



Transaction Capital

GOVERNANCE REPORT AND KING IV APPLICATION

FOR THE YEAR ENDED 30 SEPTEMBER

2021

CONTENTS

Links to additional content:

 This icon refers to additional information available at www.transactioncapital.co.za.

 This icon refers the reader to pages in this report or other reports in our reporting suite with more information.

OUR REPORTS

					
This report	Integrated report	Risk report	Sustainability report	Annual financial statements	Notice of annual general meeting and summarised consolidated financial statements

FRAMEWORKS APPLIED

International <IR> Framework		✓				
Companies Act, 71 of 2008, as amended (Companies Act)	✓	✓			✓	✓
JSE Limited Listings Requirements	✓	✓	✓		✓	✓
King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)	✓	✓	✓	✓	✓	✓
International Financial Reporting Standards (IFRS)		✓			✓	✓
United Nations Sustainable Development Goals (SDGs)		✓		✓		
Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)		✓		✓		

GOVERNANCE REPORT

**THE GOVERNANCE REPORT USES THIS
ICON TO HIGHLIGHT THE APPLICATION
OF KING IV PRINCIPLES.**

KING IV

The King IV application table, starting on page 27, defines each principle and references the relevant section in this governance report.

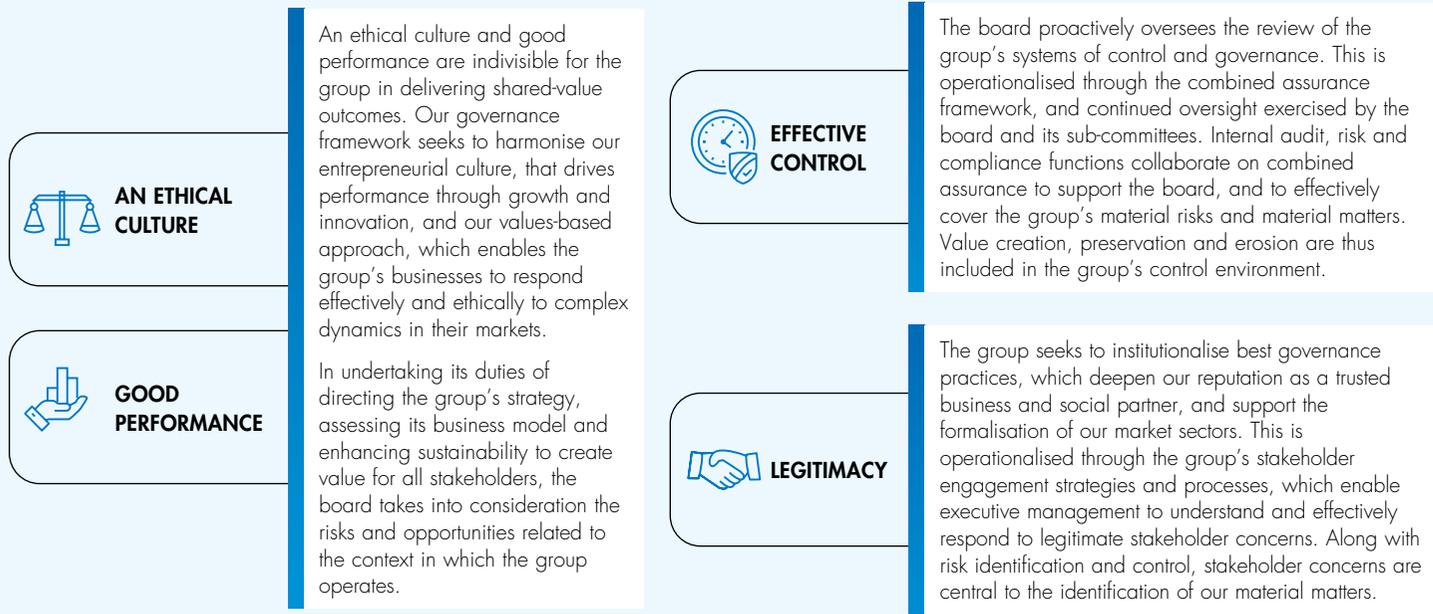


OUR GOVERNANCE PHILOSOPHY

The board of directors (the board) of Transaction Capital (the group) 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.

The group is positioned to sustainably deliver shared-value outcomes for our stakeholders by consistently generating strong commercial returns for clients and driving the development of our industries, while simultaneously creating net positive socioeconomic returns with enduring benefits. Robust governance practices are foundational to the group's ability to deliver these outcomes, enabled through our stakeholder-inclusive approach.

KING IV PRINCIPLE 6



These outcomes provide institutional form and integrity to the group's entrepreneurial growth.

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

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 follows a progressive approach to governance and regards the process of assessing and monitoring adherence to adopted governance standards as a dynamic process. Consequently, we endeavour 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. The board considers value creation against the King IV definition of corporate governance as the exercise of ethical and effective leadership to achieve the governance outcomes of:

KEY GOVERNANCE OBJECTIVES AND PROGRESS IN 2021

Maintained the group's swift and agile response to COVID-19, returning to our long-term track record of growth.

First environmental, social and governance (ESG) roadshow with shareholders.

Established the risk and technology committee as a new board sub-committee.

Adopted group-wide human rights and environmental policies.

Adopted a non-executive director policy.

Further augmented the board's skills and diversity through the appointment of Albertinah Kekana as an independent non-executive director.

Reassessed and updated all ethics-related policies in line with best practice, and institutionalised formal training with regards to these policies within the group.

Participated in the Gordon Institute of Business Science (GIBS) Ethics Barometer survey.

Updated the group's remuneration policy and disclosure in response to shareholder feedback.

Centralised the internal audit, risk and ethics functions.

OUR BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS



CHRISTOPHER SEABROOKE (68)

Chairman
BCom, BAcc (University of KwaZulu-Natal), MBA (Wits Business School), FCMA (UK)
Appointed: June 2009
Board meeting attendance: 4/4



BUHLE HANISE (39)

BCom (University of Transkei), BCom (Hons) (University of KwaZulu-Natal), CA(SA)
Appointed: January 2019
Board meeting attendance: 4/4



SURESH KANA (66)

Lead independent
BCom, BCompt (Hons), MCom, PhD (Honorary) (University of the Witwatersrand), CA(SA)
Appointed: November 2020
Board meeting attendance: 4/4



ALBERTINAH KEKANA (48)

BCom, Postgraduate Diploma in Accounting (University of Cape Town), AMP (Harvard Business School), CA(SA)
Appointed: April 2021
Board meeting attendance: 2/3



IAN KIRK (63)

HDip BDP (University of the Witwatersrand), FCA (Ireland), CA(SA)
Appointed: November 2020
Board meeting attendance: 4/4



KUBEN PILLAY (61)

BA, LLB (University of the Witwatersrand), MCJ (Howard School of Law)
Appointed: August 2016
Board meeting attendance: 4/4



DIANE RADLEY (55)

BCom (Rhodes University), BCom (Hons) (University of South Africa), CA(SA), MBA (Wits Business School), AMP (Harvard Business School)
Appointed: July 2018
Board meeting attendance: 4/4



SHARON WAPNICK (58)

BA, LLB (University of the Witwatersrand)
Appointed: March 2020
Board meeting attendance: 4/4

EXECUTIVE DIRECTORS



DAVID HURWITZ (50)

Chief executive officer (CEO)
BAcc (Hons), HDipTax (University of the Witwatersrand), CA(SA)
Appointed: April 2012
Board meeting attendance: 4/4



SEAN DOHERTY (44)

Chief financial officer (CFO)
BAcc (Hons) (University of Johannesburg), CA(SA), MBA (IE Business School), AMP (Columbia Business School), ACMA (UK)
Appointed: June 2019
Board meeting attendance: 4/4



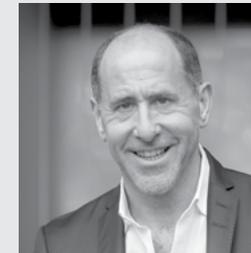
MARK HERSKOVITS (47)

Chief investment officer
BBusSci (Finance), Postgraduate Diploma in Accounting (University of Cape Town), CA(SA), CFA
Appointed: January 2014
Board meeting attendance: 4/4



JONATHAN JAWNO (55)

BCom (Hons), Graduate Diploma in Accounting (University of Cape Town), CA(SA)
Appointed: March 2003
Board meeting attendance: 4/4



MICHAEL MENDELOWITZ (56)

BCom (Hons), Graduate Diploma in Accounting (University of Cape Town), CA(SA)
Appointed: March 2003
Board meeting attendance: 4/4



ROBERTO ROSSI (59)

BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (University of South Africa)
Appointed: September 2003
Board meeting attendance: 4/4

OUR BOARD PROFILE

INDEPENDENCE

6
EXECUTIVE DIRECTORS



8
INDEPENDENT NON-EXECUTIVE DIRECTORS

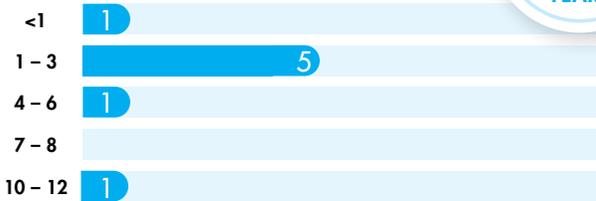


POLICY:
The board should comprise a majority non-executive directors, of whom the majority should be independent.

