

NEDBANK GROUP LIMITED

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Annual General Meeting

27th May 2022

Financial Year End: 31st December 2021

Proxies voted
Labour Research Services
The Ditikeni Trust
The Lewis Foundation

The Integrated Annual Report together with the supporting reports (Report) provide a great deal of information which not all companies do provide, we commend the company on its transparency. The Report is presented in a no-frills style largely in the corporate colours but remains readable if rather dull in presentation.

We are concerned that the company only proposes to stop funding **new** thermal coal operations in 2025 and **new** oil operations in 2035, with an end to financing of coal and oil operations in 2045. This is not what we expect from the bank that puts itself forward as the green bank. We oppose the appointment of the Chair of this committee as the only way of expressing our discontent with those targets as the world faces the first year of +1.5 degrees in the coming 5 years.

The Human Capital Report gives far more detail than most companies on employee numbers and we commend the bank for this. We are disappointed that the number of employees has fallen from 26 953 at the start of 2019 to 23 081 at the end of 2021, a drop of 14.4% over 3 years. South Africa has chronic unemployment and unless this and inequality are addressed, we cannot expect the stable society necessary for the growth of business.

Stewardship reports are not easy to find but for the determined researcher, a summary of all voting is on the company website and actual voting for each AGM is available including a brief reason why any resolution was opposed. Excellent reporting – a pity it is not easily available to investors.

The Report is laid out in Landscape format better suited to viewing on a screen and there are hyperlinks, a good index and reasonable cross-referencing. This is a leap forward from previous years and we commend the company for an easy to navigate report suitable for reading on a computer. More cross-referencing between the different reports would be helpful.

	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of audited Annual Financial Statements (AFSs) and reports	<p>It is not a legal requirement for companies in South Africa to put the AFSs to shareholders for adoption. We consider it best practice to do so.</p> <p>The independent auditors have stated that it is their opinion that the AFSs fairly present the financial results and financial position of the company.</p> <p>We have no issues with the AFSs.</p>		
	Presentation of the report of the Group Transformation, Social and Ethics Committee	<p>The notice refers readers to the Transformation, Social and Ethics Committee Report included in the Governance Report. This is a one-page report which gives details of the committee and some information of what the committee did in 2021 and issues to address in 2022. This is all well and good, but it provides very limited insight and no depth. The company does provide a great deal of other information which is available on the company website, and adds greatly to an understanding of Nedbank's ESG practices, a pity these are not all referenced in the notice.</p> <p>Additional reports which the company produces include:</p> <p>Society Report which includes sections on Sustainable Development, Human Capital, Transformation, Financial Inclusion, and Stakeholder Engagement.</p> <p>The section on Human Capital gives a great deal of information on employee numbers and it is disappointing (as noted above) to see the drop in the total number of employees.</p> <p>Task Force on Climate-related Financial Disclosures (TCFD) Report, rather a mouthful and the acronym does not roll off the tongue. This Report does give a lot of useful information including targets for lending to thermal coal operations and oil production. We are most disappointed in those targets which will only see the end to new financing of thermal coal in 2025 and new financing of oil production in 2035 with a projected end to loans to those industries in 2045.</p> <p>We would like to see a more assertive programme to reduce financing of thermal coal and oil production.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolution			
	Election of directors to the board	<p>Before considering the appointment of individual directors, it is appropriate to first consider the overall composition of the board. The key factors which we consider are Independence, Continuity, Skills and Diversity.</p> <p>There are 14 directors taking into account the appointment of the new director Ms Langeni under 1.1 below and the unfortunate death of the chairman during 2021. There is a relatively high number of executives with 3 executive directors. Mr Leith previously served as a non-executive director and was employed by Old Mutual. He has recently been classified as independent by the company but we take a stricter view on this without additional information on the reason for the change in classification.</p> <p>Mr Makwana the recently appointed Chair of the board has 10 years' service and as such we question his independence. That leaves the board with 9 directors of unquestioned independence so we have no concerns regarding overall independence.</p> <p>We do not favour the appointment of a Chair with such long service but understand that this is as a result of the untimely death of the previous Chair. The Report states that Mr Makwana will be retiring and a new Chair will be introduced before then. We note that the company has appointed a Lead Independent Director (Mr Brody) as required when the Chair is not independent.</p> <p>Continuity is satisfactory with average board tenure at just under 5 years, however Directors Makwana, Dames and Matoane will all retire in the next 2 years so this will be a loss of institutional knowledge. The CEO has very long service of 17 years and one other executive director has 7 years' service on the board. We are told that the succession plan for the CEO has commenced but will only continue once a new Chair is in place.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The Report provides a graphic showing board experience but when we referred to detailed director profiles, we found the board to be heavy on qualified accountants – as is common in South Africa. We would like to see more IT skills and specific skills in climate change as this is becoming such a key issue.</p> <p>Racial and age diversity at board level is good and gender diversity is acceptable. The executive committee has better female representation. We found the profiles of directors in the Report to be extremely brief but later found the information in the Governance Report – a cross-reference would be helpful.</p>		
1.1	Resolved that Ms P Langeni be elected as a director of the company	<p>Ms Langeni, 47, is a new appointee to the board. She is suitably skilled and experienced.</p> <p>Ms Langeni is chair of 2 other listed companies and serves on the board of a 3rd listed company. We do not favour the chair of a listed company serving on the board of other listed companies and we find Ms Langeni to be overcommitted.</p>	AGAINST	FOR 85.2%
2.1	Resolved that Mr MWT Brown be re-elected as a director of the company	<p>Mr Brown, 54, is the CEO and has 17 years' experience on the board. He is well respected and we find no reason to oppose his reappointment.</p>	FOR	FOR 98.7%
2.2	Resolved that Mr BA Dames be re-elected as a director of the company	<p>Mr Dames, 56, has served on the board for 7 years. He is suitably skilled and experienced.</p> <p>His attendance record was good. Mr Dames will retire after 9 years' service as required by directors of banks.</p> <p>We do find it most surprising that Mr Dames has been appointed to chair the Group Climate Resilience Committee given that he is the former CEO of Eskom, which company is the world's largest single emitter of Green House Gases. We commend this committee for its detailed report, but find the time-table for the reduction of lending to <u>new</u> fossil fuel operations unacceptable. We have no other platform to oppose this policy and so we oppose Mr Dames's appointment to the board.</p>	AGAINST	FOR 98.0%

