

NEDBANK GROUP (BUSINESS CONTINUITY PLANNING)

8 April 2009

Introduction

Our client Nedbank Ltd (herein after referred to as Nedbank) is one of the four largest banks listed on the JSE Securities Exchange South Africa. It has 30 000 staff members, 32 Head Office buildings, 440 Retail branches and a number of subsidiaries both in South Africa and other African countries. Nedbank is a subsidiary of the Old Mutual Group. For further information regarding Old Mutual and their listings please see www.oldmutual.com

Operating in Africa has its own unique risks. Some of the risks that our client faces in South Africa include:

1. Single service providers as far as telecommunications, power and water is concerned
2. Infrastructure failure due to the following:
 - accommodation needs in the nation as a whole but, more importantly, population movements across the nation, together with new household formation is faster than the population growth;
 - a long history of neglect of maintenance of infrastructure;
 - an overall skills shortage, especially of engineers and artisans, and a slow rate of new entry to the profession;
 - institutional changes (for example in local government); and
 - a number of unsustainable investments that have been made.
3. The impact of pandemics such as HIV/AIDS and Tuberculosis on the workforce

It is against this background that Nedbank formulated its strategy.

Given the above and supporting directives from the Reserve Bank of South Africa and the Payment Association of South Africa (PASA), Executive Management realigned their focus towards establishing a secure and effective disaster recovery and Business Continuity Plan (BCP). Prior to managements' decision to implement a Living Disaster Recovery Planning System (LDRPS), Microsoft Word tool was used to document all business continuity planning. This only supported some degree of programme management. A crucial limitation was that regular updates and ongoing maintenance of plans was made difficult due to the outdated web-based architecture. Not to mention it was not securely available from anywhere over the internet.

In view of this various vendors were invited to present their preferred solution. SunGard Strohl Systems was chosen for meeting the agreed business requirements coupled with its world rating as being the best BCP tool available.

Business Need

Legislative requirements stipulated by the Reserve Bank of South Africa and PASA meant that the Group needed PASA certification to secure their business license. Notwithstanding the Group’s operations depended on different software applications which needed to support the Group policy that stipulated a central repository for BCP.

The objectives of Nedbank’s business continuity strategy includes:

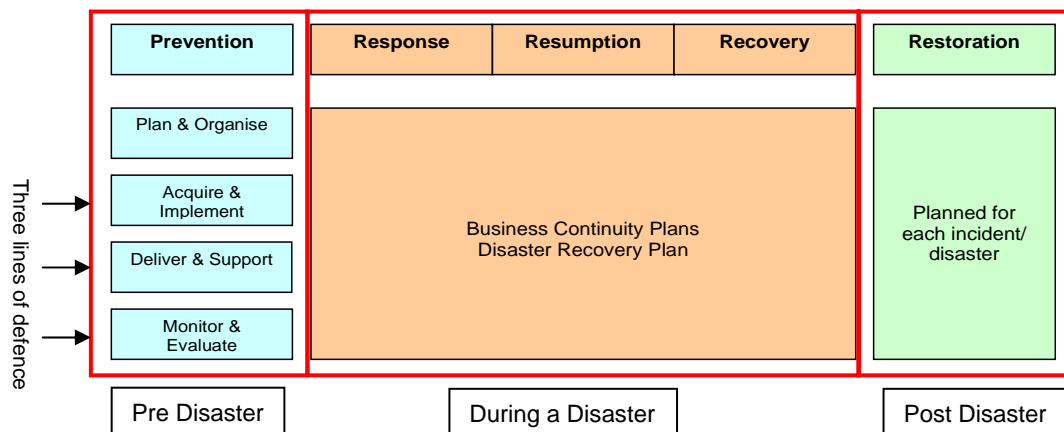
1. Create a policy, framework and methodology for business continuity (BC);
2. Implement the strategy throughout the Group
3. Testing of business continuity plans (BCP) and disaster recovery plans (DRP)
4. Monitoring the programme on an ongoing basis

In Nedbank business continuity planning, which includes disaster recovery planning, forms part of normal business processes and is not an add-on or supplemental process. Continuation of the business during or following a disaster is deemed an extension of managers’ operational responsibilities and as such is incorporated in their performance agreements.