TENURE

AVERAGE TENURE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Years Number of independent non-executive directors



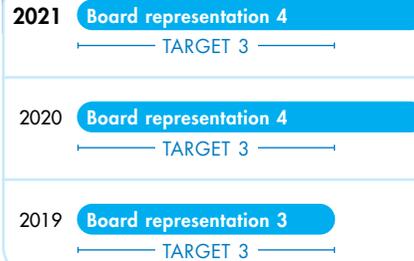
AVERAGE TENURE
3.7 YEARS



POLICY:
Periodic, staggered rotation of non-executive directors to balance new expertise and perspectives with valuable industry knowledge, skills and experience, while maintaining continuity.

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

Number of directors



POLICY:
Non-executive directors are selected on the basis that their business skills and expertise are appropriate to the group's strategic direction. The board and nominations committee consider the academic qualifications, technical expertise, industry knowledge, experience, business acumen and diversity of board appointments.

AGE DISTRIBUTION

AVERAGE AGE
55 YEARS

● Non-executive directors ● Executive directors



LEADERSHIP, ETHICS AND RESPONSIBLE CORPORATE CITIZENSHIP

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 protect the creation of value for the group's stakeholders.

The board is responsible for the strategic direction of the group. The board directs strategy with reference to the group's values and ethics charter, to ensure the group consistently delivers shared-value outcomes for all stakeholders. 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.

KING IV PRINCIPLE 1

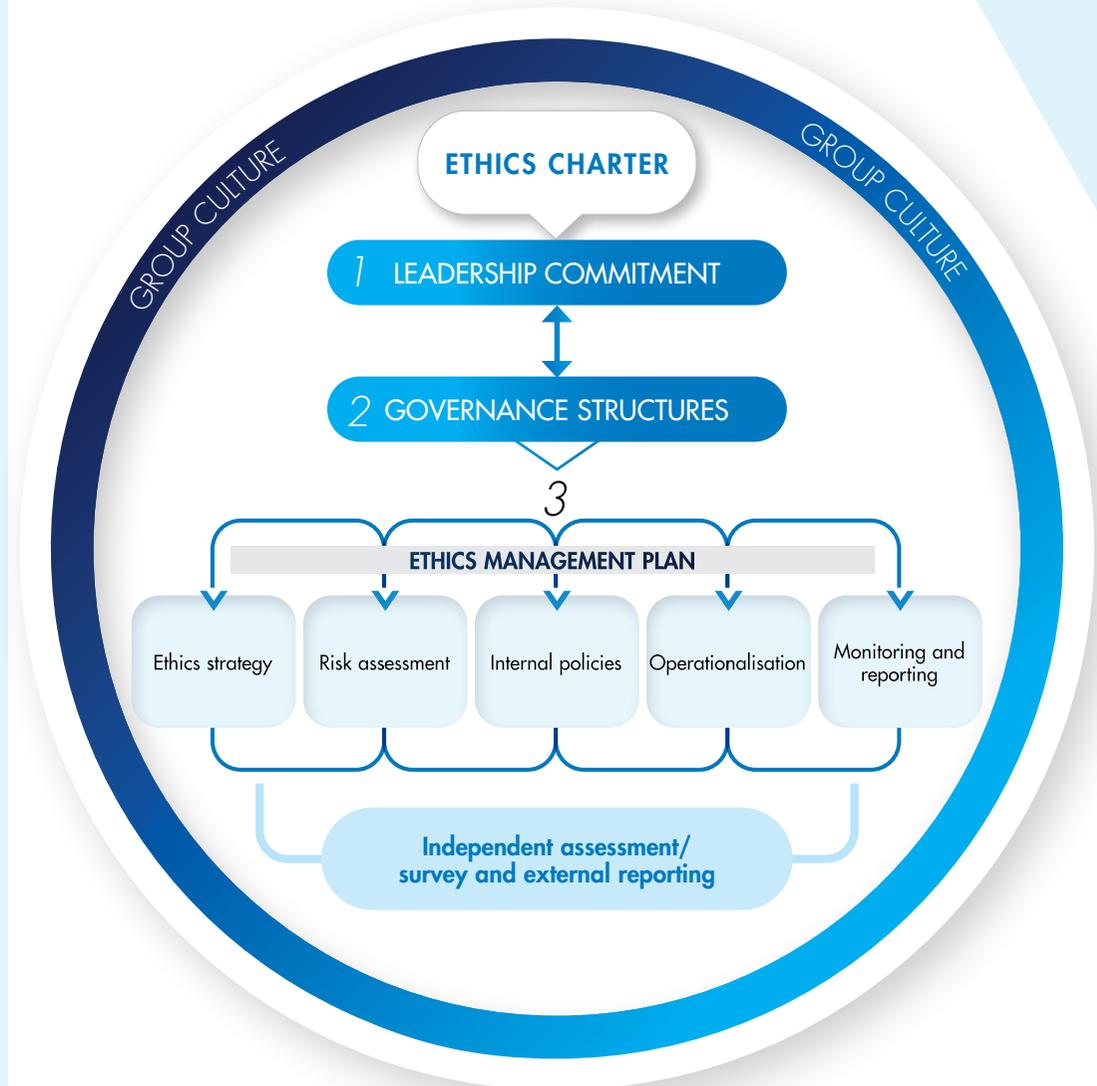
ETHICS AND CULTURE

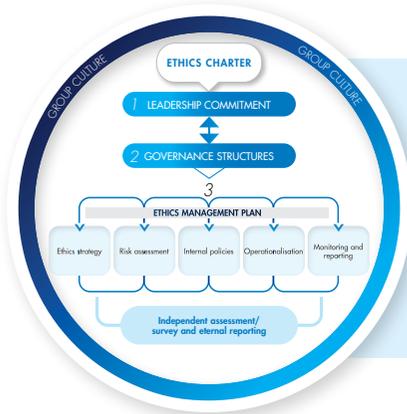
A sound ethical foundation, made real by our executives and employees, provides the basis for how we do business and is viewed as a key competitive advantage in the sectors in which our businesses operate. Transaction Capital's culture of ethics and respect for human rights goes beyond compliance with legal and regulatory requirements and codes of best practice, by being embedded in our day-to-day activities and in the way we manage our stakeholder relationships. Our reputation as an ethical business is key to our clients and customers choosing to partner with us, our suppliers providing good service and walking the extra mile with us, our communities working with us in building our nation, our shareholders trusting our ability to conduct good business that grows in value, the trust of our funders and our continued access to funding, and public sector partners and regulators securing our licence to operate.

Our values support our ability to maintain an ethical culture by setting the tone for the behaviour we expect from our executives and employees across the group every day. This includes always acting with integrity, striving for excellence, treating all our colleagues and stakeholders with respect, innovating in our markets, and taking accountability for our actions. Together, our ethical and values-based culture lays the groundwork for responsible value creation.

The group's ethics charter constitutes a formally documented policy to guide and entrench an ethical and values-based culture across the group. The ethics charter defines our vision, mission and values, and outlines our approach to delivering shared-value outcomes.

ETHICS GOVERNANCE FRAMEWORK





Our ethics governance framework sets out the structures and functions for governing ethics across Transaction Capital. Effective governance of ethics enhances our businesses’ growth, risk and sustainability profiles and secures our ability to sustainably deliver shared-value outcomes. The pillars of this framework, discussed in more detail in the sections that follow, serve to operationalise the group’s ethics charter.

