank Group is thus committed to

managing effectively the direct environmental impacts associated with its operations. This extends to the areas of property and facilities, corporate buildings and facilities, energy, waste, and pollution and procurement. The management program includes:

- Health and Safety Management
- Pollution Management
- Recycling
- Responsible energy and water consumption
- Facility Management contractor compliance
- Waste disposal Management
- Hazardous material Management
- Risk Management and Assessment
- Procurement from sustainable sources

Policy guidelines

This *Policy* serves as a guide to Nedbank Group for its *Environmental Management Program* and does not include all relevant policies, which Nedbank Group may implement in its discretion from time to time within the framework and the spirit of this *Environmental Policy*.

The following guidelines shall be the components of the Nedbank Group *Environmental Policy*:

- An Environmental Management Program for Nedbank Group shall be structured in such a way that it will be conducive to a sustainable environment with corporate support and divisional implementation.
- An Environmental Management Program for Nedbank Group will support business activities that contribute to a sustainable environment.
- The Environmental Management Program will comply with national legislation, as well as respecting international conventions.
- The Group shall harness resources essential for the implementation and control of the Environmental Management Program.
- The Nedbank Group recognises the Precautionary Approach to environmental management, which strives to anticipate and prevent potential environmental degradation.
- The Nedbank Group recognises that as a financial services institution, its most significant environmental risk may arise indirectly from the environmental impact of third parties such as its clients, investments and business partners. Although the Nedbank Group cannot prescribe environmental management policies to its clients, it will encourage sound environmental management.
- The Environmental Management Program target areas will include, but are not restricted to the following:
 - ❑ Nedbank Group facilities, including energy, water and waste management
 - ❑ Review of Nedbank property holdings.
 - ❑ Promoting the use of video and tele-conferencing rather than business travel.
 - ❑ Business related activities and interaction with corporate partners

- ❑ National Heritage sites.
- ❑ Training and awareness for employees.
- The Nedbank Group is committed to improve its Environmental Management Program on a continuing basis. The Nedbank Group recognises the need to conduct internal environmental reviews and report on progress made in achieving its targets regarding the integration of environmental considerations into its operations.

A continuous *Program on Environment Management* will be implemented and maintained. Responsible managers and accountable executives must identify and manage *environmental* considerations that could affect the *environment* negatively.

General

The *Environmental Management Program* in Nedbank Group shall be structured in such a way that it will be conducive to a sustainable *environment* with corporate wide support and divisional implementation.

Aspects of *environmental* control are addressable under the Occupational Health and Safety Act and National Environmental Management Act, and Nedbank Group has implemented an existing OHS Program on a national basis.

Environmental matters would be incorporated in the OHS function that will be known as *Environmental & Occupational Health and Safety (E OHS)*. The OHS structure will be applied, to manage an *Environmental Management Program* for facilities and staff.

Lending/Financing Activities

The focus on environmental and social risk in lending/financing

1. Financiers are facing increasing **pressure** from their customers, NGO's and other stakeholders regarding the business relationships they pursue and the projects or companies that they provide financing to.
2. **Legislation and best practice codes** locally and internationally such as the National Environmental Management Act (S28 places a specific duty of care on every person to prevent, or mitigate and remediate environmental damage and pollution.), National Water Act and the King Code on Corporate Governance require companies to act in an environmentally and socially responsible manner, and also create potential legal liability for companies that are in any way involved in activities that cause environmental degradation or pollution. South Africa's Constitution contains a specific environmental right in section 24.
In the **United States of America** legislation creates a basis for lenders to be concerned about liability for clean-up costs as holders of security interests or as owners of property if they foreclose on the property to satisfy the underlying debt, under the Comprehensive Environmental Response & Compensation Liability Act (referred to as CERCLA or Superfund).
3. **Voluntary international developments e.g. The Equator Principles**

The Equator Principles are an industry approach for financial institutions in determining, assessing and managing environmental and social risk in project finance. They have become widely adopted by a number of the biggest global players in the project finance market over the last few months (approximately 90% of the project finance volumes globally are represented), and as such represents best practice in this area.

Sponsors of projects are obliged to carry out environmental studies in terms of host countries' legislation. Lenders then appoint their own consultants to review the studies.

4. Risks.

Financial risks

- Loss in value of investments as a result of environmental damage/negative publicity for the company and/or its products.
- Reduced returns if environmental factors affect receipt of loan repayments or project profitability.

Legal risks

- Potential to incur environmental liabilities in the event that investments are found to be contaminated or the cause of other environmental damage.
- Potential to incur environmental liabilities in loan default situations.
- The possibility for international settlements, as demonstrated in the case of Cape Asbestos Plc. and the right for the case to be heard in the UK, or an incident that has occurred abroad involving a South African financial house to be heard in SA under South African law.

