

Group Credit Committee Charter



Secretary: Anmol Singh

Addendum F

1 Introduction and goals

The Group Credit Committee (GCC) is appointed by the Nedbank Group Limited Board (board) to perform the functions set out in this charter and enable Nedbank Group (group) to:

- meet its credit risk management requirements and obligations under the Banks Act (BA), 94 of 1990, and its regulations; and
- comply with credit risk policies, procedures, processes and practices.

2 Delegation and authority

The board delegates its responsibility and authority, but not accountability, for credit risk management to the GCC in terms of section 72(1)(b) of the Companies Act, 71 of 2008.

The GCC:

- has scope and authority that extends to all activities in the group where there is credit risk; and
- must ensure that Group Credit Risk (GCR):
 - remains functionally independent from the personnel and management functions of clusters and business units that are responsible for the origination of credit exposures; and
 - is headed by a person who, with the approval of the South African Reserve Bank Prudential Authority (SARB PA), reports directly to the Chief Risk Officer (CRO).

Without in any way abrogating its responsibilities the GCC will rely on the work and reporting of cluster credit committees (CCCs), the Executive Credit Committee (ECC), Group Risk Analytics (GRA), GCR, Group Internal Audit (GIA) and External Auditors.

3 Roles and responsibilities

The GCC helps the board set credit policy, monitors compliance with that policy, monitors credit risk in the group, and oversees and approves changes to the Internal Ratings-based (IRB) system.

To ensure its proper functioning of the GCC, the following applies:

- The GCC has a monitoring and approval responsibility.
- The functions listed in the next sections are the usual activities of the GCC.
- This charter serves as a guide and does not prevent the GCC from carrying out extra functions and adopting extra measures as may be appropriate in the light of changing business, regulatory, strategic, risk or other conditions, or anything related to credit risk management.

4 Approval functions

4.1 Policies, limits and mandates

The GCC must approve the following:

- Level 1 group credit policies and mandates..
- The setting of credit limits and guidelines for CCCs (as reflected in the Group Credit Risk Management Framework (GCRMF)).
- The appropriateness of the credit risk appetite metrics.
- Changes to the credit risk appetite, including the articulation of and tolerance for credit risk across the group.
- The credit risk governance framework in Nedbank Africa Regions (NAR).
- The charters of CCCs and subsidiaries in the group that take on credit or counterparty credit risk.
- The GCC will approve the ECC Charter that is recommended by Group Exco and the ECC, annually.
- Upgrade of model-based Nedbank Group Rating (NGR) ratings by more than 5 rating grades.

The GCC must approve the following:

- Level 1 group IRB policies connected to or related to new models and material changes to the IRB system.
- Approval of the IRB Credit Risk Framework and policies of the group, including any changes to them.

4.3 Impairments

The GCC must approve the following:

- Level 1 group policies related to IFRS 9 impairments and impairment model validations.
- The adequacy of impairments (including overlays) as proposed by the CCCs and reviewed by GCR twice a year.
- The group IFRS 9 impairment figures, together with the macroeconomic forecasts used to calculate them. As the approval is retrospective, any difference that arises between the proposed and approved impairments may require an overlay.

4.4 Credit risk-weighted assets

The GCC will do the following:

- Approve the year-end (December) credit risk-weighted assets (RWA).
- Note the half-year (June) credit RWA, after the ECC has approved them.

5 Monitoring functions

The GCC must review and/or monitor the following:

- The procedures and processes in place to manage and control credit risk.
- The credit portfolio, credit risk information and disclosures of the group.
- The effective implementation, maintenance and performance of the IRB system of the bank as well as its effectiveness and output, including validations performed of the IRB models.
- Group credit policies, credit mandates, limits and guidelines.
- The appropriateness and effectiveness of the GCRMF, including the adequacy of credit personnel and the composition of credit committees in the clusters and subsidiaries as recommended by the CRO and GCR.
- The appropriateness and effectiveness of credit risk governance for all subsidiaries that grant credit, including the Isle of Man and NAR, in line with the Nedbank Group Operating Manual (GOM) (chapters 1–7).
- The CCC attestations of the subsidiary will include a confirmation that the governance structures are adhered to, as approved by the GCC and in line with the GOM, and any breaches will be reported to the GCC. Further assurance will be obtained through the independent reviews performed by the Nedbank credit team and GIA.
- The credit risk appetite, including reasons for credit risk appetite metrics being above or below the target ranges set by the GCC.
- The trends in asset and portfolio composition, quality and growth, defaulted loans, risk-based pricing, Nedbank-owned Properties (NOPs), intragroup and related-party lending and concentration risk exposures, and the directing of action accordingly when deemed necessary.
- The credit risk management information and Watch List, Large Exposures, Prudential Guidelines and any other risk concentrations as specified from time to time.
- The SARB PA BA 200 series reporting process and graphs.
- The guidance given by business regarding specific industries, geographical locations and clients.

4.2 Internal ratings-based (IRB) system

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The GCC must monitor and promote sound credit practice areas across the group to ensure the following:

- The establishment and maintenance of an appropriate credit risk management environment.
- The establishment of best risk practices, standards and adequate controls for the effective and efficient management of credit risk.
- Proper assessment of asset quality and the adequacy of impairments and reserves.
- Adequate disclosure of credit risk, including appropriate reporting systems and processes.
- A proper analysis of current and future capital requirements in relation to strategic lending goals.

The GCC is responsible for ensuring that the credit committees of the subsidiaries (also for alliances and joint ventures, where provided for in the agreements) have the correct policies, procedures, processes, practices, and people in place to ensure the following:

- The monitoring process adopted by the underlying credit committee is adequate and aligned with Nedbank requirements.
- The impairments, which are reviewed by the underlying credit committee in discharging their responsibilities, are adequate.
- The concerns raised by the underlying credit committee in discharging their responsibilities are dealt with.
- Facilities are monitored in relation to group exposures.

6 Coordinated assurance

The GCC must ensure that the principles of coordinated assurance (CA) have been embedded and that:

- planned assurance activities across all lines of defence (LOD) cover the significant credit risks matters of the group effectively;
- CA plans (coordinated by the chief credit officer) are challenged and approved to ensure sufficient coverage; and
- outcomes of CA activities are reported timeously and considered to enable effective decision-making.

7 General matters

The GCC has authority to deal with matters not referred to in this charter and that are related to the specific functions and powers outlined in this charter and that the GCC could reasonably be expected to deal with in order to discharge its obligations.

8 Procedure

At each meeting of the GCC time must be allotted during which the directors, in the absence of management, may consider and make decisions on any matters raised during the meeting.