1 LEADERSHIP COMMITMENT

Our approach to ethics governance is to start with setting the correct tone at the top. The chairman of the board and the group and divisional CEOs endorse Transaction Capital’s ethics charter, which commits us to:

- ▶ Upholding the highest standards of ethical behaviour and integrity.
- ▶ Aligning our behaviour in the workplace with Transaction Capital’s values.
- ▶ Abiding by the principles and recommended practices of King IV.
- ▶ Complying with all prevailing laws that are applicable to our business.
- ▶ Providing relevant information on our approach and attitude to conducting business ethically to our stakeholders.
- ▶ Supporting group initiatives to manage ethics effectively.

IN THE WORK WE DO EACH DAY, THESE COMMITMENTS SUPPORT OUR EFFORTS TO:



Ensure **ethical leadership**



Always act as a **responsible corporate citizen**



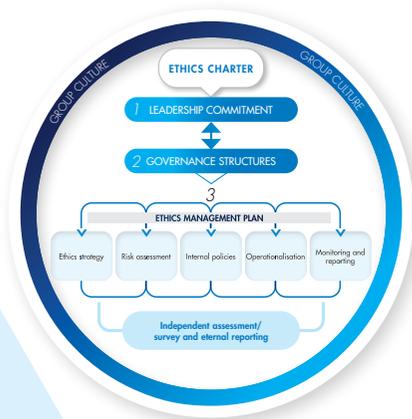
Include our **stakeholders** in our efforts to operate ethically



Nurture an ethical culture through a work environment where **everyone is treated with respect and dignity**, and where **discrimination of any kind is not tolerated**

2 GOVERNANCE STRUCTURES

The social and ethics committee is responsible for ensuring adherence to our values, ethics charter, human rights policy and commitments under the United Nations Global Compact. This oversight role is supported by subsidiary boards that review the ethical conduct and culture within their operations.



3 ETHICS MANAGEMENT AND REPORTING

The group ethics officer is responsible for implementing policies and procedures that support and enhance Transaction Capital’s ethical culture. The group ethics officer is independent and has direct access to the chairperson of the social and ethics committee.

The following policies are in place to guide and strengthen our ethical culture, supported by formal training programmes and annual awareness campaigns to promote compliance:

- ▶ Anti-bribery and corruption policy
- ▶ Sponsorship and donations policy
- ▶ Human rights policy
- ▶ Sexual harassment policy
- ▶ Gifts, entertainment and hospitality policy
- ▶ Declaration of interest policy
- ▶ Diversity policy
- ▶ Transformation and broad-based black economic empowerment (B-BBEE) policy
- ▶ Remuneration policy

The group follows a comprehensive approach to ethics management, which includes prevention, detection, investigation, and resolution. Any incidents of non-compliance are independently investigated and reported to management, the respective subsidiary boards, the social and ethics committee, and, where appropriate, the audit committee and the board.

To ensure the effective management of ethics, Transaction Capital participates in the annual Ethics Barometer survey conducted by the Gordon Institute of Business Science. Survey results, together with robust remediation plans and associated timelines, are reviewed by the social and ethics committee. Progress against our ethics management plan is presented to the social and ethics committee at every meeting and, where relevant, to the audit committee and the board.

An independent whistleblowing hotline operated by an external service provider enables the anonymous reporting of ethics incidents, all of which 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 to our businesses’ respective human resources departments.

The group received 41 new reports (2020: 68 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.

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 our approach to managing ethics.

During the year, the following actions and initiatives were undertaken to enhance our ethics management capability:

- ▶ Adopted a group-wide human rights policy.
- ▶ Participated in the GIBS Ethics Barometer survey.
- ▶ Rolled out sexual harassment training across the group.
- ▶ Provided training on the use and purpose of the whistleblowing hotline as required.

OUR HUMAN RIGHTS COMMITMENT

Respect for human rights is fundamental for Transaction Capital. We strive to protect and promote human rights in our relationships with all stakeholders. The board, including the CEO and divisional CEOs, are committed to respecting, upholding, protecting and promoting all internationally recognised human rights. They provide leadership in this regard by role-modelling correct behaviour and ensuring that key decisions are aligned to the principles set out in our human rights policy. The human rights policy was approved by the board in the year under review.

KING IV PRINCIPLE 2

RESPONSIBLE CORPORATE CITIZENSHIP

Transaction Capital's business model operationalises our commitment to sustainable and inclusive growth by consistently generating good commercial returns for clients, across our industry value chains, while simultaneously creating net positive socioeconomic returns with enduring benefits.

As a result, the principles of responsible corporate citizenship underpin all key aspects of our business, with ultimate responsibility entrusted to the board. Through its various sub-committees, the board oversees and monitors how the group's operations and activities affect its corporate citizenship status.

An important step in Transaction Capital's sustainability and responsible corporate citizenship journey was the formalisation and implementation of our economic, social and environmental (ESE) framework in 2020. The ESE framework clearly defines each division's societal purpose, which cascades into defined impact areas and supporting metrics. These were developed bottom-up through engagement with multiple stakeholders (internally and externally) to define their key concerns and expectations, and then by matching appropriate metrics or developing new metrics, where required, to articulate our ambition and track progress.

The ESE framework now informs our strategic and operational initiatives to ensure that the group's impacts are appropriately managed to create and protect value for Transaction Capital and our stakeholders, while minimising activities that could erode value. Progress in operationalising and improving against these ESE indicators forms part of the scorecards of group and divisional executives, supporting alignment to sustainability objectives across the group.

Defining the divisions' respective impact areas was done with reference to specific United Nations SDGs, which aligns our reporting to a uniform market standard and our sustainability to globally relevant goals. By targeting only the following global goals that are aligned to our core operations and strategy, we are able to focus our efforts to make a measurable impact:



The board also supports the principles of the United Nations Global Compact in the areas of human rights, labour standards, the environment and anti-corruption, and follows the recommendations of the Organisation for Economic Co-operation and Development (OECD) regarding corruption.

While ultimate responsibility for corporate citizenship lies with the board, various board sub-committees and specific executives have been tasked with overseeing specific sustainability matters. 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 audit committee is responsible for preventing, detecting and responding to fraud and corruption, as well as tax policy.

RESPONSE TO COVID-19

The group's swift responses at the onset of the pandemic underpinned a decisive recovery in our divisions, and allowed the group to support its clients and customers when they needed it most, keep our employees safe and provide support and relief in our local communities, all while maintaining uninterrupted business services.

CLIMATE CHANGE

The board recognises the rapidly changing global context and the risks and opportunities associated with environmental and social factors, particularly climate change. The group has identified climate-related risks and opportunities and is developing and implementing mitigation measures to minimise its impact in this regard. The board acknowledges the need for consistent reporting and has published its roadmap for the adoption of the recommendations of the TCFD as part of its sustainability report.

TAX TRANSPARENCY

The board is ultimately responsible for the group's tax strategy, policy, philosophy and approach, and, together with the audit committee, provides oversight of the group's tax practices and affairs. Transaction Capital is committed to being a responsible taxpayer and ensures professionally executed tax compliance and legitimate tax planning are in place to meet its compliance and disclosure obligations in accordance with all relevant laws.

POLITICAL DONATIONS

Transaction Capital's sponsorships and donations policy prohibits political donations to any political party, political party candidate or politically exposed person. In exceptional circumstances, the board may consider such a donation in light of public policy issues that impact the company's business interests and/or enhance the company's capacity to understand political developments. Where such circumstances arise, the sponsorships and donations policy expressly prohibits political donations made under circumstances that could be construed as a contravention of any of the provisions of the Prevention and Combating of Corrupt Activities Act, 2004, or any other laws applicable in the Republic of South Africa and also prohibits donations made directly or indirectly to any individual member of a political party or paid into the bank account of an individual.

Divisional CFOs are responsible for creating and maintaining full and proper records of the political donations made in exceptional cases, with a record provided to the group company secretary to report to the social and ethics committee at each reporting period.

Transaction Capital made no political donations for the year under review (2020: Rnil).

KING IV PRINCIPLE 3

STRATEGY, PERFORMANCE AND REPORTING

STRATEGY AND REPORTING FUNCTIONS OF THE BOARD

The board appreciates the interconnectedness of the group's vision, business model, strategy and associated material risks and opportunities as set out in the integrated 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. In line with the board's strategic oversight function, the board receives and considers quarterly reports on the group's performance against its strategic objectives. Divisional CEOs attend board meetings as permanent invitees and are available to address any questions relating to the division's strategy and performance.