	Resolution	Rationale	Vote	Outcome of AGM
2.3	Resolved that Mr RAG Leith be re-elected as a director of the company	Mr Leith, 58, has been a director for 5 years. He is a former executive of Old Mutual and, in that capacity, served as a non-executive director of Nedbank. The company has now classified him as independent. We are not sure of the reasons therefore and as such question his independence, but this is insufficient reason to oppose his reappointment. His attendance record was impeccable. Mr Leith is suitably skilled and experienced. We did not find that he held any other directorships.	FOR	FOR 99.9%
2.4	Resolved that Mr S Subramoney be re-elected as a director of the company	Mr Subramoney, 62, has been a director for 6 years. Mr Subramoney is a former deputy CEO of PriceWaterhouse Coopers (who are not auditors of Nedbank), he is suitably skilled and experienced. His attendance record was impeccable. He is a director of Sasol and various private companies so we are satisfied with his level of commitments.	FOR	FOR 98.4%
3	Reappointment of independent external auditors	The company commenced the process of audit firm rotation some years ago and we commend them for this. Ernst Young has been the auditor of Nedbank for 3 years and Deloitte & Touche has been the auditor of Nedbank for 48 years.		
3.1	Resolved that Deloitte & Touche be reappointed as external auditor	Deloitte & Touche are one of the large international audit firms and have been auditors for 48 years. The length of their tenure is unacceptable and raises the question of their loss of independence. The Audit Committee note that Deloitte & Touche will be rotated in financial year 2024, as such we support their reappointment. The 2021 AGM saw 20% of shareholders vote against the reappointment of Deloitte & Touche, we are surprised that the audit committee did not bring forward the rotation given this level of opposition.	FOR	FOR 71.9%
3.2	Resolved that Ernst & Young be reappointed as external auditor	Ernst & Young are one of the large international firms of auditors and as noted above have been auditors for 3 years. We have no concerns with their reappointment.	FOR	FOR 99.0%

