



## **KING III REGISTER**

For the financial year ended  
30 September 2014

# **TRANSACTION CAPITAL**

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## INTRODUCTION

For the financial year ended 30 September 2014, the board of directors of Transaction Capital Limited (“Transaction Capital” or “the company”) confirms that the Transaction Capital Group (“the group”) complied with the Code of Governance as set out in King III, with the exception of the non-compliance highlighted below.

The below King III register details each of the 75 principles set out in King III, with commentary provided as to how each principle is achieved. Instances of non-compliance are highlighted with either reasoning for the non-compliance or corrective action which is currently/ has been instituted to apply the relevant principle.

Refer to Transaction Capital’s website ([www.transactioncapital.co.za](http://www.transactioncapital.co.za)) or the 2014 Integrated Annual Report for a commentary on the governance activities of the group.

## 1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Principle	Application	Comment
1.1. The board should provide effective leadership based on an ethical foundation	Applied	<ul style="list-style-type: none"> <li>The board provides effective and responsible leadership based on an ethical foundation by directing strategy and operations in support of a sustainable business, while considering the short and long term impacts thereof on society, the environment and stakeholders.</li> <li>The board charter requires the board and its sub-committees to assume responsibility for, amongst others, ensuring the ethical behaviour of the group and compliance with laws and regulations and the group's policies.</li> <li>The social and ethics committee is tasked by the board with the oversight of the group's ethical practices.</li> <li>The ethical conduct of directors and employees are guided by the Transaction Capital Ethics Charter (available on <a href="http://www.transactioncapital.co.za">www.transactioncapital.co.za</a>) that was approved by the board of Transaction Capital and certified by the Ethics Institute of South Africa (EthicSA) as conforming to the highest best-practice standards. The charter details Transaction Capital's ethical business principles as well as its vision, mission and values.</li> </ul>
1.2. The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	<ul style="list-style-type: none"> <li>The board provides effective and responsible leadership based on an ethical foundation (as guided by the Transaction Capital Ethics Charter). It delegates its responsibility to monitor good corporate citizenship to the social and ethics committee and to the group's ethics officer.</li> <li>Refer to chapter 8 for stakeholder engagement.</li> </ul>
1.3. The board should ensure that the company's ethics are managed effectively	Applied	<ul style="list-style-type: none"> <li>Refer to principle 1.1 &amp; 1.2 above.</li> <li>Transaction Capital has appointed an external service provider, providing group wide anonymous whistle blowing" services. Employees of the group attended compulsory whistle blowing" training. Findings emanating from "whistleblowing" feedback are dealt with by the appropriate level of authority (be it management, the audit, risk and compliance committee ("the ARC committee")/ the social and ethics committee or the board).</li> </ul>

## 2. BOARD AND DIRECTORS

Principle	Application	Comment
2.1. The board should act as the focal point for and custodian of corporate governance	Applied	<ul style="list-style-type: none"> <li>The board of directors is the focal point of the group's corporate governance structure and is ultimately responsible and accountable for the performance, activities and control of the group to all stakeholders.</li> <li>At a minimum, the board meets quarterly, and on an ad hoc basis when necessary.</li> <li>The board charter and group policies regulate how the board (and its members) conducts itself in the interests of the company and its stakeholders, in accordance with the principles of good corporate governance and all prevailing legislation.</li> <li>The board charter is reviewed annually.</li> </ul>
2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	<ul style="list-style-type: none"> <li>As governed by the board charter, the board recognises that strategy, risk, performance and sustainability are inextricably linked.</li> <li>At minimum, a strategic review is performed by the board annually.</li> <li>A sustainability policy has been approved by the board.</li> </ul>
2.3. The board should provide effective leadership based on an ethical foundation	Applied	<ul style="list-style-type: none"> <li>Refer to principle 1.1</li> </ul>
2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	<ul style="list-style-type: none"> <li>Refer to principle 1.2</li> </ul>
2.5. The board should ensure that the company's ethics are managed effectively	Applied	<ul style="list-style-type: none"> <li>Refer to principle 1.3</li> </ul>
2.6. The board should ensure that the company has an effective and independent audit committee	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 3</li> </ul>
2.7. The board should be responsible for the governance of risk	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 4</li> </ul>
2.8. The board should be responsible for information technology (IT) governance	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 5</li> </ul>
2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 6</li> </ul>

Principle	Application	Comment
2.10. The board should ensure that there is an effective risk-based internal audit	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 7</li> </ul>
2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 8</li> </ul>
2.12. The board should ensure the integrity of the company's integrated report	Applied	<ul style="list-style-type: none"> <li>Refer to chapter 9</li> </ul>
2.13. The board should report on the effectiveness of the company's system of internal controls	Applied	<ul style="list-style-type: none"> <li>Refer to chapters 7 and 9</li> </ul>
2.14. The board and its directors should act in the best interests of the company	Applied	<ul style="list-style-type: none"> <li>Apart from their statutory duties, board members owe a fiduciary duty to the company as well as a common law duty to exercise care, skill and diligence in the management of the company's affairs. Directors act in the best interest of the company's stakeholders.</li> <li>Directors are encouraged to procure independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities.</li> <li>Although directors are required to complete and sign a declaration of interest on a quarterly basis, they are expected and have disclosed any conflicts of interest as soon as it arose during the year.</li> <li>Directors Jonathan Jawno, Michael Mendelowitz and Roberto Rossi did not participate in the approval of the disposal of Bayport due to their conflicts of interest.</li> <li>Transaction Capital's policy on security dealings governs the share dealing of directors and executives.</li> </ul>
2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Applied	<ul style="list-style-type: none"> <li>The solvency and liquidity and going concern assertion of the group is monitored by the ARC committee and the board.</li> <li>Business rescue proceedings will be considered if the company is in financial distress which is currently not the case.</li> </ul>