In June 2021, the group held its annual strategy session virtually, where the board had the opportunity to engage with divisional CEOs and their executive teams on their short- and long-term strategies. The board subsequently approved the group strategy along with key performance criteria and targets to assess its implementation. The board also approved the financial budgets for each division and the group, in line with their respective strategies and plans.

KING IV PRINCIPLE 4

The board acknowledges its responsibility for the integrity of external reports issued by the group. These reports should be read together for a complete view of the group and its performance, seen through the different lenses of our reporting suite. All external reports are considered and approved by the board prior to being issued. These include:

INTEGRATED REPORT

Our primary report to stakeholders communicating the group's ability to create shared value over the short, medium and long term.

SUSTAINABILITY REPORT

Sets out detailed data-led ESE disclosure to provide stakeholders with an objective view of the group's socioeconomic and environmental impact.

GOVERNANCE REPORT

Sets out comprehensive disclosure on the group's governance structures, processes and policies in the context of recommended King IV principles.

ANNUAL FINANCIAL STATEMENTS

Present the group's audited consolidated and company annual financial statements, including the audit committee and social and ethics committee reports.

RISK REPORT

Sets out the group's approach to risk management and identifies material risks, opportunities and appropriate mitigation measures.

NOTICE OF AGM AND SUMMARISED FINANCIAL STATEMENTS

Set out the detailed notice of the annual general meeting (AGM) and supporting documentation to shareholders, and the summarised consolidated annual financial statements.

KING IV PRINCIPLE 5

KEY ISSUES CONSIDERED BY THE BOARD

01 THE GROUP'S RESPONSE TO COVID-19

The market disruption caused by COVID-19 continued to require elevated levels of board oversight, guidance and engagement into the 2021 financial year. The board and its sub-committees remained actively involved in overseeing and monitoring the group's strategic response to the pandemic and levels of lockdown.

The CEO and his executive team kept the board informed about the impact of COVID-19 on the group's operations. In this regard, the board noted the impact of customer affordability constraints at SA Taxi, exacerbated by COVID-19, on collections and performance. It considered various support measures to the affected minibus taxi operators, as well as emerging opportunities presented by the prevailing economic realities in the form of new, more affordable product development.

The board continued to monitor the impact of the Section 189 process that took place at Transaction Capital Risk Services (TCRS) in September 2020 due to the impacts of COVID-19. It considered staff morale and measures to ensure a motivated and productive workforce. The board also noted the resultant cost savings carried forward into the new financial year, and the positive impact on the division's performance. The board acknowledged the contribution of TCRS's world-class data, technology and analytics capabilities to its strong performance, supported by the resilience of the informal sector.

The wellbeing of our employees remains a critical priority, and the board considered various actions to ensure their health and safety. The board noted the actions taken to protect employees working at the group's premises, which included comprehensive safety protocols, daily health checks and measures around hygiene and social distancing to ensure working environments are as safe as possible, and considered support provided to employees working

from home. The board noted the importance of the various employee assistance programmes in place to support the physical and mental health of employees.

SA Taxi's vaccination centre, open to the minibus taxi industry and the group's employees, was considered a highlight for the year, and employees were strongly encouraged to use this opportunity to get vaccinated. Additionally, the board considered the impact on SA Taxi of civil unrest experienced in KwaZulu-Natal and Gauteng, which led to disruptions in the minibus taxi industry.

The board ensured oversight of the impact of COVID-19 across all areas of risk, which included capital, liquidity, insurance and credit risk, and also opportunities in this regard. Affordability remains a theme in the taxi industry, impacting collections, which are negatively affected during each wave of COVID-19 infections. The board ensured that credit provisioning policies and the application of these policies have been consistent and appropriate for this environment. The pandemic resulted in an extraordinary number of deaths in SA Taxi's client base, which increased claims in our credit life insurance product. While credit life remains profitable, the claims ratio increased to 83.3% (2019: 45.5%). All existing contracts and authentic claims were honoured, but SA Taxi Protect has repriced this product for the increased risk from COVID-19 going forward.

Capital management is always top of mind, however the board's sharpened focus on an appropriate capital management strategy throughout the pandemic ensured a robust balance sheet. Capital structures were bolstered where needed, allowing the group to pursue growth opportunities. These included an oversubscribed bookbuild to raise approximately R1.2 billion of additional equity capital, and the accelerated acquisition of an additional 24.3% shareholding in WeBuyCars, which the board oversaw.

02 STRATEGY AND DRIVING INNOVATION

Strategy is a key responsibility of the board, and it ensures a deep understanding of the business by monitoring strategy execution and engaging with executives across the group.

Key considerations during the year included the accelerated acquisition of an additional 24.3% shareholding in WeBuyCars, resulting in the group increasing its stake to a controlling 74.2%. The board considered and advised on the subsequent integration of WeBuyCars into the group, and the risks and opportunities this presents.

The board noted and monitored SA Taxi's evolving strategy, which included the development of new, more affordable products in consultation with industry stakeholders and an increased focus on the finance and sale of quality renewed taxis (QRTs), which aids affordability and provides an alternative to new Toyota vehicles, decreasing supply chain risk.

The board noted the evolving focus of TCRS's strategy and business model, which for the year under review centred on leveraging core digital capabilities into three client service offerings, including the newly established business process outsourcing (BPO) division, as well as the division's international expansion into the global non-performing loan (NPL) market.

During the annual strategy session between the board and key executives from across the group in June 2021, the board debated and provided input into the divisional short- and long-term strategies, and approved the group's FY2022 five-year strategy.

The board views innovation as the constant evolution of the divisional business models in identifying new and adjacent product opportunities and market segments, which enable the group to maintain its

strong track record of financial outperformance and meaningful social impact. Examples of how these business models have evolved into new opportunities and market segments include greater focus on QRTs in SA Taxi to unlock customer affordability, the leveraging of TCRS's existing technology platform to provide BPO services, and WeBuyCars moving to fully online dealership auctions.

The group continues to actively identify investment opportunities in adjacent markets and related asset classes, in which its best-in-class technology, proprietary data and analytics capabilities enable it to generate attractive returns. TC Ventures and TC Global Finance have been established to support the group executive office in fulfilling and accelerating this strategy. TC Ventures actively seeks out investments in innovative, high-growth and entrepreneurial South African businesses, with a focus on fintech disruptors. TC Global Finance leverages the group's unique relationship with its founders to identify and grow value-accretive investments outside of South Africa, with the ultimate objective to create an international platform of scale that mirrors the growth strategy in South Africa.

As some of the above examples demonstrate, the board also understands that information and technology are an integral part of the group's strategy and its ability to deliver value and grow sustainably. As such, the board constituted the risk and technology committee, a newly formed sub-committee of the board, in September 2021. This committee will oversee the governance of information and technology and ensure that appropriate steps are taken to achieve the group's strategic objectives, including monitoring of information and technology investment and expenditure. The day-to-day administration and implementation of information and technology are delegated to chief information officers within the divisions and are integrated into the group's risk management framework.

Key issues considered by the board *continued*

03 THE GROUP'S APPROACH TO SUSTAINABILITY

Following the approval of the group's ESE framework in 2020, the board oversaw the further operationalisation of the framework during the year under review. This included setting short- and medium-term ESE targets, which form part of the scorecards of group and divisional executives. The board also approved the group's human rights and environmental policies in March 2021.

The board adopted a proactive approach to ESG engagement with stakeholders and conducted the group's first ESG roadshow with shareholders and proxy representatives during June and July 2021. This engagement resulted in a thorough understanding of current ESG focus areas and shareholders' concerns and expectations in this regard, and allowed the group to implement the appropriate measures where gaps were identified. Roadmaps are in place for areas where the board feels more work is required.

The board oversaw a group-wide climate project, in partnership with a carbon and climate consulting firm, to determine the group's base year carbon footprint, set appropriate emissions reduction targets and analyse climate-related risks and opportunities the group faces. A roadmap for the adoption of the recommendations of the TCFD is in place.

The board noted the numerous sustainability frameworks and standards available globally. In an effort to meet stakeholder demands and move towards more standardised and real-time sustainability reporting, the group launched an ESG World Platform profile on its website, which provides real-time, consolidated and searchable ESG information, and references to various sustainability frameworks including those of the United Nations SDGs, the TCFD, the Global Reporting Initiative and the Sustainability Accounting Standards Board.

