



Transaction Capital



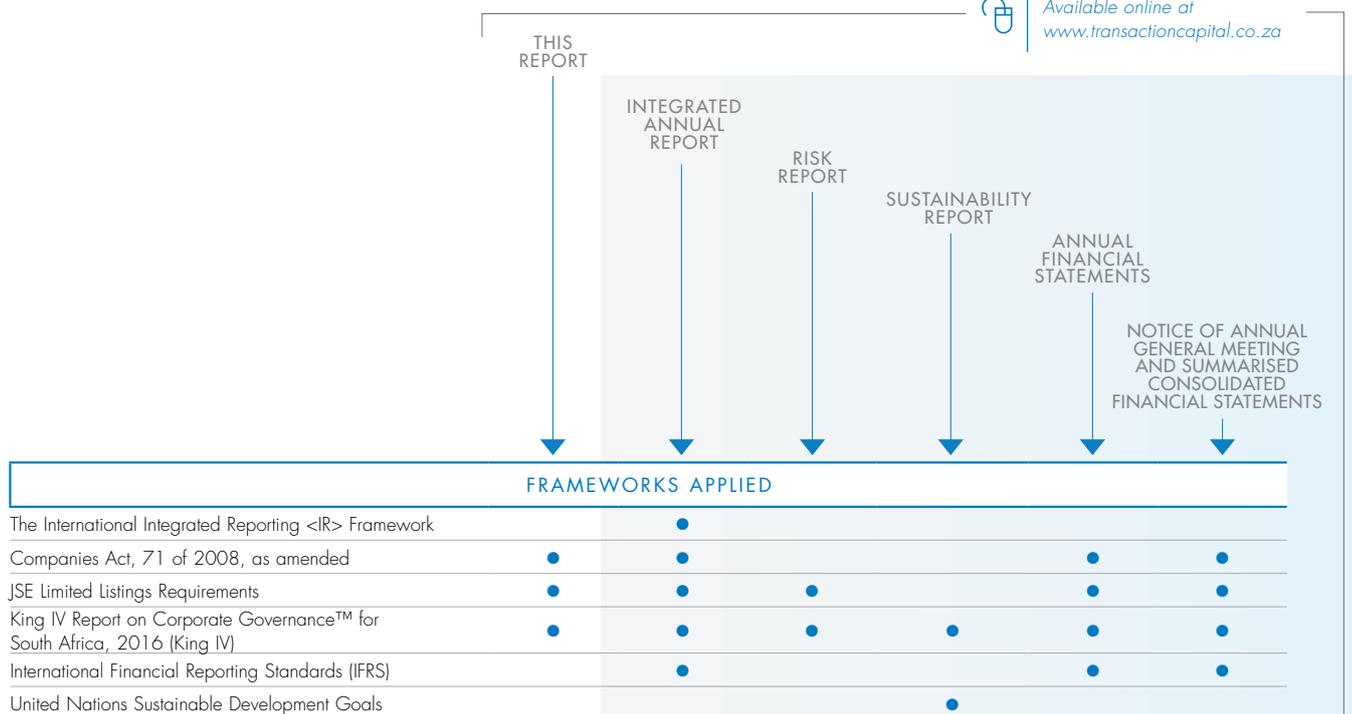
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OUR REPORTS



Available online at www.transactioncapital.co.za



GOVERNANCE REPORT

Transaction Capital (the group) follows a progressive and stakeholder-inclusive approach to governance. The board of directors (the board) is the focal point and custodian of the group's corporate governance framework, with the board being ultimately responsible and accountable to stakeholders for the performance, activities and control of the group.

PRINCIPLE 6

Our governance philosophy

Transaction Capital's board is committed to remaining at the forefront of corporate governance, beyond its commitment to complying with legislation, regulations and best practices relevant to the group. The board regards the process of assessing and monitoring adherence to adopted governance standards as a dynamic process, and endeavours to continually improve governance structures to match the group's growth and evolution.

Transaction Capital's governance structures are aligned to King IV, which advocates an outcomes-based approach to governance. King IV defines corporate governance as the exercise of ethical and effective leadership to achieve the governance outcomes of:

- ▷ An ethical culture.
- ▷ Good performance.
- ▷ Effective control.
- ▷ Legitimacy.

The King IV principles are intended to provide guidance to organisations in continuously working towards these governance outcomes. As such, this governance report references each principle where relevant, to demonstrate the group's progress in

THE GOVERNANCE REPORT USES THIS ICON TO HIGHLIGHT THE APPLICATION OF KING IV PRINCIPLES. The King IV application table starting on page 15 defines each principle, and references the relevant section in this governance report.



achieving the outcomes as envisaged in King IV. The board assessed the group's application of King IV and has satisfied itself that the group complied with these principles, in all material aspects, for the year under review.

Ethical leadership

The board maintains a high level of individual and collective accountability and responsibility, and strives for fairness and transparency in all its dealings. Together, these principles drive a culture of ethical leadership and support the creation of value for the group's stakeholders.

The board is responsible for the strategic direction of the group, which it considers in conjunction with the group's values and ethics charter. The group's values form a common platform for effective, responsible and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.

The board directs strategy to ensure business sustainability, while considering the short- and long-term impacts on society, the environment and stakeholders, as per the group's sustainability policy framework.

PRINCIPLE 1

KEY GOVERNANCE OBJECTIVES AND PROGRESS IN 2020

AUGMENT BOARD SKILLS AND DIVERSITY

- ▷ Appointment of new independent non-executive directors with insurance, legal and technical financial skills which augment the existing skillset of the board.