The programme has sponsorship on executive level by both the Chief Risk Officer and Chief Information Officer as the responsibility for management of Business Continuity and Disaster Recovery falls within the ambit of the Risk function and IT functions respectively.

In terms of the policy the responsibility for the management and monitoring of BC falls within the Risk environment of the group and is managed by a central team of 4 people within Group Risk.

Nedbank’s business continuity framework is based on the PR4 model as depicted below.



Risk management within the Group is the responsibility of, line management, group risk and internal audit – the so-called ‘three lines of defence’. To align the business continuity strategy with that of the Group’s risk management strategy, the framework requires the following action from the various areas:

- **First line of defence:** Part of the responsibility of line management involves management of the identified risks by acquiring resources and/or implementing necessary steps to either tolerate, transfer, terminate or treat the risk.
- **Second line of defence:** The central business continuity management team supports the business units by providing and maintaining infrastructure that will enable the business units to manage their risks. The infrastructure include LDRPS¹ as a management tool for business continuity plans, business resumption areas for relocation of staff, Emergency Management Centres and War Rooms for management of a crisis, crisis communication systems etc.
- **The last line of defence** rests with internal and external Audit. It is their responsibility to evaluate the programme based on the business continuity policy guidelines, framework and methodology. They are also responsible for auditing all tests that are conducted to ensure that the recovery and resumption stipulated in the BCPs are practical and sufficient.

Solution

When the Group went to market sourcing a planning tool to meet their specifications and requirements needed to fulfil the continuity programme, the SunGard Strohl LDRPS was the only system that met all requirements and continues to do so today. The Nedbank Group has six LDRPS administrators and 2291 end users building and maintaining plans in the product. The group is currently migrating to LDRPS 10.

Project Approach:

Driven by Executive the project adopted a phased approach over a one year period addressing three core areas: people, technology and process. With accountability held at business and ICT process owner level, key representatives from the various clusters, including the BCM Team collaborated to define the business needs to ensure an effective customised system by SunGard Strohl Systems.

Despite line management’s responsibility to manage their risks, they recognised the business continuity team’s expertise and approached the team to manage the implementation of the programme on their behalf within their areas.

To ensure that ownership of the BCPs remains within the business unit, extensive use was made of the operational risk officers (whose reporting line is within the business) to assist the BCP Team with the implementation and monitoring of the programme. This approach contributed enormously to the successes during 2005/2006. By centrally managing the implementation of the programme

¹ The Living Disaster Recovery Planning System is a trademark of SunGard Availability Services (formerly Strohl Systems)

consistent implementation of the methodology and strategy was ensured. The responsibilities of the risk officers were clearly defined and attached to the 2006 revision of the BC policy document. These responsibilities were included in their balanced scorecards – giving them recognition for their efforts as well enabling measurement of staff against the implementation plan.

Roll out began with initial awareness. Detailed presentations outlining project requirements supporting governance and compliance were held with staff across all clusters. The opportunity to define roles both within the project and business was taken to ensure maximum understanding and knowledge of the LDRPS roll out and its requirements. The BCM team facilitated regular classroom sessions of up to 15 – 20 people at any one time. These sessions offered guidance and system training. Users administered through this process constituted 60% of the learning component of project plan completion. The remaining 40% was overseen by senior managers from the respective business units.

Rolled out over a period of a year the Group achieved a zero base to a current 918 BCP's on the system.

Challenges :

1. Staff experienced added pressure in terms of meeting daily operational requirements and additional project delivery tasks. Reiteration of audit requirements and their involvement achieved the desired response.
2. Many staff employed at regional branches struggled to meet the success rate experienced at Head Office. A defining factor may be attributed to their lack of general technology experience and knowledge especially in navigating the system. This challenge was overcome by one on one and small group sessions held in the regions by members from the BCM Team.
3. The Group experienced a major mind shift, in terms of understanding both product and its capabilities within a given timeframe. As the first South African company to roll out SunGard Strohl LDRPS staff researched and read manuals to increase their product knowledge and understanding. They achieved an 80% know how through self learning.