04 REMUNERATION

Following from 2020's remuneration discussions, the board reaffirmed the principle of aligning shareholder value with employee awards and the need to balance this with the long-term sustainability of the business.

05 TALENT ACQUISITION, DEVELOPMENT AND RETENTION

The board acknowledges that without attracting, motivating and retaining the best available talent, even the best strategies, business models and structures will fail. The scarcity of executives and managers with specialised technical skills underlines the importance of succession planning and talent development in supporting the group's strong track record for growth. The board noted key talent development and succession planning initiatives across the group, and ensured these initiatives are aligned with the group's transformation objectives. The board also considered the appropriate resourcing of key executive roles across the group, in response to the group's growth trajectory and the opportunities this presents.

BOARD MEETINGS AND KEY DELIBERATIONS

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 preparing standing agenda items, which are discussed with the chairman and updated for emerging issues prior to each board meeting. The company secretary circulates the agenda, formal board packs and other reading material to the board in good time via a secure online software system. The online system also includes a reading room where comprehensive reference materials are made available. At least four board meetings are held annually, one of which includes a strategic review.

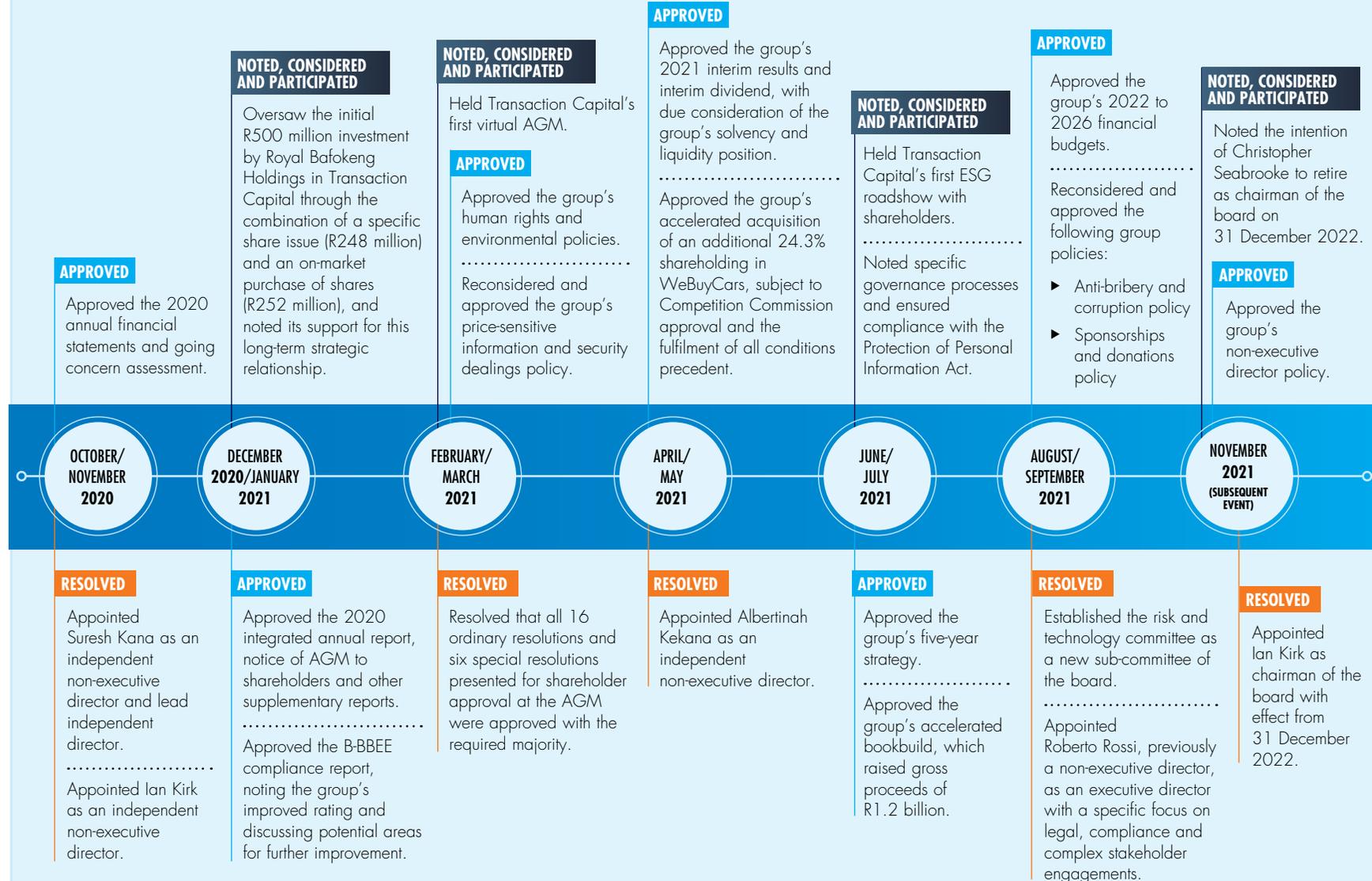
Board meeting attendance in 2021 98%

Individual board meeting attendance is presented on page 4.

Phumzile Langeni resigned as an independent non-executive director with effect from 30 September 2021. During her time serving on the board in 2021, Phumzile attended two out of three board meetings.

KEY DELIBERATIONS

Every board meeting for the year under review opened with an extensive overview and discussion of the impact of COVID-19 on the group's operations, its employees, its clients and other stakeholders. In addition to standing agenda items such as feedback from the chairpersons of board sub-committees on the deliberations of those committees, comprehensive presentations by the CEO on strategic and material matters and presentations by the CFO on the group's financial results and forecasts at quarterly intervals, the board also deliberated, approved and resolved the following key matters during the 2021 financial year:



GOVERNING STRUCTURES AND DELEGATION

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 and innovative mindset as a key driver of performance.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees. The audit 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 and King IV.

KING IV PRINCIPLES 1 & 6

The board confirms that the group complied with the provisions of the Companies Act and operated in conformity with its memorandum of incorporation for the year under review.

The board, in conjunction with the nominations committee, is responsible for appointing the 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, which governs the authority delegated to group management and matters reserved for approval by 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.

KING IV PRINCIPLE 6

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 for the group's strategic direction and its focus on identifying, investing in and operating a diversified portfolio of unique, high-potential businesses in markets where historically poor service and low trust provide opportunities for digitally enabled innovation and disruption. 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 2021, 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 divisions' specialist expertise and business models.

KING IV PRINCIPLE 7

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. The nominations committee sets voluntary targets for race and gender diversity and assesses progress annually. Targets are aligned to the JSE Listings Requirements on the promotion of diversity, and are currently set at three female and three black directors represented on the board at any given time. The board is pleased with the group's progress to date, with four female and four black directors currently serving on the board.

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.

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 are in place 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 composition *continued*

SKILLS AND EXPERIENCE

Transaction Capital is led by a strong and technically competent board. To ensure the board retains the skills to fulfil its foundational role in value creation and preservation, the board’s skills, knowledge and experience are evaluated annually against a board skills matrix. The skills of the board are also considered together with the overall tenure, diversity and independence of directors.

Context	Group requirement	Skills required against the board skills matrix
The board is ultimately responsible and accountable to stakeholders for the performance, activities and control of the group.	Oversight and guidance.	<ul style="list-style-type: none"> ▶ Leadership ▶ Strategy ▶ Accounting and auditing ▶ Risk and opportunity management ▶ People management and remuneration
The group’s businesses operate in markets with historically low levels of client service and stakeholder trust. This requires that we operate ethically and according to the highest standards of corporate governance.	Exemplary corporate governance and ethics.	<ul style="list-style-type: none"> ▶ Governance and compliance ▶ Sustainability/ESE
The group invests in and operates a diversified portfolio of businesses, and seeks to provide competitive and innovative solutions that deliver outstanding commercial benefits to clients.	Core skills aligned to financial services and insurance, as well as its digital strategy, technology risk and opportunity (including data and cyber security), which support the group’s growth.	<ul style="list-style-type: none"> ▶ Financial services (including insurance and fund management) ▶ Information and technology ▶ International experience

A new approach was followed in the 2021 board skills assessment. A rating scale was applied, providing greater granularity when compared to the binary (yes/no) questionnaire applied in previous years. The rating provides nuance in the assessment and enhances its ability to track change in board skills over time.