For the skillset and diversity of the board, see pages 5 and 6.

ENHANCE SUSTAINABILITY

- ▷ Adopted an economic, social and environmental (ESE) framework.



For sustainability developments, see page 3.

STRENGTHEN BOARD INDEPENDENCE

- ▷ Three new independent non-executive directors appointed to the board, bringing the total number of independent directors to eight out of 14 directors.



For changes to the board, see page 7.

PROMOTE ETHICAL CONDUCT

- ▷ Updated whistleblowing policy to align with best practice and appointed divisional ethics officers.



For more on ethics, see page 3.

Ethics and culture

The group's ethics charter constitutes a formally documented policy to guide and entrench an ethical and values-based culture across the group. The charter was revised in 2019 to ensure it aligns with best practice; is applicable to the group and its growth ambitions; is practical in application; and that it is relevant to all stakeholders.

With effect from 1 April 2020, the role of ethics executive forms part of the portfolio of the group internal audit executive, who has direct access to the group board of directors and subsidiary boards, as required. Divisional ethics officers were appointed during the year to serve as the custodians of the ethics function in their respective divisions, to further extend and deepen ethics structures across the group.

 The group ethics charter is available at www.transactioncapital.co.za.

Transaction Capital maintains an independent whistleblowing hotline operated by an external service provider. Reports can be made anonymously, and all ethics-related incidents are investigated. Executive management is provided with a report on the results of the investigation and appropriate action is taken. Furthermore, unethical or fraudulent behaviour can be reported to line management and the respective human resources departments of the group's businesses.

The group received 68 new reports (2019: 81 new reports) through its whistleblowing hotline for the year under review. All reports were independently investigated and where appropriate, disciplinary action instituted for all substantiated allegations.

Transaction Capital's whistleblowing policy was updated in the current financial year to ensure alignment with best practice, with employee training on the updated policy conducted in October 2020.

The ethics function assesses any ethical issues raised against a matrix that categorises the severity of any breach based on the employee and their seniority, and the nature and magnitude of the breach. This assessment determines which resource will investigate the breach (across different internal levels or involving external investigators) and to whom it will be reported. This approach removes subjectivity from the assessment, enhancing fairness and transparency in the group's approach to managing ethics.

The group follows an integrated approach to its ethics management, which includes prevention, detection, investigation, and resolution. As part of its prevention strategy, the group has an anti-bribery and corruption policy, which includes guidelines for donations (including political donations) and sponsorships. Additionally, the group adopted a gifts, entertainment and hospitality policy in 2020. The group also conducted its first corruption risk assessment in the year under review.

Regular ethics reporting is provided to the social and ethics committee and, where relevant, the audit, risk and compliance (ARC) committee and the board.

SUSTAINABILITY FRAMEWORK

The group's sustainability policy mandates the social and ethics committee, the ARC committee, the asset and liability committee (ALCO) and Transaction Capital's executives with overseeing specific sustainability matters to ensure that the group and its businesses operate in an ethical, corruption-free and sustainable way. In addition, group environmental and human rights policies are being presented for board approval in the 2021 financial year.

The group's divisions are positioned deliberately in relation to socioeconomic dynamics, enabling them to deliver good commercial returns and positive social impact in variable economic conditions. SA Taxi enables mobility access for millions of minibus taxi commuters through tailored developmental financing and support services for small- and medium-sized enterprises (SMEs), while Transaction Capital Risk Services (TCRS) promotes stable, functioning credit markets, facilitates financial rehabilitation and enables efficient payment systems. By focusing on under-served market segments and contributing to the effective functioning and sustainability of their respective industries, the social relevance of the divisions is core to achieving the group's strategic objectives.

Transaction Capital's newly adopted ESE framework is intended to provide the group and its stakeholders with an objective and balanced view of the group's corporate impact. Furthermore, the framework will inform strategic and operational initiatives going forward to ensure that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders. The framework facilitated the development of thematic sustainability impact areas and the identification of relevant metrics, risks and opportunities in this regard.

 Transaction Capital's sustainability report expands on the adoption of the ESE framework, and is available at www.transactioncapital.co.za.

Responsible corporate citizenship

Ultimate responsibility for corporate citizenship lies with the board, with oversight vested in the social and ethics committee and the ARC committee.

The principles of responsible corporate citizenship underpin all key aspects of the business.

The social and ethics committee monitors many of the aspects listed under the King IV practices (including employment equity, fair remuneration, equal pay for equal work, safety, health, economic transformation, public health and safety, consumer protection, community development and protection of human rights). The ARC committee is responsible for preventing, detecting and responding to fraud and corruption, as well as tax policy.

PRINCIPLE 3



Transaction Capital's sustainability report, available at www.transactioncapital.co.za, provides a detailed overview of the group's sustainability practices.

Stakeholder engagement

Engaging with stakeholders forms an integral part of the group's strategy. The sustainability policy governs the relationship and interaction with stakeholders, with the board and the social and ethics committee assuming ultimate responsibility and providing oversight for stakeholder engagement.

The divisions each have their own tailored stakeholder engagement plans in place, which are reported, considered and discussed at their respective board meetings.

PRINCIPLE 16



Transaction Capital's sustainability report expands on the group's stakeholder engagement activities, key stakeholder issues and Transaction Capital's response.

GOVERNANCE FRAMEWORK AND STRUCTURES

The role of the board of directors

The board acts as the custodian of governance. It has adopted the board charter and approves group policies and terms of reference for the board sub-committees. The board charter and group policies regulate how the board conducts itself in the best interest of the company and its stakeholders, considering relevant legislation and the principles of good corporate governance.