Reputational risks

- Damage through association with environmentally damaging activities.
- Damage through association with companies that cause, or are perceived to cause environmental damage.
- Community backlash for non-engagement.
- Shareholder activism

This pressure requires financiers to consider a wider variety of topics in their business decisions, including potential environmental, social and ethical issues and risks involved. Possibly the greatest risk in this regard, is tarnishing a financial institution's reputation by becoming involved in a project or business relationship that has negative environmental or social implications, or that raises ethical debates, for example financing a mine that causes water pollution in a protected area, financing a dam that will force many people to be resettled.

Principles - Nedbank Approach

Nedbank is committed to managing environmental issues and aims at continuous improvement in environmental management and performance.

- A **Transformation and Sustainability Board Committee** has been constituted
- At management level the **Group Corporate Citizenship Committee** was constituted during 2003 with responsibility for monitoring environmental practices, as well as other aspects of good citizenship.
- Nedbank has been involved in a successful **Green Trust** partnership with WWF since 1990
- Nedbank is working closely with its majority shareholder, **Old Mutual plc**, in the management and reporting of environmental issues.
- Nedbank became the first South African bank to join **United Nations Environment Programme Finance Initiatives ('UNEP FI')** in February 2004 as part of its commitment to sustainable development and environmental responsibility. It is the African representative on a joint UNEP/GRI project, which is developing environmental reporting indicators and guidelines for the financial sector. Nedbank is also closely involved in the

activities of the UNEP FI African Task Force, which is addressing sustainability issues in the African context.

At the same time the financial pressures on the banks and other financial institutions are very large, and responsible environmental management does not mean haphazardly ending client relationships, or turning away new business based on potential social, environmental and ethical risks. Instead we are recommending that the normal risk management processes be broadened to take account of these potential non-financial risks, as advocated by King II in the following suggested way:

1. First looking at the **industry sector** that the client or project falls into- some high risk sectors that would require a more detailed investigation into the project or client's activities include for example:

Mining and extractive industries, Chemicals, Petrol stations, Energy/power production, Metals, Forestry, logging and timber, Transportation (especially of hazardous substances), real estate development (especially golf courses)

2. In such cases checking that all **legislation** in the particular industry has been complied with- are all the required **permits** in place? Has an environmental impact assessment been completed if this is required?
3. Does the client have **policies and/or management programmes** in place to cover environmental and social issues such as human rights, business ethics land restoration, etc?
4. Do the technical and management capabilities of the customer, as well as their past financial, social and environmental performance suggest that they have good experience in identifying and mitigating/managing financial and non-financial risks?
5. Investigate what the **land use past & present is, and its location**, since often farming land is old mining land, and cases of underground water pollution or soil pollution can take many years to manifest.
6. Ensure that the appropriate **indemnities** are in place in the contract vesting liability on the borrower for any polluting activity.
7. Investigate any potential **insurance policies** that can mitigate potential liability for the bank, and ensure that the client has suitable insurance policies in place.

In addition:

Assessments of environmental impacts shall be completed by the client– appropriate to the scale, intensity of project management and the uniqueness of the affected resources – and adequately integrated into management systems. Environmental impacts shall be assessed prior to commencement of site-disturbing operations.

In the case of partnerships with or funding received from **Multilateral Development Banks (MDB)**, Nedbank undertakes to comply with their requirements regarding environmental and social risk management by:

- ❑ Screening and categorizing sub-projects according to potential environmental risk;
- ❑ Ensuring appropriate environmental and social assessment studies are carried out by the borrowers;
- ❑ Verifying that the borrowers implement and monitor environmental and social risk management programmes;
- ❑ Submitting periodic reports on the implementation of environmental and social procedures and performance of the investments to the MDB concerned.

Involuntary resettlement. The bank should avoid projects requiring involuntary resettlement of peoples, unless adequate alternative settlements and compensation have been agreed with the affected peoples.

Land Tenure. The Bank should ascertain whether its client is providing legal recognition to the customary or traditional land tenure systems of indigenous peoples. This should be ensured before the initiation of other planning steps that may be contingent on recognised land titles.

Strategy for Local Participation. The bank should check that the client has established mechanisms for participation by indigenous people in decision-making throughout project planning, implementation, and evaluation.

Nedbank will carefully evaluate requests for project finance loans where the borrower's proposed use of proceeds would directly fund activities that Nedbank determines could adversely impact a **Critical Natural Habitat**. Safeguards shall exist which protect rare threatened and endangered species and their habitats. Conservation zones and protection areas shall be established, appropriate to the scale and intensity of management and the uniqueness of the affected resources.