The 2020 assessment identified skills gaps in sustainability and ESE, and information and technology. The appointment of new directors and an increase in the related skills of existing directors in the current year led to the nominations committee now considering these skills to be sufficiently represented. However, climate change has been elevated from an emerging to a material risk in the group’s risk register. Consequently, this is being considered by the nominations committee as a skill that requires further training and upskilling to ensure sufficient oversight.

Based on the 2021 assessment, the nominations committee is satisfied that the skills and experience of the board are adequate for fulfilling its role.

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 interests 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 Christopher Seabrooke, as a long-standing non-executive director and chairman of the board, continues to act independently.

NON-EXECUTIVE DIRECTOR POLICY

Approved by the board in November 2021, this policy will ensure that board tenure is managed effectively and that the board continues to act independently and in the best interests of Transaction Capital’s stakeholders.

The policy guidelines are as follows:

- ▶ Newly appointed non-executive directors are proposed for re-election by shareholders at the first AGM after their appointment.
- ▶ Non-executive directors are required to retire by rotation every three years and, if nominated by the board, are proposed for re-election at the AGM. One-third of non-executive directors shall retire from office at each AGM. The non-executive directors to retire at each AGM shall be those with the longest tenure in office since their last election.
- ▶ The nominations committee will review each non-executive director’s independence self-assessment on an annual basis. In the case of any directors having a tenure of over nine years, the committee will specifically consider all aspects of continued independence of those directors and resolve as appropriate to confirm the independence of each such director for the following period.
- ▶ The chairperson of the board will be required to retire after a twelve-year tenure, and may continue as a non-executive director at the discretion of the board.
- ▶ The chairperson of each board sub-committee will be required to retire after a ten-year tenure, and may continue as a member of the respective board sub-committee. Former chairpersons of subcommittees will be eligible for reappointment as chairperson after a three-year period at the discretion of the board.

APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, with the board skills matrix presented on page 5 serving to identify additional skills and experience required to augment the collective capability of the board.



The formal induction programme is the responsibility of the company secretary and/or the CFO. The programme includes detailed discussions on the environment and operations of each of the major businesses, as well as site visits and an induction and information pack about the group. A formal induction process was conducted for Albertinah Kekana, who was appointed during the year.

BOARD COMPOSITION CHANGES

Over the past two years, a key strategic focus was augmenting board skills and diversity and strengthening board independence through the appointment of four new independent non-executive directors who contribute insurance, legal, technical financial and ESG skills. The following changes to the composition of the board and its sub-committees took place during the year under review:

- ▶ Albertinah Kekana was appointed as an independent non-executive director and Paul Miller resigned as an alternate director to Roberto Rossi, both with effect from 1 April 2021.
- ▶ The board resolved to establish the risk and technology committee as a new board sub-committee of the board with effect from 1 September 2021. Ian Kirk (as chairperson), Suresh Kana and Diane Radley were appointed as members of this committee. The sub-committee previously referred to as the audit, risk and compliance (ARC) committee was renamed the audit committee with effect from the same date.
- ▶ Phumzile Langeni resigned as an independent non-executive director and chairperson of the social and ethics committee with effect from 30 September 2021. Phumzile has been a valuable member of the board since her appointment in 2009, and the board wishes to thank her for her immense contribution to Transaction Capital during this time.
- ▶ Following Phumzile’s resignation, Suresh Kana took over the role of chairperson of the social and ethics committee, and Albertinah Kekana was appointed as a member of this committee. Suresh brings extensive expertise in governance and ethics to this committee.
- ▶ Roberto Rossi, previously a non-executive director, was appointed as an executive director with a specific focus on legal, compliance and complex stakeholder engagements with effect from 30 September 2021. Roberto resigned as a member of the remuneration committee on this day, and Sharon Wapnick was appointed as a member of this committee.

ROTATION OF DIRECTORS

In line with the recommendations of King IV, the periodic, staggered rotation of non-executive directors serves to introduce members with new expertise and perspectives while retaining valuable knowledge, skills and experience, and maintaining continuity. This year, Suresh Kana, Kuben Pillay and Sharon Wapnick 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, Albertinah Kekana, who was appointed in 2021, will also be nominated for election as a director.

EVALUATION AND PERFORMANCE OF THE BOARD AND 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 2021, 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 director, CEO, CFO, internal audit executive and the company secretary found that they are performing adequately. In accordance with King IV, the offices of the chairman, lead independent director and CEO are separate. Additionally, the board is satisfied with the qualifications, experience and competence of the company secretary, and that an arm's length relationship is maintained between the board and the company secretary.

KING IV PRINCIPLES 9 & 10

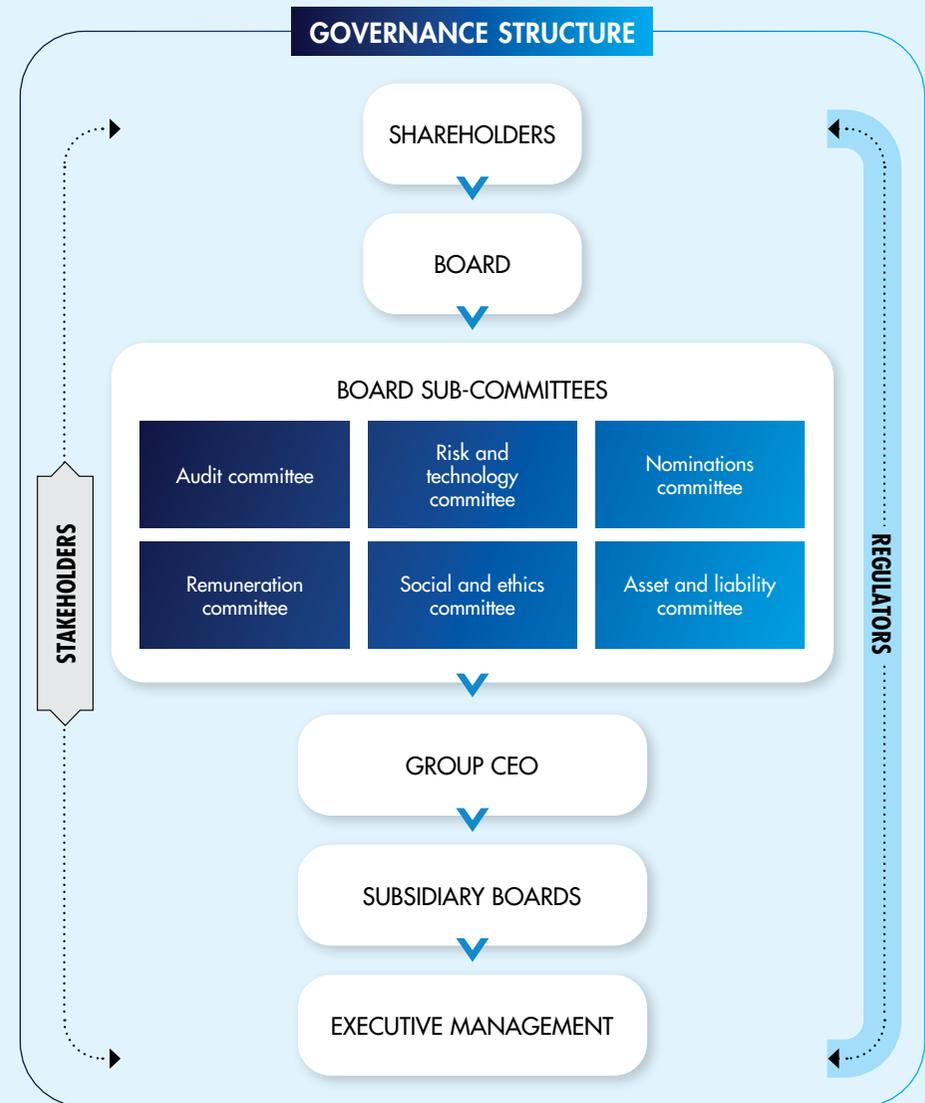
BOARD SUB-COMMITTEES

The group's governing structure and delegations of responsibility promote and enhance independent judgement. The board sub-committees assist the board in the discharge of its duties and responsibilities.