Transaction Capital's governance and compliance framework facilitates the board's role of providing direction and oversight. It sets the group's risk appetite and a high level of accountability to support consistent compliance with regulatory requirements, while also encouraging an entrepreneurial mindset as a key driver of performance.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees. The ARC committee and the social and ethics committee fulfil the statutory governance functions on behalf of Transaction Capital, its divisions and group subsidiaries in terms of the Companies Act 71 of 2008 and King IV.

PRINCIPLE 1&6



Details on the board sub-committees can be found later in this report. See page 10.



The ARC and social and ethics committee reports are included in the annual financial statements, available at www.transactioncapital.co.za.

All sub-committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through their respective chairpersons, sub-committees report back to the board at each board meeting. Sub-committees also report to stakeholders annually, in the integrated annual report and at the annual general meeting (AGM) if required.

The board, in conjunction with the nominations committee, is responsible for appointing the chief executive officer (CEO) and for monitoring his management of the performance of the group's assets and resources against approved strategic and financial objectives.

An authority framework is in place for the group that governs the authority delegated to group management and matters reserved for approval by the board.

Strategy and reporting functions of the board

The board has set out the group's business model, strategy and associated material risks in the integrated annual report. In undertaking its duties of directing the group's strategy, assessing its business model and enhancing sustainability to create value for all stakeholders, the board takes into consideration the risks and opportunities related to the context in which the group operates.

The board has delegated the formulation and implementation of group strategy to management, with the board providing input where required. The board has approved the group strategy along with key performance criteria and targets to assess its implementation.

PRINCIPLE 4

Details on the targets can be found in the Remuneration report on page 108 of the integrated annual report available at www.transactioncapital.co.za.

The ARC committee assists the board with the governance of risk, as detailed in the committee’s terms of reference. The board assesses the overall viability of the company with regard to its reliance and effects on capital, solvency and liquidity, and its status as a going concern.

The integrated annual report enables stakeholders to make an informed decision about the group’s strategic direction, performance and prospects. The board delegates responsibility to the ARC committee to ensure the integrity of the integrated annual report, with all financial and non-financial indicators reviewed by group internal audit. Assurance on the annual financial statements is provided by the external auditors (as detailed in the Independent auditor’s report in the audited annual financial statements). Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

PRINCIPLE 5

Board composition

The board, through the nominations committee, assesses the composition and membership of the board and board sub-committees annually.

Non-executive directors bring independent judgement and experience to the board’s deliberations and decisions, with the structure of the board ensuring that no one individual or group of individuals has unfettered powers of decision-making.

The board charter and nominations committee terms of reference prescribe that non-executive directors are selected on the basis that their business skills and expertise are appropriate to the group’s strategic direction and its specialism in alternative assets in credit-related and specialised market verticals. The board and nominations committee consider the academic qualifications, technical expertise, industry knowledge, experience, business acumen and diversity of board appointments. In addition, the board considers the integrity and leadership skills, as well as other directorships and commitments, of all directors to ensure that they have sufficient time available to fulfil their responsibilities.

Based on the annual board review performed in November 2020, the board and nominations committee are satisfied that the board’s overall composition (as well as that of its sub-committees) reflects an appropriate combination of knowledge, skills, experience, diversity and independence, as well as knowledge of the group and its specialism in alternative assets in credit-related and specialised market verticals.

PRINCIPLE 7

AGE DISTRIBUTION



TENURE



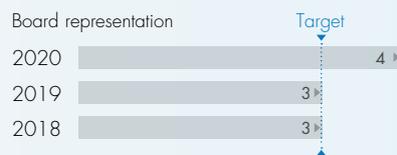
Average tenure of independent non-executive directors: 4.2 YEARS

Policy: Periodic, staggered rotation of members to balance new expertise and perspectives with valuable industry knowledge, skills and experience, while maintaining continuity.

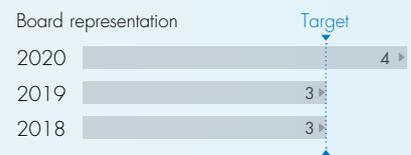
GENDER AND RACIAL DIVERSITY

The group supports the principles and aims of diversity at board level, and has a diversity policy in place to address gender and racial diversity.

NUMBER OF FEMALE DIRECTORS



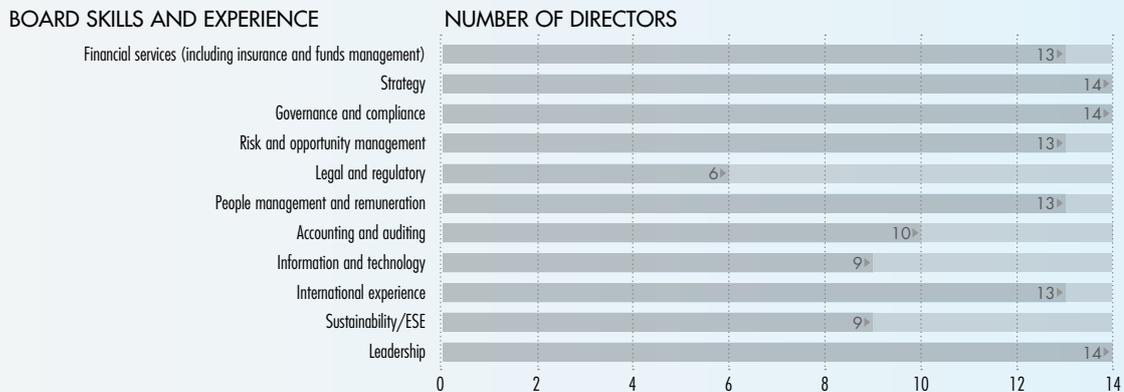
NUMBER OF BLACK DIRECTORS



Policy: The nominations committee sets voluntary targets for race and gender diversity and assesses progress annually. Targets align to the JSE Listings Requirements on the promotion of diversity. Black directors include African, Indian and Coloured directors.

