



# United Nations Global Compact CEO Water Mandate Communication of Progress for 2011

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*Nedbank Group signed up to the CEO Water Mandate in March 2011. This is therefore the group's first Communication of Progress. It is intended to fulfill the annual reporting requirements of our commitment to the UN CEO Water Mandate and discloses the group's progress against the six principles contained therein. Much of the information contained in this report has also been disclosed in the Nedbank Group Integrated Report 2011- This report can be accessed on the Nedbank Group Website [www.nedbankgroup.co.za](http://www.nedbankgroup.co.za).*



30<sup>th</sup> March 2012

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 the CEO Water mandate and we continue to actively support the UNEP FI African Task Force. These commitments 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



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CHIEF EXECUTIVE

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A Member of the **OLD MUTUAL** Group

## 2 Introduction to Nedbank Group

Nedbank Group Limited is a bank holding company and one of the four largest banking groups in South Africa measured by assets, with a strong deposit franchise. Its principal banking subsidiary is Nedbank Limited. The company's ordinary shares have been listed on JSE Limited since 1969 and on the Namibian Stock exchange since 2007.

The group provides:

- Wholesale and retail banking services
- Insurance
- Asset management
- Wealth management

Business Clusters

- Nedbank Capital
- Nedbank Corporate
- Nedbank Business Banking
- Nedbank Retail
- Nedbank Wealth

Focus:

- Southern Africa
- Pan-African banking alliance with Ecobank Transnational Inc
- Positioned as a bank for all
- Acknowledged for its sustainability leadership
- Access to 36 countries

Location:

- Headquarters in Sandton, Johannesburg
- Large operational centres in Durban and Cape Town
- Regional branch network throughout SA – approximately 1 000 staffed outlets
- Branches and representative offices in other southern African countries and certain key global financial centres. These meet the international banking requirements of the group's SA-based multinational clients.

### **3 Overview of Water in South African Context**

South Africa is a water scarce country where the demand for water is in excess of natural water availability in several river basins. Currently some 98% of South Africa's water supplies are allocated and it is conservatively estimated by the WWF-SA that the demand for water will exceed supply by 2025. The availability of water is one of the most crucial factors in terms of economic, social and environmental wellbeing of South Africa in the next decade.

The effects of variable rainfall patterns and different climatic regimes are compounded by high evaporation rates across the country. For example, the Cape Town region experiences a 'Mediterranean'-type climate with rainfall throughout the year and most precipitation during the winter. In contrast, the inland climate of Johannesburg has a rainy season in the summer months (October – April) but is dry throughout the rest of the year. As groundwater availability is limited by predominantly hard rock geology in South Africa, surface water is the more significant resource. In areas where groundwater is available, it is frequently over-exploited. Social and demographic factors also contribute to water scarcity; one of these factors is, for instance, the distribution of significant settlements and industry adjacent to mineral deposits rather than water resources.

#### 4 Responding to Environmental Risks and Opportunities

Nedbank Group acknowledges the risks posed by climate change and the interrelatedness of water, food and energy security. In line with group's philosophy of effectively managing risk and harnessing the opportunities it presents, climate change is approached from the dual perspective of limiting its impact on stakeholders, while unlocking any potential benefits.