All sub-committees have fully functional structures, with clear objectives set out in their respective terms of reference. Terms of reference are approved by the board and reviewed annually. 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. Sub-committees also report to stakeholders annually, in the integrated report and at the AGM if required.

KING IV PRINCIPLE 8



Board sub-committees *continued*

AUDIT COMMITTEE

With effect from 1 September 2021, the board resolved to establish a new board sub-committee, known as the risk and technology committee. The sub-committee previously referred to as the ARC committee was renamed the audit committee with effect from the same date.

MEMBERS				
	DIANE RADLEY Chairperson Independent non-executive director	BUHLE HANISE Independent non-executive director	SURESH KANA Lead independent director	IAN KIRK Independent non-executive director
	5/5	5/5	5/5	4/5
	OVERALL MEETING ATTENDANCE 95%			
FUNCTIONS MANAGED	<ul style="list-style-type: none"> ▶ Financial accounting and external reporting ▶ Financial controls ▶ Tax ▶ Internal audit ▶ External audit (including non-audit services) ▶ Combined assurance ▶ Credit, insurance and portfolio risk 			
COMPOSITION	<p>Chaired by an independent non-executive director.</p> <p>Comprises four independent non-executive directors, including the lead independent director and the chairpersons of the risk and technology, social and ethics, and asset and liability committees.</p> <p>Permanent invitees include the following: Chairman of the board, group CEO, group CFO, group finance executive, chief investment officer, founding directors, group head of enterprise risk, group tax executive, divisional CFOs and finance executives, external auditors and the company secretary.</p>			
MINIMUM NUMBER OF MEETINGS PER YEAR	Four			

* Meeting attendance indicated includes attendance of three meetings as members of the ARC committee and two meetings as members of the renamed audit committee.

VALUE CREATION IN 2021

- ▶ Oversight of the impact of COVID-19 on the group's provisioning models, internal control environment and financial results.
- ▶ Overseeing the mandatory audit firm rotation process to ensure continuity in the external audit function.
- ▶ Monitoring the impact of the effective allocation of capital to both organic and acquisitive growth initiatives.
- ▶ Ensuring the mechanisms to comply with JSE Listings Requirement 3.84(k) are in place.
- ▶ Continued improvement in the quality of external reporting.
- ▶ WeBuyCars accounting integration.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Continued integration of WeBuyCars' financial and accounting systems.
- ▶ Continued improvement in external reporting (ahead of best practice).
- ▶ Development and oversight of a group-wide provisioning models committee.
- ▶ Further embedding of the JSE Listings Requirement 3.84(k).
- ▶ Embedding of the centralised internal audit function.
- ▶ Monitoring of capital allocation, specifically relating to international expansion.
- ▶ Overseeing the mandatory audit firm rotation process to ensure continuity in the external audit function.

Board sub-committees *continued*

RISK AND TECHNOLOGY COMMITTEE

With effect from 1 September 2021, the board resolved to establish a new board sub-committee known as the risk and technology committee.

MEMBERS				
	IAN KIRK Chairperson Independent non-executive director	SURESH KANA Lead independent director	DIANE RADLEY Independent non-executive director	
	MEETING ATTENDANCE	2/2	2/2	2/2
	OVERALL MEETING ATTENDANCE	100%		
FUNCTIONS MANAGED	<ul style="list-style-type: none"> ▶ Risk (including social and environmental risks) ▶ Compliance ▶ IT strategy, governance and investment ▶ Data and information 			
COMPOSITION	<p>Chaired by an independent non-executive director.</p> <p>Comprises three independent non-executive directors, including the lead independent director and the chairpersons of the audit; social and ethics; and asset and liability committees.</p> <p>Permanent invitees include the following: Group CEO, group CFO, divisional CFOs, divisional chief information officers, group head of enterprise risk, group legal executive and the company secretary.</p>			
MINIMUM NUMBER OF MEETINGS PER YEAR	Four			

VALUE CREATION IN 2021

- ▶ Dedicated time to focus on enterprise risk and technology.
- ▶ Set up workplan for technology.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Future technology architecture and how we strategically execute against this.
- ▶ Ensure the development of customer-centric solutions.
- ▶ Monetise and protect data.
- ▶ Awareness and response to business model disruption from technology.
- ▶ Project discipline.
- ▶ Technology skills focus – attraction and retention.

Board sub-committees *continued*

NOMINATIONS COMMITTEE

MEMBERS						
	CHRISTOPHER SEABROOKE Chairperson Independent non-executive director	SURESH KANA Lead independent director	KUBEN PILLAY Independent non-executive director	ROBERTO ROSSI Executive director	SHARON WAPNICK Independent non-executive director	
	MEETING ATTENDANCE	2/2	2/2	2/2	2/2	
	OVERALL MEETING ATTENDANCE	100%				
	FUNCTIONS MANAGED	<ul style="list-style-type: none"> ▶ Directors ▶ People ▶ Succession 				
	COMPOSITION	<p>Chaired by an independent non-executive director and chairman of the board.</p> <p>Comprises four independent non-executive directors, including the lead independent director; the chairpersons of the remuneration; social and ethics; and asset and liability committees; and one executive director.</p> <p>Permanent invitees include the following: Group CEO, group CFO, founding directors and the company secretary.</p>				
MINIMUM NUMBER OF MEETINGS PER YEAR	Two					

VALUE CREATION IN 2021

- ▶ Strengthening board independence and augmenting board acumen and diversity through the appointment of Albertinah Kekana as an independent non-executive director.
- ▶ Concluded through the annual board assessment 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.
- ▶ Succession planning.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Continued focus on evaluating and enhancing succession planning, with a specific focus on transformation.
- ▶ Succession and onboarding of the new chairman of the board.

Board sub-committees *continued*

REMUNERATION COMMITTEE

Roberto Rossi resigned as a member of the remuneration committee with effect from 30 September 2021. Roberto attended all remuneration committee meetings for the year during his time as a member. Sharon Wapnick was appointed as a member of the committee effective the same date.

MEMBERS				
	KUBEN PILLAY Chairperson Independent non-executive director	IAN KIRK Independent non-executive director	CHRISTOPHER SEABROOKE Independent non-executive director	SHARON WAPNICK Independent non-executive director
	2/2	2/2	2/2	1/1
	OVERALL MEETING ATTENDANCE 100%			
FUNCTIONS MANAGED	<ul style="list-style-type: none"> ▶ Remuneration ▶ People and retention 			
COMPOSITION	<p>Chaired by an independent non-executive director.</p> <p>Comprises four independent non-executive directors, including the chairpersons of the risk and technology and nominations committees.</p> <p>Permanent invitees include the following: Group CEO, group CFO, founding directors and the company secretary.</p>			
MINIMUM NUMBER OF MEETINGS PER YEAR	Two			

VALUE CREATION IN 2021

- ▶ Continued monitoring and oversight of the impact of COVID-19 on remuneration to ensure that the long-term sustainability of the business is balanced with the retention, fair reward and attractive incentivisation of talented and specialised executives and employees.
- ▶ Enhancements of remuneration policy and disclosure in response to shareholder engagement.
- ▶ Successful alignment of shareholder and management interests.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Continued engagement with shareholders to ensure the group's remuneration policy supports business performance and remains aligned to the interests of its stakeholders.
- ▶ Competitive remuneration structures which attract diverse, internationally competitive skills.

Board sub-committees *continued*

SOCIAL AND ETHICS COMMITTEE

Phumzile Langeni resigned as an independent non-executive director and chairperson of the social and ethics committee with effect from 30 September 2021. Phumzile attended all social and ethics committee meetings for the year during her time as chairperson. Suresh Kana, previously a member of this committee, replaced Phumzile as chairperson, and Albertinah Kekana was newly appointed as a member of the social and ethics committee, both with effect from 1 October 2021.