SKILLS AND EXPERIENCE

The board skills matrix (set out below) provides an overview of the existing skills, knowledge and experience of the board. The skills matrix is assessed together with the overall board tenure, diversity and independence of directors.



In assessing the skills and experience of the board, a board skills matrix is used to identify existing skills, knowledge and experience of the board, which is considered together with the overall tenure, diversity and independence of directors. In 2019, skills gaps were identified in the areas of information and technology (IT) and international experience, with the latter addressed through new board appointments in 2020 and the increased exposure of executive directors to Europe through TC Global Finance. In 2020, IT has again been identified as an area requiring further alignment between the group's strategy and board experience, as well as sustainability/ESE skills.

INDEPENDENCE

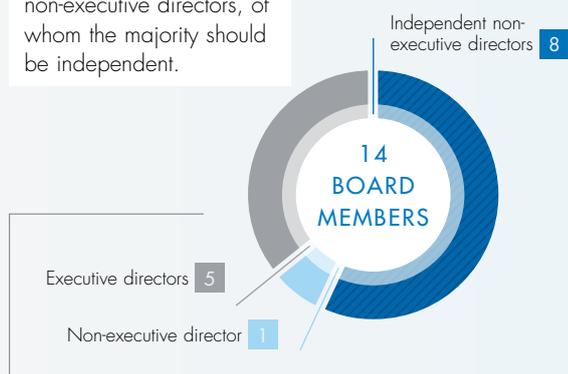
In terms of their fiduciary duties, directors should act independently in exercising their judgement and fulfilling their duties, and should not have their discretion fettered in any way. This requires that directors apply their minds honestly and make decisions in the best interest of the group on all matters presented to the board. Directors do not participate on matters in which they may be conflicted.

The annual assessment process involved a self-assessment of independence by each non-executive director and an assessment of all the non-executive directors by the board.

As part of the assessment of directors' independence, the board specifically determined that both long-standing non-executive directors, Christopher Seabrooke and Phumzile Langeni, continue to act independently.

NUMBER OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Policy: The board should comprise a majority non-executive directors, of whom the majority should be independent.



INDEPENDENCE AND CONFLICTS OF INTEREST CRITERIA (ALIGNED TO KING IV)

- ▷ Is the director a significant provider of financial capital or of ongoing funding to Transaction Capital; or an officer, employee or representative of such a provider of financial capital or funding?
- ▷ Does the director own securities in Transaction Capital, the value of which is material to the personal wealth of the director?
- ▷ Has the director been in the employ of Transaction Capital as an executive manager during the preceding three years, or is the director a related party to such an executive manager?
- ▷ Was the director the designated external auditor responsible for performing the statutory audit for Transaction Capital, or was the director a key member of the external audit firm, during the preceding three financial years?
- ▷ Is the director a significant or ongoing professional adviser to Transaction Capital, other than as a member of the board?
- ▷ Is the director a member of the governing body or executive management of a significant customer of, or supplier to, Transaction Capital?
- ▷ Is the director a member of the governing body or executive management of another organisation that is a related party to Transaction Capital?
- ▷ Is the director entitled to remuneration contingent on the performance of Transaction Capital?
- ▷ In the case of an independent director whose length of service exceeds nine years, has the length of their service compromised their ability to act in an independent manner?

APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, with the board skills matrix on the previous page serving to identify additional skills and experience required to augment the collective capability of the board.

BOARD APPOINTMENT PROCESS

- ▷ Nominations committee assesses board skills, knowledge, experience and diversity.
- ▷ Nominations committee identifies suitable candidates for board membership.
- ▷ Nominations committee makes recommendations to the board on appointment and re-election of directors.
- ▷ New candidates are subject to background and reference checks prior to appointment.
- ▷ Board approves director as a candidate.
- ▷ New directors undergo formal induction through the induction programme.

The formal induction programme is the responsibility of the company secretary and/or the chief financial officer (CFO). The programme includes detailed discussions on the environment and operations of each of the major businesses, site visits, and an information pack about the group. Formal induction processes were conducted for those directors appointed during the year.

CONSULTATION PROCESS

Directors are encouraged to take independent advice, where necessary, for the proper execution of their duties and responsibilities. This is done at Transaction Capital's expense, after consultation with the chairman. In addition, directors have unrestricted access to the group's auditors and professional advisers, and to the advice and services of the company secretary.

After advising the chairman of their intention to do so, directors may attend any sub-committee or subsidiary board meeting, and have unrestricted access to any executive, manager or employee in the group, as well as to any information generated by the group. In addition, the company provides training to directors, as required.

Board appointments, evaluations and processes

Sharon Wapnick was appointed as an independent non-executive director with effect from 12 March 2020. Paul Miller resigned as a non-executive director and was subsequently appointed as an alternate director to Roberto Rossi, both with effect from 12 March 2020. Ian Kirk and Suresh Kana were appointed as independent non-executive directors with effect from 1 November 2020.

This year, Buhle Hanise, Michael Mendelowitz, Diane Radley and Christopher Seabrooke will retire by rotation and are standing for re-election at the AGM. These directors have been appraised by the board and their re-election is recommended. In addition, Sharon Wapnick, Ian Kirk and Suresh Kana, who were appointed in 2020, will also be nominated for election as directors.

ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD, ITS SUB-COMMITTEES AND THE COMPANY SECRETARY

Formal performance evaluations of the board, its sub-committees and the company secretary are conducted annually by means of an evaluation questionnaire. The evaluations assess the combination of skills, performance during the year, contribution and independence of individual directors, and the effectiveness of sub-committees. Results of the evaluations provide the basis for enhancements to the board and its sub-committees for the following year, specifically focusing on assessing the overall effectiveness and independence of the board.

The nominations committee workplan includes discussions on board performance as well as that of the chairman, members and sub-committees.

Based on the annual evaluations undertaken during November 2020, the board is satisfied that:

- ▷ All directors are committed to their roles and are performing to acceptable standards.
- ▷ The board and its sub-committees are effective and operating to an appropriate standard.
- ▷ The group's risk management processes are operating effectively.
- ▷ All directors and sub-committee members have the appropriate qualifications, experience and skills required to fulfil the respective sub-committee's mandate.
- ▷ Independent non-executive directors meet the criteria for independence in terms of King IV.

Assessments of the expertise, performance and experience of the chairman, lead independent non-executive director, CEO, CFO, internal audit executive and the company secretary found that they are performing adequately.

CHAIRMAN

Christopher Seabrooke is the independent non-executive chairman of the Transaction Capital board and is responsible for leading the board in fulfilling its mandate. The board appoints the chairman from among its members annually and, together with the nominations committee, is responsible for the succession plan of the chairman. The chairman's performance is reviewed as part of the annual board review, the results of which confirmed that the chairman leads effectively and ethically.

The offices of chairman and CEO are separate.

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Suresh Kana replaced Kuben Pillay as the lead independent non-executive director of the Transaction Capital board with effect from 1 November 2020. In line with the recommendations of King IV, the lead independent non-executive director performs specific duties primarily aimed at supporting the chairman by serving as a sounding board to the chairman, facilitating decision-making in instances of conflicts of interest, and being an avenue of communication for other directors.

CHIEF EXECUTIVE OFFICER

David Hurwitz is the group CEO, responsible for the leadership of Transaction Capital and the implementation of the strategies, structures and policies adopted by the board. The board has a delegation of authority framework in place, in terms of which the CEO clearly leads the implementation and execution of approved strategy, policy and operational planning, and serves as the link between the board and management. The CEO is accountable to and reports to the board. The role of CEO is clearly defined and his performance assessed by the board.

During November each year, the chairman and company secretary facilitate a formal performance appraisal of the CEO, comprising an evaluation by each director. In addition, the adequacy of the CEO's employment contract is assessed annually. The annual review concluded that the CEO is effective and ethical in leading and managing the group.

CHIEF FINANCIAL OFFICER

Sean Doherty is the group CFO, responsible for reporting on Transaction Capital's financial performance and overall risk management. The ARC committee and the board are satisfied with the CFO's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the 2020 financial year.

COMPANY SECRETARY

Sharon Nayger replaced Theresa Palos as the company secretary of Transaction Capital with effect from 1 November 2020, to enable Theresa to focus on her broader role across the group. The board is satisfied with the qualifications, experience and competence of the newly appointed company secretary. All directors have access to the services and advice of the company secretary, who supports the board as a whole and the directors individually in fulfilling their duties. The company secretary is required to fulfil duties under the Companies Act and the JSE Listings Requirements, and to ensure that appropriate procedures and processes are in place for board proceedings. The company secretary is entitled to obtain independent advice to achieve these objectives.

The board has assessed the company secretary function as adequate and is satisfied that an arm's length relationship is maintained between the board and the company secretary.

PRINCIPLE 9&10

SUCCESSION PLANNING

The nominations committee is responsible for formulating the formal succession plans of the board, the CEO and the CEO's direct reports. The committee reviews these succession plans annually. On approval of the succession plans, the CEO conducts alignment discussions with potential successors, where necessary, which may result in direct development interventions.

CONFLICTS OF INTEREST

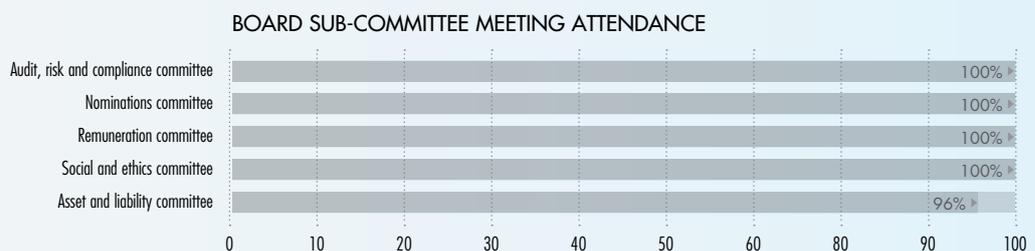
In line with best practice and regulatory provisions, policies and procedures have been implemented to manage the trading of shares and conflicts of interest. Directors are prohibited from dealing directly or indirectly in shares during closed periods. In addition, directors are required to disclose if they have a direct or indirect interest in any matter for consideration by the board. The disclosure is recorded in a register by the company secretary. Directors are also required to declare any conflicts of interest and recuse themselves from any such board or sub-committee meeting discussions.

Board meetings

Directors are required to attend all board meetings. The board follows a formal workplan that includes strategy, operational and financial performance, risk and governance. Progress against the group's strategic objectives is reported on at each meeting. The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each item on the meeting's agenda, including reports by the executive office. At least four board meetings are held annually, one of which includes a strategic review.