Key risk	Impacts	Responses and opportunities
Energy security	<ul style="list-style-type: none"> <li>• Economic challenges</li> <li>• Political uncertainty</li> <li>• Resource instability</li> <li>• Price increases</li> </ul>	<ul style="list-style-type: none"> <li>• The group's achievement with regard to energy efficiency not only means it is tangibly contributing to addressing the country's energy challenges, but also positions it to offer advice and guidance to other businesses that wish to follow this route.</li> <li>• Nedbank Group has provided input into regulatory developments to ensure that the legislation accommodates all stakeholder interests where possible.</li> <li>• Nedbank Capital has been allocated a large percentage of the funding of the Renewable Energy Independent Power Producer (IPP) programme allocation. This is aimed at establishing the country's first phase of renewable energy infrastructure development.</li> <li>• Nedbank Group offers key advisory and funding services in respect of new green economy activities and is proactively developing a 'pipeline' of future projects that will help to address energy security in SA.</li> </ul>
Water security	<ul style="list-style-type: none"> <li>• Health risks</li> <li>• Reduced crop yields/food shortages</li> <li>• Economic stagnation and decline</li> <li>• Water restrictions</li> <li>• Price increases</li> </ul>	<ul style="list-style-type: none"> <li>• Nedbank Group has adopted a comprehensive water stewardship programme aimed at helping to address the three critical issues of water scarcity, water quality and access to water. A significant element of this strategy includes financing of sustainable water infrastructure development projects across South Africa.</li> <li>• Nedbank Group's investment of R9m into the World Wide Fund for Nature (WWF) Water Balance Programme will help with the removal of alien plant species and deliver 550 000 kl of water per year into two of SA's primary catchment areas.</li> <li>• Nedbank Group, through Nedbank Capital has funded numerous water infrastructure projects throughout SA.</li> <li>• The group's Social and Environmental Management System (SEMS) includes high-level questions focused on identifying water security risks and raising awareness.</li> <li>• Through the Green Affinity, Nedbank Group and its clients support a number of Green Trust-financed projects aimed at addressing issues of water availability, quality and access.</li> </ul>
Food security	<ul style="list-style-type: none"> <li>• Economic decline</li> <li>• Health risks</li> <li>• Food shortages</li> <li>• Price increases</li> <li>• Land use change</li> <li>• Social unrest</li> </ul>	<ul style="list-style-type: none"> <li>• Given the importance of sustainable agriculture to SA's future, the group is absolutely committed to working closely with all stakeholders in this sector to gain a better understanding of the challenges they face and to develop workable, sustainable solutions.</li> <li>• Nedbank Group, through Nedbank Business Banking has a formal agriculture structure that offers financial solutions to agricultural clients. Supported by a team of agricultural specialists, Nedbank Group is able to offer customised solutions that not only cater for clients' specific financial requirements, but also help contribute towards longer- term sustainability.</li> <li>• Nedbank Group, through The Green Trust, has supported a number of innovative initiatives to help transform the SA agricultural marketplace while educating and assisting new farmers in sustainable agricultural practices.</li> </ul>
<p>In addition to the specific responses and initiatives outlined above, a large percentage of the corporate social investment (CSI) activities undertaken by the Nedbank Foundation are focused on addressing the direct and indirect social and environmental impacts of food, water and energy security. Details of some of these projects are provided in the 'Social sustainability' section of the online Nedbank Integrated Report 2011. <a href="http://www.nedbankgroup.co.za">www.nedbankgroup.co.za</a>.</p>		

## 5 Meeting the Commitments to the CEO Water Mandate: Direct Operations

**Strategic Approach:** Following Nedbank Group's achievement of carbon neutrality, the group targeted water as a key focus of its sustainability efforts – with particular emphasis on access, quality and quantity as a three-pronged approach to effective water stewardship and the achievement of water security.

This approach is reflected in the bank's vision which encapsulates the balancing of all stakeholder's interests, including those of the communities within which we operate and the environment. The bank's vision is driven through 8 key strategic focus areas, one of which is to lead as a green and caring bank.

**Operational Targets:** Reduction targets have been set as a way to accurately measure and manage the group's carbon emissions as well as its impact on natural resources. Nedbank measures actual water consumption (in owned and managed buildings) against our water intensity reduction target and progress reports are given to the Environmental Impact Reduction Task Team and, where relevant, to the Group Transformation, Social and Ethics Committee, a sub-committee of the Nedbank Group Board. The water data and supporting information is reported annually in the Nedbank Group Integrated Report. The data is also externally and independently assured as part of the Deloitte and KPMG assurance of the report.