	Resolution	Rationale	Vote	Outcome of AGM
4	Appointment of the Nedbank Group Audit Committee members	<p>The Companies Act obliges companies to present the audit committee to the shareholders for election other than Banks which must follow the Banks Act. The later does not require the audit committee to be presented to the shareholders.</p> <p>We believe it is best practice for banks to put the election of this committee to shareholders and raised this with Nedbank. We commend them for agreeing to put this committee up for election. We do not have any specific concerns regarding independence. We would like to see at least 1 member of this committee with skills and experience other than financial.</p>		
4.1	Resolved that, subject to his re-election as a director, Mr S Subramoney be elected as a member of the Audit Committee	Mr Subramoney has been assessed as a director above. In addition to that we note his extensive audit experience and consider him suitable to serve on, and chair this committee.	FOR	FOR 98.5%
4.2	Resolved that Mr HR Brody be elected as a member of the Audit Committee	Mr Brody is chair of another listed company; we do not believe it is appropriate for the chair of a listed company to serve on the board of another listed company.	AGAINST	FOR 96.6%
4.3	Resolved that Ms NP Dongwana be elected as a member of the Audit Committee	<p>Ms Dongwana, 48, is suitably skilled and experienced to serve as a director and member of this committee. The Nedbank and Barloworld websites list Ms Dongwana as chair of Barloworld, we are aware that she no longer serves in that position or on that board.</p> <p>Her attendance record was impeccable, and we did not find her to be over-committed.</p> <p>However, Ms Dongwana was an audit partner with Deloitte & Touche for 9 years prior to her joining this board; Deloitte have been auditors for 48 years. We do not favour audit partners joining the board of client companies directly on leaving the audit firm. We oppose her serving on this committee.</p>	AGAINST	FOR 96.4%
4.4	Resolved that Mr EM Kruger be elected as a member of the Audit Committee	Mr Kruger, 63, has been a director for 5 years. He is suitably skilled and experienced to serve as a director and member of this committee. His attendance record was impeccable and we did not find him to be over-committed.	FOR	FOR 98.9%

	Resolution	Rationale	Vote	Outcome of AGM
5	Placing the authorised but unissued ordinary shares under the control of the directors	This resolution is limited to the issuing of shares in terms of the company share schemes only. We do not like the fact that the resolution is so broadly worded but do not oppose it on the grounds that the issue is limited to issuing shares to the share schemes only.	FOR	FOR 97.7%
6	Advisory endorsements on a non-binding basis of the Remuneration Policy and Remuneration Implementation Reports			
6.1	To endorse through a non-binding advisory vote the company's Remuneration Policy	<p>The Remuneration Committee (Remco) is made up of 4 non-executive directors all of whom are independent and all of whom attended all Remco meetings during the year. We do not favour the attendance of executive management by standing invitation. Remco has various external consultants and these are named but it is not clear in all instances of the role those advisors play.</p> <p>At the 2021 AGM 34% of shareholders opposed the Remuneration Policy and 20% opposed the Remuneration Implementation. As a result of the level of opposition to the Remuneration Policy the company was obliged to consult shareholders, including Active Shareholder. This represented a significant drop, in support from prior years where support for these resolutions has been outstanding. We do not favour the approach adopted by Nedbank where they held <i>several individual meetings with our larger shareholders</i>. Active Shareholder did take part in the <i>'large collective meeting' with smaller shareholders</i>, and favours open meetings where all shareholders are able to put forward and exchange ideas.</p> <p>A table of the issues which Remco took from those meetings is supplied together with Remco's response. We are pleased to note that ESG factors have been included as remuneration metrics after the consultations.</p>	AGAINST	AGAINST 28.3%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>Regarding our concern that the link between company strategy and remuneration was not clear, Remco re-state the link between targets and remuneration. This is not necessarily the same as a link to strategy as recommended in the King Code.</p> <p>Discretion in 2020 was used to adjust the pool as targets were set before the onset of Covid 19. The increase in the pool in 2020 has been recovered in 2021 when the recovery was greater than anticipated.</p> <p>We remain concerned at the level of discretion in general although we do accept the need for adjustments in extraordinary times and the link to strategy is not yet clear to us.</p> <p>As is the norm, executive remuneration is made up of Fixed Pay, Short-Term Incentives (STIs) and Long-Term Incentives (LTIs). Fixed pay includes benefits such as medical aid and pension contributions and variations in fixed pay are cost neutral to the company. Fixed pay is benchmarked using external data from various named sources.</p> <p>STIs are based on Headline Earnings and Economic Profit. All employees whose STI exceeds R1m, have their bonus deferred. Deferred bonuses are in shares and are released in 3 equal tranches.</p> <p>We find the metrics of Headline Earnings and Economic Profit very limited, and in particular it is not clear to us how this relates to the stated objective of managing the agreed risk appetite. As in previous years we do not favour the level of discretion <i>STIs are delivered through our discretionary STI arrangements, and STI participation is discretionary.</i> There is no hard cap to the amount of the STI which we favour, but Remco approval is required for any STI over 200% of fixed pay.</p> <p>LTIs are in 2 parts. The first applies to the deferred bonus (above) in which shares are matched subject to the bonus being left in the scheme for 36 months and performance conditions being met. In this case the STI is effectively doubled as shares are matched one for one. The</p>		

