

# Nedbank

	GHG EMISSIONS	WATER	ACCESS TO CAPITAL
ACKNOWLEDGE	● ● ○ ○	● ○ ○ ○	● ● ○ ○
PRIORITISE	● ● ○ ○	● ● ○ ○	● ● ○ ○
SET STRATEGY & GOALS	○ ○ ○ ○	○ ○ ○ ○	● ● ○ ○
TRACK	○ ○ ○ ○	○ ○ ○ ○	● ○ ○ ○

## Background on Nedbank

Nedbank is a South African bank headquartered in Johannesburg. Founded in 1888, its primary business is providing wholesale and retail banking services (i.e. loans, savings and deposits, banking transactions, and investor services). Nedbank also has a growing insurance, asset management, and wealth management business. It employs 30,700 people and had a market capitalisation of ZAR 120 billion in 2015. It is a publicly traded company and is listed on the Johannesburg Stock Exchange.

## How did Nedbank come to start thinking about context?

In 1990, Nedbank and Worldwide Fund for Nature (WWF) implemented the [WWF Nedbank Green Trust](#) that aimed to raise money to support conservation projects<sup>1</sup>. The trust was founded on the recognition that the survival of the planet depended on governments, business, organisations, and civil society working to bring people and nature together<sup>1</sup>. In 1994, the first version of South Africa's new corporate governance code (The King Report and King Code) was released, which outlined how ethical and effective leadership could be embedded into corporate governance within the country<sup>2</sup>. The King Code applies to all organisations within the country and the latest version (King IV) was made available for public comment in March 2016<sup>3</sup>.

<sup>1</sup> Worldwide Fund for Nature (2015). The WWF Nedbank Green Trust – celebrating 25 years of green success. Accessed at: [http://www.wwf.org.za/what\\_we\\_do/wwf\\_nedbank\\_green\\_trust/our\\_work/species/?uNewsID=14521](http://www.wwf.org.za/what_we_do/wwf_nedbank_green_trust/our_work/species/?uNewsID=14521)

<sup>2</sup> Michalson (n.d.). King Report and King Code on Corporate Governance. Accessed at: <https://www.michalsons.com/focus-areas/information-technology-law/king-report-king-code-on-corporate-governance>

<sup>3</sup> Institute of Directors Southern Africa (2016). King IV open for public comment. Accessed at: <http://www.iodsa.co.za/news/279768/King-IV-open-for-public-comment.htm>

Nedbank signed on to the [Equator Principles](#) in 2005, which aimed at supporting financial institutions in determining, assessing, and managing their environmental and social risks<sup>4</sup>. Then in 2009, Nedbank announced that it would be pursuing the status of being “carbon neutral”, the first of any of the South African banks to make this commitment<sup>5</sup>. Nedbank committed not only to reduce its own GHG emissions but also to build a diverse investment portfolio of carbon reduction projects<sup>5</sup>. In 2011, Nedbank began to realise that if it was going to live up to its vision, “To be Africa’s most admired bank”, it would need to find a way to more authentically and effectively contribute to addressing some of South Africa’s most material sustainability challenges – those that were preventing the creation of a flourishing society and a vibrant and resilient economy that respected environmental limits<sup>6,7</sup>. This led Nedbank to envision a path forward in addressing these challenges through access to capital and its lending practices. This resulted in the launch of [Fair Share 2030](#) in 2014, which aims to shift Nedbank’s lending practices away from activities that negatively impact on poverty and environmental and societal risks and redirects those funds to helping to build resilience and wellbeing in South Africa<sup>8</sup>.

## What does context look like at Nedbank?

### 1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS



WATER



ACCESS TO CAPITAL



**GHG emissions:** Nedbank acknowledges that a thriving society will require GHG emissions to be stabilised at a level with more than a 50% probability of avoiding a 2°C rise above the long-term preindustrial averages<sup>9</sup>. The bank has yet to explain how it will commit to operating within the limit of this threshold.

**Water:** Nedbank acknowledges that a thriving society will require water resources to be extracted at levels that are not beyond what is considered to be “sustainable”, but has not yet explained how it is defining this term or how it will commit to operating within this threshold<sup>9</sup>.