BOARD MEETING ATTENDANCE (2020)

96%



BOARD AND SUB-COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

	Number of meetings held for the year	Audit, risk and compliance		Nominations	Remuneration	Social and ethics	Asset and liability
		Board	compliance				
	6	4	2	3	4	4	
Board member	Appointment date						
INDEPENDENT NON-EXECUTIVE DIRECTORS							
Buhle Hanise	January 2019	6/6	4/4	-	-		3/3
Suresh Kana	November 2020	1/1	1/1	1/1	-	1/1	1/1
Ian Kirk	November 2020	1/1	1/1	-	1/1	-	1/1
Phumzile Langeni	June 2009	5/6	1/1	-	-	4/4	-
Kuben Pillay	August 2016	6/6	-	2/2	3/3	4/4	-
Diane Radley	July 2018	6/6	4/4	-	-	-	4/4
Christopher Seabrooke	June 2009	5/6	3/3	2/2	3/3	1/1	4/4
Sharon Wapnick	March 2020	6/6	-	1/1	-	-	-
NON-EXECUTIVE DIRECTOR							
Roberto Rossi ¹	September 2003	6/6	-	2/2	3/3	4/4	-
EXECUTIVE DIRECTORS							
Sean Doherty	July 2019	6/6	4/4	2/2	3/3	4/4	4/4
Mark Herskovits	January 2014	5/6	-	-	-	1/1	3/4
David Hurwitz	April 2012	6/6	4/4	2/2	3/3	4/4	4/4
Jonathan Jawno	March 2003	6/6	4/4	2/2	3/3	-	4/4
Michael Mendelowitz	March 2003	6/6	4/4	2/2	3/3	-	4/4

Attended as invitee.

1. Paul Miller resigned as a non-executive director and was subsequently appointed as an alternate director to Roberto Rossi, both with effect from 12 March 2020. Paul continued to attend all board meetings in his capacity as alternate director to Roberto Rossi.

Board sub-committees

Terms of reference for board sub-committees are reviewed annually. The governance function of the board sub-committees is outlined in the respective committee terms of reference approved by the board.

Included in each sub-committee's terms of reference is the imperative to enhance the standard of governance within the group, together with clearly defined authority delegation and reporting procedures. The board receives formal feedback from the chairperson of each sub-committee at each board meeting. Copies of the minutes of sub-committee meetings are included in the board documentation.

PRINCIPLE 8

The following changes to the composition of the board sub-committees took place for the year under review:

- ▷ Roberto Rossi was appointed as a member of the social and ethics committee with effect from 1 February 2020 and as a member of the remuneration committee with effect from 12 March 2020.
- ▷ Paul Miller resigned as a non-executive director and as a member of the remuneration committee with effect from 12 March 2020.
- ▷ Phumzile Langeni resigned as a member of the ARC committee with effect from 30 June 2020.
- ▷ With effect from 1 November 2020:
 - ▶ Christopher Seabrooke resigned as a member of the ARC committee.
 - ▶ Kuben Pillay resigned as lead independent non-executive director of the board.
 - ▶ Buhle Hanise resigned as a member of ALCO.
 - ▶ Ian Kirk was appointed as a member of the ARC and remuneration committees and ALCO.
 - ▶ Suresh Kana was appointed as lead independent non-executive director of the board, chairperson of ALCO, and a member of the ARC, nominations and social and ethics committees.
 - ▶ Sharon Wapnick was appointed as a member of the nominations committee.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Chairperson	Diane Radley	Christopher Seabrooke	Kuben Pillay	Phumzile Langeni	Suresh Kana
Members	Buhle Hanise Suresh Kana Ian Kirk	Suresh Kana Kuben Pillay Roberto Rossi Sharon Wapnick	Ian Kirk Roberto Rossi Christopher Seabrooke	David Hurwitz Suresh Kana Kuben Pillay Roberto Rossi	Mark Herskovits David Hurwitz Johnathan Jawno Ian Kirk Diane Radley Christopher Seabrooke
Functions managed	▷ Accounting, tax and compliance ▷ IT ▷ Internal audit ▷ Risk ▷ Credit	▷ Directors ▷ People ▷ Succession	▷ People ▷ Remuneration ▷ Retention	▷ Stakeholders ▷ Transformation ▷ Sustainability ▷ Ethics	▷ Funding ▷ Liquidity ▷ Capital
Number of meetings per year	At least four	At least two	At least two	At least two	At least four
Composition	Independent non-executive directors. The chairperson is an independent non-executive director.	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	Non-executive directors, the majority of whom are independent. The chairperson is an independent non-executive director.	Comprises a majority independent non-executive directors. The chairperson is an independent non-executive director.	Includes independent non-executive directors as necessary. The chairperson is the lead independent non-executive director of the board.

Subsidiary boards

Each of Transaction Capital’s divisions has its own board of directors, with governance processes aligned to Transaction Capital’s governance framework to appropriately allocate levels of authority to individuals and committees throughout the group structure.

The composition of each division’s board includes non-executive directors, some of whom may be executive or non-executive directors of Transaction Capital. Directors of these boards are of sufficient calibre, experience, diversity and number for their views to carry significant weight in board decisions. The activities of each division’s board include reviewing and providing input on corporate strategy, business plans, risk propensity, budgets and sustainability. Strategies, business plans and performance criteria are clearly defined, with appropriate key performance indicators in place to measure and monitor performance against their strategies.