The intensity reduction target for water at the end of 2011 was a 10% reduction per full time employee (FTE) from 2009 levels. This target was almost met during the year under review with water consumption being reduced by 9% per FTE.

The achievement was driven primarily through continued staff awareness of the group's water stewardship responsibilities, the installation of more water saving devices such as hydrotaps and aerators across the group, and the collection and use of rainwater and recycled water for non-potable water requirements. At the SA Water Quality Conference in 2011 Nedbank Group received Green and Blue Drop accreditation for the water purification of the drinking and effluent water at its training facility in the Cradle of Mankind, Muldersdrift, Gauteng.

Biodegradable cleaning products are used in all our buildings so as not to impact the water quality of recycled water or any water discharged back into the municipal water system. In addition water purification systems are provided in our offices, pause and conference areas and so the need to use bottled water is removed.

The new intensity reduction target for water has been set as a 6% reduction by the end of 2016 based on 2011 levels or consumption of 15,01 kl per FTE. Currently consumption is 15,97 kl per FTE.

Nedbank Group also encourages its staff members to save water at home. In 2011 every employee was provided with a water-saving device to insert into their toilet cistern at home – saving up to one litre of water with every flush and a potential 100 million litres of water per year.

As a relatively small water user Nedbank Group is now fast approaching a steady state in terms of its operational water usage. While further reductions, as demonstrated above, will be targeted in the next five years, the growing water crisis prompted the group to investment in the WWF Water Balance Programme, which will fund the removal of alien invasive plant species, thereby releasing more than 550 000 kl of water per year back into two of SA's priority water catchment areas. This is a R9million investment over 5 years.

It is an important investment that is key to improving water security in the country as approximately 3,300 million kilolitres of water is trapped by invasive alien species in South Africa – equating to around 7% of the country's water run-off.

**Water Risks:** Nedbank is dependent on its clients being able to access banking services with ease. The physical impacts of climate change have the potential, in extreme circumstances, to affect our ability to service our clients. Our climate change strategic plans take account of this potential physical risk and provide for actions plans (Business Continuity and Disaster Recovery) for the medium term (3-5 years). Nedbank has already experienced incidences of branch closures due to unstable energy supply/blackouts, water restrictions in certain areas and even extreme weather events such as flooding. The Nedbank risk management processes and Business Continuity and Disaster Recovery Plans are designed to identify and address such potential physical impacts of climate change on our business processes and premises. The Nedbank business continuity management policy and programme addresses physical risks on a site specific as well as regional basis.

**Lending:** Nedbank Group continues to place increasing emphasis on consolidating its social and environmental risk policies and management processes, not only to deliver positive environmental and social impacts, but also to protect shareholder value and returns on capital investments by ensuring responsible, fair and honest business practices. Nedbank Group's Social and Environmental Management System (SEMS) is based on ISO 14001 and International Finance Corporation best-practice guidelines, and details the policy, procedures, responsible and accountable staff, and workflow required to identify and assess the environmental (including water) or social impacts of lending activities undertaken by Nedbank Group. Through the SEMS process Nedbank is able deepen knowledge of and relationships with clients and it is through this relationship that opportunities are identified and can be leveraged.

## 6 Meeting the Commitments to the CEO Water Mandate: Supply Chain and Watershed Management

Nedbank Group's Procurement Team continues to work closely with suppliers in line with the organisation's integrated sustainability strategy. Tendering and engagement sessions focus on influencing suppliers to make greater efforts to incorporate environmental (including water) sustainability in the way they work. This approach is enjoying ever-increasing support. During 2011 the group again hosted supplier training and awareness sessions with close to 200 key suppliers in the retail and group technology areas, among others. Nedbank Group's sustainability journey and learnings were shared to encourage similar actions and behaviour among suppliers. Ethics awareness training also formed part of these sessions.