<sup>4</sup> Equator Principles (n.d.). Equator Principles Association Members and Reporting. Accessed at: <http://www.equator-principles.com/index.php/members-reporting>

<sup>5</sup> Brand South Africa (2009). Nedbank goes carbon neutral. Accessed at: <https://www.brandsouthafrica.com/investments-immigration/economynews/nedbank-carbon-neutral-170909>

<sup>6</sup> Nedbank (2015). Integrated Report 2015. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting/2015.html>

<sup>7</sup> Nedbank (2011). Integrated Report 2011. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting/2011.html>

<sup>8</sup> Nedbank (n.d.). Fair Share 2030 in a nutshell. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/vision--values-and-strategy/fair-share-in-a-nutshell.html>

<sup>9</sup> Nedbank (n.d.). Long-term Goals. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/vision--values-and-strategy/long-term-goals.html>

Access to Capital: Nedbank acknowledges that it needs to align its long-term goals with what's good for South Africa, its clients, and itself<sup>10</sup>. To do this, Nedbank has acknowledged that it is not able to remain neutral with respect to the building of a resilient society and that it can't expect a different outcome if it continues to do the same things as before<sup>11</sup>. Mike Brown, Nedbank's Chief Executive, commented that "We know not everything that needs to be done can or should be done by a bank. So, we identified goals that we can contribute to as a bank<sup>12</sup>." Nedbank is committed to supporting a resilient future where wellbeing for all is lasting and where society can flourish<sup>10</sup>. Fair Share 2030 does not replace its existing sustainability commitments but aims to change the way it approaches sustainability through its core business activities<sup>8</sup>. Nedbank has been clear that these investments are not an expense or a donation, but rather a shift in how it lends – these funds are still expected to generate a return<sup>11</sup>. Nedbank acknowledges that its clients play a positive developmental role within the South African economy by producing products and services, creating jobs, paying taxes, and supporting social investment. The bank is committed to working with its clients, through access to capital, to continue to develop a more resilient economy<sup>10</sup>.

Other thresholds: Nedbank acknowledges the importance of other socio-ecological issues including affordable energy, access to employment, adequate savings and investments, adequate healthcare, and adequate education but does not yet discuss their associated thresholds.

## 2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

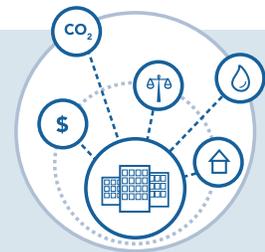
GHG EMISSIONS



WATER



ACCESS TO CAPITAL

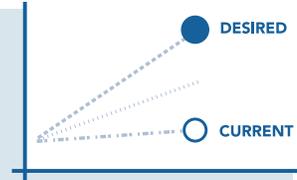


Access to Capital: As a financial institution, to prioritise its material issues, Nedbank first had to assess the impacts that it has on the economy, society, and the environment through the finance it provides<sup>6</sup>. After completing this process, Nedbank noticed that the material issues that had been identified reinforced its view that the prevailing model for socioeconomic development is experiencing serious challenges as economic interests begin to intersect with environmental limits in a way that exacerbates inequality and increases the potential for conflict<sup>10</sup>. To better understand what long-term initiatives would counteract these challenges, Nedbank used a future-back process (sometimes also called backcasting) to try and understand the conditions that would best facilitate long-term success and a more resilient society<sup>10</sup>.

<sup>10</sup> Nedbank (2015). Fair Share 2030: a lot has happened in 17 months. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/news/nedbankstories/fair-share-2030/2015/6-july-2015-fair-share-2030--a-lot-has-happened-in-17-months.html>

This led to the development of its [eight Long-term Goals](#), with the Fair Share 2030 initiative being its strategic response to ensure funding was available to “close the funding gap” separating the business-as-usual trajectory from the achievement of its long-term goals<sup>10</sup>.

### 3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.



Access to Capital: Nedbank’s Fair Share 2030 headline goal is to ensure it is able to do its part in building a resilient South African economy, by lending no less than R6 billion per year to activities that align with its long-term goals<sup>13</sup>. Nedbank estimated that to achieve its eight Long-term Goals and to create resilience in the South African economy, between now and 2030, capital equal to 2% of the South African GDP will need to be injected into the economy annually (Figure 1). Based on publicly available information, we were unable to determine how Nedbank estimated these figures.



Figure 1: Visual representation of how Nedbank’s Long-term Goals work. The numerator aims to represent what Nedbank needs to do more of and the denominator aims to represent what Nedbank needs to do less of<sup>13</sup>.

Nedbank considers its “fair share” of this figure to be equivalent to its market share of debt provision to the South African economy, as illustrated in Figure 2<sup>14</sup>. Using this approach, Nedbank determined its initial lending target for 2015 with the target being reviewed every year<sup>11</sup>. Nedbank commits to making its “fair share” of capital accessible every year to activities that align with its Long-term Goals<sup>8</sup>. Nedbank has yet to explain how its contextual goal will support its clients in adhering to the thresholds that they individually face.