Benefits

1. **Increased productivity and security against any crisis** - Since the implementation of LDRPS the Group took advantage of the customisation capabilities by customisation screens and fields to their specification.
2. In the past the Business Impact Analysis (BIA) was done on a separate excel spreadsheet and attached to plans. In 2006 the LDRPS software was customised so that the BIA now forms an integral part of the steps that each business unit must go through to build their plans, making the whole BCP planning cycle paperless and thus more cost effective

3. Meaningful reports can be extracted that reflects the number of plans approved, tested and their rate of completion within any given cluster.
4. Their hands on approach to implementation, has resulted in internal resources developing a "Plan Assistant" which is an online learning tool that guides users through the entire process of building and maintaining plans and navigating the system. This training system is driven by the Computer Business Training division.
5. A unique SMS system that links into LDRPS was also developed to distribute bulk SMS's to key personnel and/or all staff should an emergency occur. A derived benefit is that the system is alerted of any non response and this is escalated to the next level.
6. 90% of all business information imported into the system is automated and includes information such as HR, Finance, procurement, software and vendors. The other 10% is business specific information.

A major contributing factor to the successes experienced in 2006 was the extensive awareness campaign that was embarked on. For the implementation of the strategy to work staff (at all levels) had to buy into the process. Some innovative and cost effective ways to achieve this were made use of:

- **Computer Based Training:** A computer based training module was developed and implemented in June 2006 to create awareness around the business continuity policy, methodology and framework. The programme also contains modules on how to use LDRPS.
- **Intranet:** a dedicated intranet web page on which was published the policy, methodology and framework. The intranet site contains information on current issues, links to LDRPS, the vision, mission etc. A 'one-stop-shop' for all information related to Business Continuity
- **Newsletters:** Extensive use of electronic newsletters, sending out 6 during the course of the year. These newsletters were sent out under the auspices of Group Risk for maximum impact.
- **Inter-bank forum:** Instrumental in instigating the first local inter-bank forum on pandemic planning. It has since evolved into a quarterly meeting during which discussions on all aspects of business continuity are held. Nedbank is planning to release an industry video on business continuity awareness.
- **Awareness week:** The first annual Business Continuity awareness week was held during August 2006. During the awareness week awareness was created around the strategy, policy and methodology. A competition in the form of a crossword puzzle was launched to increase interest and attendance at the presentations that were given through-out the week. The answers to the questions could only be obtained if staff attended the presentations as they were contained in the content of the slides.

Business Value

1. In 2006 the Nedbank Group was the first organisation to have achieved its PASA certification and continues to achieve this each year. The Reserve Bank of South Africa and PASA stipulate what systems can be used and in what timeframe transactions must be recovered. The 3 timeframe categories are:

- 90 minutes
- 6 hours
- 24 hours

Currently the Group is positioned to recover within 90 minutes and 6 hours.

2. Internal skills acquired - as the only South African company in 2004 to implement LDRPS a major mind shift, by the Group, was needed in terms of aggressively understanding the product and its capabilities. There was no one company in South Africa that could offer any learning lessons or relevant case studies and information on implementing LDRPS. 80% of their product knowledge base was secured through self learning.

Learning Lessons

The development of a generic BCP by the BCM Team highlighted major shortcomings as was evident in the 80% failure rate of the first test drill. This may be attributed to Team members having little understanding of the group business dynamics and requirements which impacted heavily on their definition of business case during the developmental stage of the BCP. The high failure rate reinforced managements' realisation of the importance of an effective BCP and effort was made to customise the programme to meet Group and cluster business dynamics. Go ahead for implementation was given when the 2nd test run witnessed a 90% pass rate. To test compliance and efficiency of plan and people on an annual basis, the Group strategy prevents business units from accessing their building and requires them to work offsite.

EDITORIAL CONTACTS

Quintica

Nina Sparg

(011) 575 4320

nina@quintica.net