Engagements with our many of our large suppliers are in-depth and where appropriate representatives of from the Nedbank Group Procurement Team inspect relevant factories or properties and the report on progress.

Particular success has been achieved with the various hotel chains that service the group. For example they have implemented best practice environmental practices and policies, including low-flow showerheads and reduced laundry requirements as well as the implementation of organic gardens, use of in-season vegetables and fruit, and procuring from local food suppliers.

Suppliers and contractors are also required to disclose environmental management information. A vendor environmental questionnaire requires suppliers and contractors to disclose for example whether they have an environmental policy, the environmental certification of products and specific reduction targets for water and waste etc.

The sustainability practices of suppliers are now entrenched in group procurement processes and given evaluation weighting along with price, quality and black economic empowerment (BEE) status.

## 7 Meeting the Commitments to the CEO Water Mandate: Collective Action

Nedbank Group plays an active role in facilitating, and contributing to, the policy and regulatory developments by feeding comments and suggestions into a variety of industry bodies or directly to the relevant government departments. There are also a number of policies and regulatory developments that the group monitors and contributes to, including the Integrated Energy Plan (IEP), the Integrated Resource Plan (IRP), the Carbon Tax Discussion Paper, the Renewable-energy Feed-in Tariff (REFIT) and the National Climate Response White Paper. All of these policies have an impact on water consumption.

The 2011 financial year saw Nedbank Group sharing learnings and experience with like-minded organisations in an effort to maximise its environmental sustainability effectiveness. These engagements and initiatives included Nedbank Sustainability Outlook and Nedbank BDFM Greening your Business course.

- *Nedbank Sustainability Outlook* is researched by the University of Cambridge Programme for Sustainable Leadership. This sustainability publication enjoys a distribution of over 100 000 and seeks to encourage debate around various sustainability issues and the financial and investment implications thereof.
- *Nedbank BDFM Greening your Business course* was produced in partnership with Business Day and Financial Mail. This online business training course provides comprehensive insights into and information on practical ways in which companies can undertake their own environmental sustainability journeys. It is offered free of charge to Nedbank Group clients and the general public. More than 1 100 participants from 859 companies participated in the course in 2011.

In addition, the group participated in the SA Corporate Leaders Group and the SA CEO Forum, COP17 and sponsored the SA Water and Energy Forum (SAWEF).

- *COP17* was held in Durban, SA, between 28 November and 9 December 2011. The group's participation at COP17 afforded it an international platform on which to demonstrate its expertise in sustainability, with particular emphasis on the environment. The sponsorship and hosting opportunities positioned the group well in the minds of local and international corporates, non-government organisations (NGOs) and governments as SA's truly green bank with a commitment to collaborating with like-minded organisations to develop climate change solutions and drive the establishment of a green economy.
- *SAWEF* was created to offer a platform on which key players from all sectors of the economy government, industry, commerce, civil society, science, architects, designers and the media – can come together, engage with each other, and focus their collective expertise and energy to find solutions to the various sustainability challenges facing the country.

Nedbank currently chairs the UNEP FI African Task Force, which is aimed at driving sustainability across the African continent, and water awareness and water management forms part of the task force's focus areas, as water is certainly Africa's next biggest sustainability challenge.

Nedbank Group co-chairs the UNEP FI Water and Finance Work Stream, which provides guidance and standards for financial institutions in terms of managing and monitoring their water footprint, taking into account their own operations and that of their clients and suppliers.

Nedbank Group is a member of the South African Banking Association's Sustainable Finance Forum which drives the banking industry's engagement with and lobbying of policy-makers.

Nedbank Group is also represented on the National Business Initiative's Climate Change Advisory Committee.

## 8 Meeting the Commitments to the CEO Water Mandate: Community Engagement

Nedbank's Green Affinity Programme links into a number of water-related projects within the community. The programme includes Fresh Water projects which address the wise use of water to ensure sustainable development in South Africa as well as marine projects that look at the health and welfare of our oceans and the welfare of the communities that derive their welfare from them. Nedbank has donated more than R115 million to The Green Trust over the past 21 years.