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		<p>performance conditions for this scheme are that ROE (Return on Equity) must equal or be greater than COE (Cost of Equity) plus 1% point, and the employee must still be in the employee of Nedbank. Not overly onerous.</p> <p>The second takes the form of Restricted Share Awards in which case shares are subject to a 3-year vesting period</p> <p>We find that 3 years is not a long-term and would like to see Restricted Share Award vesting period extended. The Restricted Share Awards are discretionary and there is not hard cap with any award greater than 100% of fixed pay requiring Remco approval. At least 50% of the awards are subject to performance conditions. The performance conditions and weighting of the CEO and executives respectively are: ROE vs COE 30% and 25%; DHEPS (Diluted Headline Earnings Per Share) 30% and 25%; Efficiency Ratio 20% and 15%; ESG 10% and 5%; and Strategic 10% and 5%. The total of executives weighting is 75% with the remaining 25% not subject to and conditions. The CEOs bonus is 100% subject to performance conditions.</p> <p>We would prefer the full bonus to be subject to performance conditions and the ESG weighting at 10% or 5% is rather low but we do appreciate this is the first year that this was introduced. The Remco Chair's introduction refers to customer satisfaction but we find no reward based on this – it is a critical issue in a customer focussed business such as Nedbank.</p> <p>Dividends are paid on unvested shares – we do not favour the payment of dividends on unvested shares. Dividends should only be paid on shares that vest.</p> <p>We do commend the company for engaging with shareholders last year and for the changes made in the policy to accommodate shareholder concerns. We take the point noted in the Report that institutional shareholders and smaller shareholders did have opposing views on some remuneration issues – this supports our</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>view for a single consultation where shareholders can hear each other.</p> <p>However, we remain opposed to the level of discretion in the policy, including the fact that there are no hard caps on the STI or LTI. The LTI award at 3 years is not sufficiently long-term and the link between company strategy and rewards is not clearly presented. A difficult decision given the improvements made but the final issue is that there is not customer satisfaction metric.</p>		
6.2	To endorse through a non-binding advisory vote the company's remuneration Implementation Report	<p>We appreciate the inclusion of the figures showing no discernible gender difference in remuneration. The company discloses the minimum pay for any employee at R 180 000pa an increase of 5.9% from R 170 000pa. The CEOs basic salary before STI or LTI is 51.7 times the minimum pay. We would like to see the company publish the internal Gini Coefficient.</p> <p>Fixed pay for bargaining unit staff increased by 4% and for other staff and executives by 3%. Executive and staff increases over the 2020 and 2019 were modest at 6.3% and 4% for bargaining unit employees, 4% and 3% for other employees and 0% and 3% for executives.</p> <p>We note the various other schemes to provide assistance to lower paid employees.</p> <p>The report states that 40 sign-on awards totalling R 15.8m and 71 deferred short-term incentive awards totalling R 68.2m were made during the year. We note under policy above our concern regarding the level of discretion afforded Remco.</p> <p>The many changes in the conditional portion of the restricted share plan are most confusing and point to undue levels of discretion. On the positive side, the Report does clearly outline the metrics and targets at different levels and these are clear and understandable. Report cards and targets for each executive are provided and very positively 3-year remuneration figures are included in the Report.</p>	AGAINST	AGAINST 27.1%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>We don't like the <i>Additional LTI award, made on a highly selective basis to critical and scarce talent</i> and would much rather see packages adjusted appropriately rather than these ad-hoc awards. The CEO and COO were made such awards of shares at face value of R 10m and R 5.5m</p> <p>We find the executive pay to be fair and reasonable in total but do not like the level of discretion applied by Remco. Metrics, targets for last year and the new financial year are clear and transparent. We oppose the resolution on remuneration policy largely due to the level of discretion allowed and exercised by Remco. In addition to that concern we find the awarding of Additional LTI awards to be totally discretionary and insufficiently motivated in the case of the CEO and COO in particular.</p>		
	Special Resolutions			
1	Non-executive director fees	<p>Non-executive director fees increase by 4%, this after an increase of 3% in 2021 and 0% in 2020. The increase is reasonable in the context of increases in the last 2 years.</p> <p>The Chair of any committee is paid 2.5 times the committee fee which is the top end of the norm, as such it is high but acceptable.</p> <p>We do not support flat fees for board and committee members and require the payment of an attendance fee or some other form of performance measure.</p>		
1.1	Chairperson all-inclusive fee	<p>The Chairperson's fee of R 6 472 190 is high for a company the size of Nedbank but is lower than the fees paid to the chairs of other banks. It is appropriate and standard practice for the chair to be paid a flat fee.</p>	FOR	FOR 99.4%
1.2	Lead Independent Director fee – in addition to board member fee	<p>The Lead Independent Director is paid a fee of R 228 915 in addition to the board member fee, giving him a total fee of R 540 034. This fee is within the norms payable to Lead Independent Directors.</p>	FOR	FOR 99.4%
1.3	Group board member fee	<p>Group board members are paid a flat fee of R 311 119. We do not support the payment of a flat fee to directors and require an attendance fee or other performance measure form part of the fee.</p>	AGAINST	FOR 99.3%