PRINCIPLE 6

SA TAXI’S BOARD COMPRISES:

Independent non-executive director

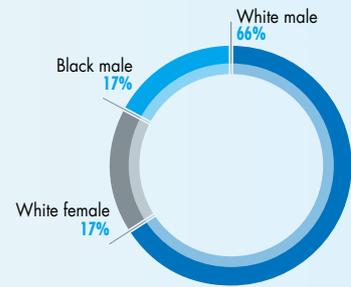
- ▷ Diane Radley

Non-executive directors

- ▷ David Hurwitz (Transaction Capital group CEO)
- ▷ Roberto Rossi (Transaction Capital non-executive director)
- ▷ Boy Zondi

Executive directors

- ▷ Lorenzo Cardoso (SA Taxi CFO)
- ▷ Terry Kier (SA Taxi CEO)



TCRS’S BOARD COMPRISES:

Independent non-executive director

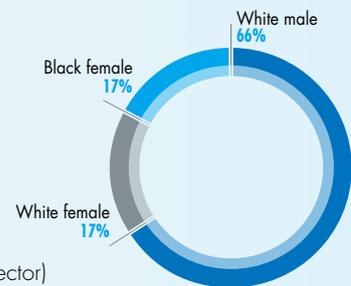
- ▷ Diane Radley

Non-executive directors

- ▷ David Hurwitz (Transaction Capital group CEO)
- ▷ Michael Mendelowitz (Transaction Capital executive director)

Executive directors

- ▷ Robert Amoils (TCRS CFO)
- ▷ David McAlpin (TCRS CEO)
- ▷ Dineo Sekwele (TCRS human resource director)



COMBINED ASSURANCE FRAMEWORK

Audit, risk and compliance

The ARC committee is responsible for overseeing the external and internal audit functions, as well as the combined assurance model and its objectives, which include:

- ▷ Enabling an effective internal control environment.
- ▷ Supporting the integrity of information used for internal decision-making by management, the board and its sub-committees.
- ▷ Ensuring the integrity of external reports.

Internal audit, risk management and compliance collaborate on combined assurance to support the board, and to effectively cover the group's material risks and material matters.

External audit

The ARC committee is satisfied that the external auditor remains independent of the organisation. The group has a policy in place to address the provision of non-audit services by the external auditors. The ARC committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

The ARC committee considered the tenure of Deloitte & Touche, who have been Transaction Capital's auditors for 11 years. During this time, the group has rotated audit partners ahead of the five-year mandatory audit partner rotation requirement.

Internal audit

The purpose, authority and responsibility of the internal audit function are defined in the internal audit charter, which is aligned to the requirements of the International Standards for the Professional Practice of Internal Auditing (ISPPA).

The group internal audit executive reports administratively to the CFO and functionally to the chairperson of the ARC committee. Internal audit has remained independent of all operational functions.

The role of internal audit is to support the achievement of strategic objectives (and the supporting operational, financial and compliance objectives) through a systematic, disciplined approach to evaluating and recommending improvements that serve to increase the effectiveness of internal controls, risk management and governance processes. The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, and is updated as appropriate to ensure it is responsive to changes in the group and its businesses.

An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to ISPPA, which is the highest rating awarded during such a review. The next independent quality review is set to take place in 2022 following the adoption of a revised internal

audit methodology in the 2021 financial year. In accordance with Transaction Capital's combined assurance model, internal audit continues to liaise with external audit and other identified assurance providers to effectively assure against key risks.

PRINCIPLE 15

Risks and opportunities

Transaction Capital has a board-approved risk framework, which sets the policy, risk appetite and tolerance levels of the group, identifies the material risks, and ensures ongoing risk oversight and monitoring for the group. The board is assisted by the ARC committee and ALCO in governing risk in a way that supports the group's strategic objectives.

PRINCIPLE 11



More information on the group's approach to risk management can be found in the ARC committee letter on page 22 of the integrated annual report, with material risks presented on page 48. The full risk report is available at www.transactioncapital.co.za.

Information and technology

IT is integral to the operations of the group and its divisions, and to their ability to deliver value and grow sustainably. The board has delegated the governance of IT to the ARC committee, which also ensures that an IT governance reporting framework is in place. Chief information officers are appointed at each division, with the appointments ratified by the group CEO. IT expenditure is reported on and governed under the group's authority framework.

In 2018, the group implemented an updated IT policy that addresses the governance of IT in line with the recommended practices of King IV. Each subsidiary sets its own strategy with regards to IT, which is reported to its board and the ARC committee. The 2020 review of IT strategy included an enhanced focus on cybersecurity and connectivity for the group's distributed workforce in response to the COVID-19 pandemic.

Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, cybersecurity, risk and the control environment are all managed within each IT team. In 2020, these systems and processes were proven to be effective in light of the COVID-19 pandemic. Additionally, the IT functions reported to the ARC committee that adequate arrangements are in place for ongoing business continuity, with proactive monitoring of intelligence in place to identify and respond to potential cyberattacks. General cybersecurity measures are in place in both divisions.

PRINCIPLE 12

COMPLIANCE FRAMEWORK

Compliance structures

The ARC committee and the social and ethics committee are responsible for compliance oversight. Board processes are in place to keep up to date with changes in the legislative landscape. The group-wide risk framework specifically manages compliance risk, with dedicated internal compliance functions in place within the divisions.

Regulatory compliance is non-negotiable. The board proactively oversees the review of the group's systems of control and governance. It also continuously recommends enhancements to ensure that each division is managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines. Suitably qualified compliance officers are employed in the divisions to provide the following functions:

- ▷ Identify the applicable legislative, regulatory and governance requirements.
- ▷ Prepare relevant monitoring programmes relating to these requirements.
- ▷ Recommend improvements to the functional heads within the businesses and assist with implementation.