Through Nedbank's Local Hero Programme, staff or clients can apply for a R10 000 donation from the bank to support a cause of their choice. Nedbank has received requests to support water-related programmes or causes.

Nedbank's Caring for our Communities and Saving our World initiative is a comprehensive community education programme aiming to share the many sustainability lessons learned by Nedbank Group with learners and community members, thereby enabling them to harness the power of sustainable thinking and action for their own benefit. The programme follows a two-pronged approach, engaging with adult community members and educating grade 6 and 7 learners from the same community about the basics of sustainability by means of an interactive workshop. The knowledge imparted to both groups is brought to life at the end of the programme by involving all attendees in a project build day. Learners, educators and community members, together with Nedbank Group volunteers, work together to construct a vegetable tunnel, solar cooker, and rainwater harvesting tank or indigenous erosion control garden, depending on the identified community need. To date the programme has touched 59 schools and almost 3000 learners.

From a water access point of view Nedbank Capital has played a major funding and advisory role in various high-profile water infrastructure projects in southern Africa, including the Komati Water Scheme Augmentation Project. In addition the Nedbank Foundation has also provided R4,8m in funding for the distribution of hundreds of 90-litre Hippo Water Rollers to rural communities. These rollers enable residents to collect and easily transport water across all types of terrain. The foundation also funded the sinking of boreholes for a number of communities.

## 9 Meeting the Commitments to the CEO Water Mandate: Transparency

Nedbank Group reports on water as per the GRI 3.1 principles and King III Integrated Reporting requirements. Nedbank water usage is independently assured by Deloitte and KPMG as part of their assurance of Nedbank Group's Integrated Report. In addition Nedbank has voluntarily disclosed its water use and performance in the CDP Water Disclosure Programme for the past two years.

### Nedbank Group Sustainability Credentials:

- **Carbon Neutral** – Africa's first carbon neutral financial organisation.
- **Dow Jones Sustainability Index membership** – the world's premier performance benchmark for companies in terms of corporate sustainability. Included for seventh year. One of only 25 banks worldwide and five companies with primary listings in South Africa to be included on the index. (2011: 80%) (2010: 78%).
- **JSE SRI Index** – inclusion since 2004.
- **WWF Water Balance Programme** – Invested R9m into South Africa's water security.
- **South African Carbon Disclosure Project Leadership Index** – 2011, the group recognised as a leader in the performance category and placed second in the disclosure category.
- **CDP's Water Disclosure Programme**, 2010 and 2011 voluntary participant
- **Global 1000 Sustainable Performance Leaders Index** - Ranked 284<sup>th</sup> (third highest SA company).
- **Financial Times** – 2011, Sustainable Bank of the Year Middle East & Africa.
- **Equator Principles** – first African bank signatory.
- **WWF-SA Green Trust partnership**
- **Ernst & Young Excellence in Sustainability Reporting** – award of excellence received (2011).
- **Ernst & Young Annual Report Awards** – joint first place 2011.



- **Annual Chartered Secretaries Southern Africa (CSSA) and JSE Limited Annual Report Awards** – overall winner (2010 report).
- **Climate Change Awards** - 2010 joint winner Financial Services Sector.
- **UNEP FI** – signatory to official Statement on Climate Change.
- **2011 Nkonki Integrated Reporting Awards** – Nedbank won the Financial Services Sector and was placed 2<sup>nd</sup> overall.
- **African Business Award for Environmental Sustainability 2012**

**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
- United Nations CEO Water Mandate
- National Business Initiative Climate Change Advisory Committee
- National Energy Efficiency Accord
- Energy Efficiency Leadership Network Pledge
- Banking Association of South Africa: Sustainable Finance Forum
- UNISA Climate Change Advisory Committee

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