Investments in renewable energy – Nedbank will evaluate commercially viable opportunities for investment in renewable energy technologies such as wind, solar, hydrogen, biomass etc. Investments in these companies reduce the environmental footprint of the energy sector.

Responsibilities

The responsibility of the Environmental & Occupational Health and Safety (EOHS) Management will be to:

- Develop a methodology that will guide the implementation of the EOHS Management Program.
- Provide a comprehensive EOHS strategy to ensure that a
- EOHS Program is implemented and retained.
- Develop Nedbank EOHS standards and guidelines to support the Nedbank Group activities.
- Educate and train personnel to be EOHS aware.
- Develop and maintain a centralized infrastructure that will support the Nedbank Group Environmental Policy and process.
- Manage and co-ordinate relevant contractors, and assess their performance in terms of Group standards
 - Co-ordinate communication and co-operation between divisions to increase *environmental* support as a result of their activities;
 - Set guidelines and minimum standards for implementing and reviewing *environmental* objectives and targets, and assessing performance against such targets;

Position (title) and responsibilities

The following table indicates who is responsible for what

Position/Title	Responsibilities
Chief Executive Officer	The Chief Executive Officer is responsible for approving the <i>Policy</i> and ensuring that it is communicated and implemented across all divisions of the Nedbank Group.
Divisional Head	<p>Divisional Head responsibilities in respect of <i>EOHS</i> are:</p> <ul style="list-style-type: none"> • Ensuring that the divisional activities are corresponding with the Nedbank Group Environmental Policy. • Ensuring that environmental matters related to the division comply with legislation. • The provision of resources for divisional implementation of the Environmental Management Program. • Feeding information through to central management structures as required for reporting and assessment purposes
Line Management	<p>Line manager's responsibility, in respect of the Nedbank Group <i>Environmental Policy</i> are:</p> <ul style="list-style-type: none"> • Ensure that all staff in their areas are acquainted with the Policy. • Budgeting for the cost to maintain an Environmental Management Program. • Complying with the Policy in their area of responsibility. • Reporting environmental issues and other required information to the Divisional Heads. • Conforming to the concept of minimum environmental impact. • Preserving, protecting and creating value to the environment. • Management of potential harmful substances during the course of business. • Being attentive of illegal or unacceptable practices by the Nedbank Group and reporting these to N F P S Regulatory Risk Management
Employees	<p>Employees' responsibilities in respect of the Nedbank Group <i>Environmental Policy</i> are:</p> <ul style="list-style-type: none"> • Making themselves aware of, and complying with the Environmental Management Program. • Reporting any negative incidents that may have an effect on the Environment to line Management. • Conforming to the concept of minimum environmental impact. • Preserving, protecting and creating value to the environment. • Being aware of potential harmful substances during the course of business. • Being attentive to illegal or unacceptable practices and reporting these to line management.
Corporate Governance and Compliance	Group Compliance's responsibility in respect of the Nedbank Group <i>Environmental Policy</i> is:

	<ul style="list-style-type: none"> • Co-ordinating reporting of environmental performance information • Providing support to the business units regarding decisions involving potential environmental/social risk • Ensuring the continued existence of an annual review of the environmental policy • Monitoring legislative changes and developments and ensuring these are integrated into the policy. • Monitoring compliance with the policy and reviewing the performance of the group against set targets.
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Integral part of the Occupational Health and Safety process

Aspects of *environmental* control are addressable under the Occupational Health and Safety Act and the National Environmental Management Act as well as an existing *OHS* Program that has been implemented for the Nedbank Group on a national basis.

Environmental matters would be incorporated in the *OHS* function that will be known as *Environmental & Occupational Health and Safety Program (EOHS)*. The *OHS* structure will be applied to manage an *Environmental Program* for facilities and staff.

Awareness

An awareness and communication campaign will be launched to formally introduce the Environmental Management Program to management and employees. A clear understanding of all relevant processes and the EOHS concept is important to the success of the program. The Nedbank Group endeavours to ensure adequate environmental education and awareness among its employees, and to encourage its customers and suppliers to fostering openness and dialogue with its employees and the public.

Training

Training will be integrated with the existing Occupational Health and Safety curriculum that will support EOHS.

Focused environmental risk training will be undertaken for departments whose business is particularly affected by environmental issues such as the credit, property and project finance departments.

Criteria

The implementation results of the Environmental Policy will be analysed and evaluated against applicable national legislation and International Legal requirements and best practices in the finance sector locally and internationally. Analysis and reporting of results will take place on a regular basis.

Authorisation

- This policy is issued by order of Nedbank Group Management.
- This policy is duly signed by Nedbank Group Management