	Resolution	Rationale	Vote	Outcome of AGM
		Directors of Nedbank Limited are paid a fee of R 261 159, what is not clear in the resolution is if the directors are all members of the Nedbank Limited board as well and as such if they receive these fees as well. The Remuneration Report makes it clear that all directors do receive both fees – thus these fees are much higher than the resolution suggests. We would like to see this spelt out clearly for all shareholders to see.		
	Committee members' fees, the chairperson of the committee will be paid 2.5 times the committee member fee for all committees			
1.4	Audit Committee	R 343 855 no attendance fee.	AGAINST	FOR 99.8%
1.5	Credit Committee	R 257 891 no attendance fee.	AGAINST	FOR 99.8%
1.6	Directors' Affairs Committee	R 103 157 no attendance fee.	AGAINST	FOR 99.8%
1.7	Information Technology Committee	R 154 735 no attendance fee.	AGAINST	FOR 99.8%
1.8	Remuneration Committee	R 194 851 no attendance fee.	AGAINST	FOR 99.7%
1.9	Risk and Capital Management Comm	R 257 891 no attendance fee.	AGAINST	FOR 99.8%
1.10	Transformation, Social and Ethics	R 154 735 no attendance fee.	AGAINST	FOR 99.8%
1.11	Climate Resilience Committee	R103 157 no attendance fee.	AGAINST	FOR 99.9%
2	Remuneration of non-executive directors appointed as Acting Chairperson, Acting Lead Independent Director or Acting Committee Chairperson	The acting fees increase by 4% and are payable for each month that the director is in the acting position. It is not clear if these are in addition to existing board fees.		
2.1	Acting Chairperson fee	R 130 000 per month	FOR	FOR 99.9%
2.2	Acting Lead Independent Director fee	R 19 077 per month	FOR	FOR 99.9%
2.3	Acting Committee Chairperson fee	R 28 416 per month	FOR	FOR 99.9%
3	General authority to repurchase ordinary shares	Active Shareholder does not support open and general authorities to purchase shares as such purchases are generally pre-judicial to minority shareholders. This resolution provides for general repurchases if the directors believe it is in the best interests of the company. We are given	AGAINST	FOR 99.8%

	Resolution	Rationale	Vote	Outcome of AGM
		no other indication of when and why the board may make such repurchases. We do not support this. Unfortunately, the resolution includes the purchase of shares for staff share schemes which we would support.		
4	Notice of intragroup financial assistance. That the financial assistance can be provided to any related or interrelated company (and any person 'related' to the company) or any other person (a recipient) and, for the avoidance of doubt, excludes financial assistance provided to any directors or prescribed officers of the company or of any these recipients. That nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and 45 of the Companies Act.	A very poorly worded and long resolution full of legalese and references to the companies' act. In short, this resolution would empower the company to loan funds to related companies for any reason covered by sections 44 and 45 of the companies act including for the purchase of securities (shares) in the company. We do not support this resolution.	AGAINST	FOR 99.8%

OUTCOME OF THE AGM

Attendance at the AGM was not good by South African standards with 70% of the shares voted in person or by proxy. The company is obliged to consult with shareholders as neither of the Advisory Remuneration Resolutions were supported by the requisite 75% of shareholders who voted. Unfortunately, it appears that the company does not intend to have a proper consultation but is calling for written submissions only. The company noted that some shareholders held contradictory views on certain remuneration issues and we believe an open consultation is the best way to address such contradictory views.

A new director, Ms Langeni, was opposed by 15% of shareholders which is most extraordinary for a new appointment.

After 48 years' service there is quite strong opposition to the appointment of Deloitte as auditors.