Divisional compliance reports are submitted to the ARC committee and board for consideration. The divisions actively engage with external legal counsel, where necessary, for advice on the application and implementation of any proposed new legislation, as well as on the potential effects of that legislation on their respective businesses.

As per the requirements of the JSE Debt Listings Requirements, adherence to the governance framework and King IV principles in relation to TransCapital Investment Limited have been overseen by Transaction Capital's ARC committee.

PRINCIPLE  13

Regulatory environment

Due to the nature of its businesses, the group is subject to a range of regulations and legislation including, without limitation:

- ▷ National Credit Act.
- ▷ Debt Collectors Act.
- ▷ Financial Sector Regulation Act.
- ▷ Insurance-related legislation including the Financial Advisory and Intermediary Services Act, the Insurance Act, the Short-term Insurance Act and Long-term Insurance Act.
- ▷ Financial Intelligence Centre Act.
- ▷ Consumer Protection Act.
- ▷ Competition Act.
- ▷ Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act, the JSE Listings Requirements and the JSE Debt Listings Requirements.
- ▷ Tax-related legislation, including the Income Tax Act and the Value-added Tax Act.
- ▷ Labour-related legislation, including the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act.
- ▷ Second-hand Goods Act.
- ▷ Electronic Communications and Transactions Act.
- ▷ National Payment System Act.
- ▷ Protection of Personal Information Act.

Compliance with the letter and spirit of all laws, regulations and codes is required. The board, supported by the ARC committee, is responsible for keeping abreast of changes to the legislative landscape.

KEY REGULATORY DEVELOPMENTS

COVID-19 RELATED REGULATIONS AND DIRECTIVES

From a regulatory development perspective, the year was dominated by COVID-19 regulations and directives that rapidly shifted due to the evolving nature of the pandemic and to give effect to the various levels of lockdown. The legal and compliance teams continuously remained apprised of changes to these regulations and directives and worked to ensure adherence and fast resumption of business activities as these were permitted during subsequent lockdown levels. This included obtaining the required certificates to operate, issuing permits to staff, obtaining legal opinions to the extent necessary, submitting reports and policies to the relevant regulatory bodies and ensuring the required protocols were and continue to be followed by the group.

PROTECTION OF PERSONAL INFORMATION ACT

The Protection of Personal Information Act (which governs the processing of personal information relating to individuals and entities) officially came into effect on 1 July 2020. All businesses have one year from this date to ensure full compliance. The group is well-positioned to ensure compliance with the Act within this timeframe.

COMPETITION COMMISSION

The Competition Commission has published a notice informing all interested parties that the market inquiry into land-based public passenger transport will be completed by December 2020, which was subsequently extended to 31 March 2021. SA Taxi has contributed to the inquiry by submitting information as and when requested.

DRAFT GUIDELINES AND BILLS THAT ARE NOTEWORTHY

The Competition Commission published draft guidelines for comment on 6 February 2020, in response to complaints received relating to restrictive agreements between original equipment manufacturers and various automotive aftermarket industry participants, resulting in a lack of competition in the sale and fitment of spare parts and the repair of vehicles. SA Taxi welcomes the changes proposed and will keep abreast of developments in this regard.

Proposed amendments to the Financial Intelligence Centre Act were published for comment on 19 June 2020, which seek to expand the list of entities that are deemed as accountable institutions to include credit providers, motor vehicle dealers and businesses dealing in high value goods (R100 000 or more). The group awaits publication of the final amendments.

Remuneration governance

The remuneration committee is responsible for establishing and overseeing the group's remuneration policy, which promotes the achievement of strategic objectives and encourages individual performance at all levels within the group.

Remuneration consists of base pay and short- and long-term incentives that are deemed to adequately remunerate executives while aligning executive performance with the requirements of shareholders. The remuneration policy and its implementation report are put forward for separate non-binding advisory votes at the AGM. At the AGM held on 11 March 2020, the remuneration policy and implementation report both received the requisite non-binding advisory votes to pass, at 83% and 84% respectively. The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

PRINCIPLE 14



Detail on enhancements to the remuneration policy and remuneration disclosure can be found in the remuneration report in the integrated annual report starting on page 108, available at www.transactioncapital.co.za.

KING IV APPLICATION

PRINCIPLE 1

Ethical leadership

The governing body should lead ethically and effectively.



PRINCIPLE 2

Organisation values, ethics and culture

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.



PRINCIPLE 3

Responsible corporate citizenship

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.



PRINCIPLE 4

Strategy, implementation and performance

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.



PRINCIPLE 5

Reports and disclosure

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.



PRINCIPLE 6

Role of the governing body

The governing body should serve as the focal point and custodian of corporate governance in the organisation.



PRINCIPLE 7

Composition of the governing body

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.



PRINCIPLE 8

Committees of the governing body

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.



PRINCIPLE 9

Performance and effectiveness

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.



PRINCIPLE >> **10****Delegation to management**

The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and effective exercise of authority and responsibilities.

**PRINCIPLE** >> **11****Risk and opportunity governance**

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

**PRINCIPLE** >> **12****Technology and information governance**

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

**PRINCIPLE** >> **13****Compliance governance**

The governing body should govern compliance with applicable laws and adopted standards in a way that supports the organisation being ethical and a good corporate citizen.

**PRINCIPLE** >> **14****Remuneration governance**

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.



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PRINCIPLE >> **15****Assurance**

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.

**PRINCIPLE** >> **16****Stakeholders**

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

**PRINCIPLE** >> **17****Institutional investors**

The group is not an institutional investor and therefore principle 17 is not applicable.





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