<sup>11</sup> Nedbank (n.d.). Fair Share 2030 Context. Accessed at: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/vision--values-and-strategy/fair-share-2030.html>

<sup>12</sup> PR Monitor (2014). Nedbank Fair Share 2030 starts with Targeted Lending of R6 billion. Accessed at: [http://www.prmonitor.co.za/read\\_story.php?st=1596](http://www.prmonitor.co.za/read_story.php?st=1596)

<sup>13</sup> Nedbank (2014). Integrated Report 2014. Accessed at: [https://nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Investor%20Centre/Latest%20Financial%20Results/Integrated%20Report/2014\\_Nedbank\\_Group\\_Integrated\\_Report.pdf](https://nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Investor%20Centre/Latest%20Financial%20Results/Integrated%20Report/2014_Nedbank_Group_Integrated_Report.pdf)

<sup>14</sup> Nedbank (2016). Long-term Goals. Accessed at: [https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Sustainability/Supporting%20Documents/Nedbank%20Long-term%20Goals\\_3\\_16.pdf](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Sustainability/Supporting%20Documents/Nedbank%20Long-term%20Goals_3_16.pdf)

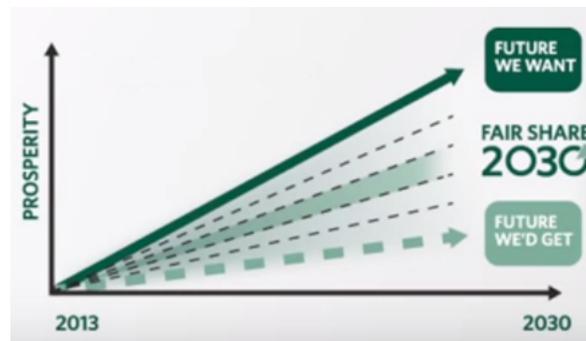


Figure 2: Nedbank's determination of their "fair share"<sup>15</sup>.

Other thresholds: Nedbank has not yet set contextual goals in relation to any other thresholds.

#### 4 Transparently TRACK performance against realistic trajectory targets.

GHG EMISSIONS



WATER



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Access to Capital: The financial year of 2015 was the first full year of operation for the Fair Share 2030 initiative and Nedbank committed to continue to measure progress against its Fair Share 2030 goal in more detail in future years' reports<sup>8</sup>. Within its Integrated Report for 2015, Nedbank reported that it had lent R1.8 billion under Fair Share 2030 in 2015, less than its target of R6 billion, offering little explanation for this shortfall within the report<sup>6</sup>.

Beyond stating an annual lending commitment, Nedbank has yet to articulate a set of trajectory targets that could help it better monitor progress towards achieving the path outlined in Figure 2<sup>15</sup>. The bank has, however, been transparent about the key lessons that it is learning as it embeds the Fair Share 2030 initiative into its corporate structures<sup>10</sup>. For instance, while Nedbank met its lending target within the pilot phase, its organisational structure and legacy systems hindered its ability to nimbly respond to the needs of its clients. Nedbank has also yet to develop targets or metrics that will allow it to assess the influence its Fair Share 2030 initiative is having on the sustainable development progress of South Africa.

Other thresholds: Nedbank reports its performance against other socio-ecological issues including GHG emissions, water, affordable energy, access to employment, adequate savings and investments, adequate healthcare, and adequate education but does not yet report its progress in conjunction with their associated thresholds.

<sup>15</sup> Nedbank (2014). YouTube Video: Fair Share 2030. Accessed at: <https://www.youtube.com/watch?v=FWei2jjBnNE>

## What is the road ahead for context at Nedbank?

The UN Sustainable Development Goals (SDGs) had yet to be published when Nedbank developed its Long-term Goals in 2012<sup>16</sup>. The bank believes that its Long-term Goals are compatible with the SDGs and as such they have served a similar function for Nedbank since 2012<sup>16</sup>. In its latest Integrated Report, Nedbank explains that it is now working to realign its Fair Share 2030 strategy with the SDGs and it believes that this approach will allow it to adopt a more universally-accepted set of targets and indicators that can be used to monitor its progress toward achieving its goals<sup>16</sup>. Overall, Nedbank's integrated sustainability approach aims to reduce the negative impacts of its lending, and to increase the positive impacts in a way that is guided by its Long-term Goals (soon to be guided by the SDGs)<sup>17</sup>. Its Fair Share 2030 strategy (the R6bn annual lending target) is primarily about the latter (increase the positive impacts) and the bank is in the process of developing other mechanisms (e.g. carbon and water risk screens) to address the former<sup>17</sup>.

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<sup>16</sup> Nedbank (2017). Integrated Report 2016. Accessed at: <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2016/2016%20Integrated%20Report%20A.pdf>

<sup>17</sup> Kendall, G (2017, 06 April). Personal Communication with Nedbank.