MEMBERS					
	SURESH KANA Chairperson Lead independent director	DAVID HURWITZ CEO	ALBERTINAH KEKANA Independent non-executive director	KUBEN PILLAY Independent non-executive director	ROBERTO ROSSI Executive director
MEETING ATTENDANCE	4/4	4/4	1/1	4/4	4/4
OVERALL MEETING ATTENDANCE	100%				
FUNCTIONS MANAGED	<ul style="list-style-type: none"> ▶ Stakeholder engagement ▶ Transformation ▶ Sustainability ▶ Ethics 				
COMPOSITION	<p>Chaired by an independent non-executive director.</p> <p>Comprises three independent non-executive directors, including the lead independent director, the chairpersons of the remuneration and asset and liability committees, the group CEO and one executive director.</p> <p>Permanent invitees include the following: Chairman of the board, group CEO, group CFO, divisional CEOs, divisional human resource executives, group legal executive, group risk, ethics and internal audit executive and the company secretary.</p>				
MINIMUM NUMBER OF MEETINGS PER YEAR	Two				

VALUE CREATION IN 2021

- ▶ Continued monitoring of the physical and mental wellbeing of the group's employees during the pandemic, including actions taken to protect employees working at the group's premises and support provided to employees working from home.
- ▶ Monitored the impact of the Section 189 process that took place at TCRS in September 2021, and considered staff morale and measures to ensure a motivated and productive workforce.
- ▶ Continued monitoring and oversight of the operationalisation of the group's ESE framework.
- ▶ Improvements to the group and SA Tax B-BBEE ratings, as well as employment equity profiles across the group.
- ▶ Robust talent management programmes in place.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Transformation, with a particular focus on the group's employment equity profiles and diversity.
- ▶ Climate change and associated risks and opportunities.

Board sub-committees *continued*

ASSET AND LIABILITY COMMITTEE

MEMBERS							
	SURESH KANA Chairperson Independent non-executive director	MARK HERSKOVITS Chief investment officer	DAVID HURWITZ CEO	JONATHAN JAWNO Executive director	IAN KIRK Independent non-executive director	DIANE RADLEY Independent non-executive director	CHRISTOPHER SEABROOKE Independent non-executive director
MEETING ATTENDANCE	4/4	4/4	4/4	3/4	4/4	4/4	4/4

OVERALL MEETING ATTENDANCE 96%	FUNCTIONS MANAGED <ul style="list-style-type: none"> ▶ Funding ▶ Liquidity ▶ Capital 	COMPOSITION <p>Chaired by an independent non-executive director.</p> <p>Comprises four independent non-executive directors, including the chairman of the board, the chairpersons of the audit; risk and technology; nominations; and social and ethics committees; and three executive directors.</p> <p>Permanent invitees include the following: Group CFO, divisional CFOs, capital markets executive, group tax executive and the company secretary.</p>	MINIMUM NUMBER OF MEETINGS PER YEAR Four
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VALUE CREATION IN 2021

- ▶ Oversaw the issuance of SA Taxi's first bond backed by a sustainable bond framework through its Transsec 5 initial issuance – its largest single issuance to date.
- ▶ Oversaw raising of R1.2 billion in equity capital, the majority of which was used to finance the acquisition of the controlling stake in WeBuyCars.
- ▶ Continued monitoring of the impact of COVID-19 on group cash flows.
- ▶ Focused on managing the cost of debt, as Transaction Capital and its divisions are well capitalised with adequate access to liquidity.
- ▶ Solidified TCRS funding runway.
- ▶ Considered and managed the impact of the civil unrest in KwaZulu-Natal and Gauteng in July 2021 on international funding lines.

FOCUS AREAS FOR THE YEAR AHEAD

- ▶ Expanding the funding programme for TCRS to include a wider universe of investors.
- ▶ Optimising the WeBuyCars balance sheet.
- ▶ Ensuring that the consumer vehicle finance business within WeBuyCars is appropriately structured and funded.
- ▶ Overseeing any funding mix changes which may be required for SA Taxi as product design innovations are rolled out to clients.

GOVERNANCE OF FUNCTIONAL AREAS

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 opportunities, and ensures ongoing risk oversight and monitoring for the group. The board is assisted by the risk and technology committee and the asset and liability committee in governing risk in a way that supports the group's strategic objectives and the creation of value.

KING IV PRINCIPLE 11

INFORMATION AND TECHNOLOGY

Information and technology are 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 information and technology to the risk and technology committee, which also ensures that an information and technology governance reporting framework is in place. Chief information officers are appointed at each division, with the appointments ratified by the group CEO. Information and technology expenditure is reported on and governed under the group's authority framework.

An information and technology policy that addresses the governance of information and technology in line with the recommended practices of King IV is also in place. Each subsidiary sets its own strategy with regards to information and technology, which is reported to its board and the risk and technology committee. The 2021 review of information and technology strategy included an enhanced focus on cybersecurity and connectivity for the group's distributed workforce in response to COVID-19.

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 information and technology team. In 2021, these systems and processes were proven to be effective in light of the COVID-19 pandemic. Additionally, the information and technology functions

reported to the risk and technology 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.

KING IV PRINCIPLE 12

COMPLIANCE FRAMEWORK

COMPLIANCE STRUCTURES

The risk and technology 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 continually 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 and regulatory 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 risk and technology committee and the 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 audit committee.

KING IV 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.
- ▶ Consumer Protection Act.
- ▶ Debt Collectors Act.
- ▶ Second-Hand Goods 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.
- ▶ National Payment System Act.
- ▶ Anti-corruption and anti-money laundering legislation, including the Financial Intelligence Centre Act and the Protection of Constitutional Democracy Against Terrorist and Related Activities 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.
- ▶ Legislation relating to information processing and electronic records including the Electronic Communications and Transactions Act, Protection of Personal Information Act, Promotion of Access to Information Act and the Cybercrimes Act.

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

Compliance framework *continued*

KEY REGULATORY DEVELOPMENTS

COVID-19 RELATED REGULATIONS AND DIRECTIVES

The legal and compliance teams continued to monitor dynamic COVID-19 regulations and directives to ensure adherence with subsequent lockdown levels.

PROTECTION OF PERSONAL INFORMATION ACT

The Protection of Personal Information Act (which governs the processing of personal information relating to individuals and entities) came into effect on 1 July 2021. The group has put in place the necessary policies and procedures to comply with the Act and has applied for the registration of its information officers.

COMPETITION COMMISSION

The Competition Commission finalised the market inquiry into land-based public passenger transport and published its final report on 7 April 2021.

DRAFT GUIDELINES AND BILLS THAT ARE NOTEWORTHY

Last year, proposed amendments to the Financial Intelligence Centre Act were published for comment. These seek to expand the list of entities that are deemed accountable institutions to include credit providers, motor vehicle dealers and businesses dealing in high-value goods (R100 000 or more). The group still awaits publication of the final amendments.

The Companies Act Amendment Bill proposes amendments regarding the preparation, presentation and voting on companies' remuneration policies and director's remuneration implementation reports (to exclude subsidiary companies from some of the requirements relating to inter-group financial assistance), and the composition of the social and ethics committee.

REMUNERATION

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 5 March 2021, the remuneration policy and implementation report both received the requisite non-binding advisory votes to pass, at 96% and 82%

respectively. The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

KING IV PRINCIPLE 14

COMBINED ASSURANCE FRAMEWORK AUDIT

The audit 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 audit 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 audit committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

The audit committee considered the tenure of Deloitte & Touche, which has been Transaction Capital's auditors for 13 years.

During this time, the group has rotated audit partners ahead of the five-year mandatory audit partner rotation requirement.

Transaction Capital will undergo a managed transition to new external auditors during the financial year ending 30 September 2024, at the latest. The current responsible audit partner, Stephen Munro, has only been responsible for the Transaction Capital audit for two years and the other key audit partner, Lerato Bacela, for one year.

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 audit 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 year under review. 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.

KING IV PRINCIPLE 15

STAKEHOLDER RELATIONSHIPS

The board, through the social and ethics committee, oversees the group's stakeholder engagement strategies and processes, which enable executive management to understand and effectively respond to legitimate stakeholder concerns. The divisions each have their own tailored stakeholder engagement plans in place, which are reported, considered and discussed at their respective board meetings.

The group's key stakeholder groups have been identified according to their levels of influence on the group, the group's impact on them and the level to which the group collaborates, involves or consults with them. Stakeholder concerns are also prioritised as part of the group's risk management framework.

KING IV PRINCIPLE 16



KING IV APPLICATION



KING IV PRINCIPLE 1**ETHICAL LEADERSHIP**

The governing body should lead ethically and effectively.

KING IV PRINCIPLE 2**ORGANISATIONAL 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.

KING IV PRINCIPLE 3**RESPONSIBLE CORPORATE CITIZENSHIP**

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

KING IV 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.

KING IV 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.

KING IV PRINCIPLE 6**ROLE OF THE GOVERNING BODY**

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

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV 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.

KING IV PRINCIPLE 17**INSTITUTIONAL INVESTORS**

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