Principle	Application	Comment
2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Applied	<ul style="list-style-type: none"> <li>• The board elects a chairman on an annual basis.</li> <li>• During FY2014, the role of chairman of the board was fulfilled by: <ul style="list-style-type: none"> <li>○ Chris Seabrooke - for the period 1 October 2013 to 15 January 2014, as the (independent) non-executive chairman of the board;</li> <li>○ Mark Lamberti - for the period 15 January 2014 to 5 March 2014, as the non-executive chairman, with Chris Seabrooke fulfilling the role of lead (independent) non-executive director; and</li> <li>○ Chris Seabrooke - for the period 5 March 2014 to date as the (independent) non-executive chairman of the board.</li> </ul> </li> <li>• The chairman's performance is assessed annually by the board. The results of the assessment were of a high standard.</li> </ul>
2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	<ul style="list-style-type: none"> <li>• Effective 15 January 2014, David Hurwitz replaced Mark Lamberti as the chief executive officer ("CEO") of Transaction Capital. David Hurwitz's appointment was recommended by the nominations committee and approved by the board of directors.</li> <li>• The board has appointed the CEO and sets the terms of his employment contract. The company's contract with the CEO is reviewed annually, and is recommended by the nominations committee to the board for approval.</li> <li>• The board and its sub-committees have delegated authority to the CEO and management as per an approved authority framework.</li> <li>• The leadership of the company is the responsibility of the CEO. The task of the CEO is to lead the company and to implement the strategies, structures and policies approved by the board.</li> <li>• The nominations committee has approved a succession plan for the CEO and executive management.</li> </ul>
2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	<ul style="list-style-type: none"> <li>• Throughout the year the board comprised of a majority of non-executive directors, the majority of whom were independent. Refer to the 2014 Integrated Annual Report for further detail.</li> <li>• The independence and performance of the independent non-executive directors are tested on an annual basis. The independence and performance, knowledge and skill of the non-executive directors were found to be adequate.</li> <li>• The size, diversity, skill and effectiveness of the board were assessed as adequate.</li> <li>• The board possesses a CEO and a chief financial officer ("CFO").</li> </ul>

Principle	Application	Comment
2.19. Directors should be appointed through a formal process	Applied	<ul style="list-style-type: none"> <li>As required by the nominations committee terms of reference, the nominations committee assists with the identification of suitable board members and performs background and reference checks prior to the appointment of directors by the board.</li> <li>Letters of appointment are issued to directors. No individual or block of individuals has unfettered powers of decision-making.</li> <li>New directors are introduced to the group by way of a formal induction programme implemented under the responsibility of the company secretary. This programme consists of an information pack, detailed discussions on the environment and operations of each of the major subsidiaries as well as site visits.</li> </ul>
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes	Applied	<ul style="list-style-type: none"> <li>Refer to 2.19 regarding induction.</li> <li>In addition to the company providing directors with legislation updates, directors are encouraged to take independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities.</li> <li>Directors have unfettered access to the group's auditors, professional advisors and to the advice and services of the company secretary. Directors may attend any committee or subsidiary board meeting after advising the CEO and have unrestricted access to any information generated by the group.</li> </ul>
2.21. The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	<ul style="list-style-type: none"> <li>Ronen Goldstein replaced Peter Katzenellenbogen as company secretary in December 2014 and is considered to be suitably qualified to fulfil this role. In keeping with the requirements of the Companies Act of 2008, his appointment was approved by the board.</li> <li>The company secretary is not a director of the company.</li> <li>All directors have access to the company secretary's services and advice. The company secretary supports the board as a whole and the directors individually with regard to their duties.</li> <li>The company secretary is required to fulfil his duties under the Companies Act and the JSE Limited ("JSE") Listings Requirements and ensures that appropriate procedures and processes are in place for board proceedings.</li> <li>The company secretary is a resource of the company on governance, ethics and legislative changes.</li> <li>The company secretary is entitled to obtain independent advice to achieve these objectives and/or at the request of the board and its committees.</li> </ul>
2.22. The evaluation of the board, its committees and the individual directors should be performed every year	Applied	<ul style="list-style-type: none"> <li>A formal performance evaluation of the board, its committees, the chairman, the CEO and CFO is conducted annually by means of a questionnaire, in which the mix of skills, performance during the year, contribution and independence of individual directors, and effectiveness of committees is reviewed. The results of the evaluations provide the basis for improvement of the board and its committees for the following year.</li> <li>The board charter and respective committee terms of references are reviewed annually.</li> </ul>

Principle	Application	Comment
<p>2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities</p>	<p>Applied</p>	<ul style="list-style-type: none"> <li>• The board is supported by appropriately mandated sub-committees: <ul style="list-style-type: none"> <li>○ The ARC committee;</li> <li>○ The nominations committee;</li> <li>○ The remuneration committee;</li> <li>○ The social and ethics committee.</li> </ul> </li> <li>• Both the ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of all entities in the group.</li> <li>• The board and sub-committees are mandated by formal charters and/or terms of reference that are reviewed on an annual basis.</li> <li>• To the extent necessary, the respective committees may obtain independent outside professional advice at the cost of the company.</li> <li>• Further detail regarding the group's governance structures and committee composition can be found in the 2014 Integrated Annual Report.</li> <li>• Effective January 2014, the following changes were made to the board's mandated sub-committees: <ul style="list-style-type: none"> <li>○ The audit committee and the risk and compliance committee were combined to form the ARC committee;</li> <li>○ The asset and liability committee became a management committee with mandated oversight by the ARC committee;</li> <li>○ The nominations and remuneration committee were separated into the nominations committee and remuneration committee, chaired by the chairman of the board and an independent non-executive director respectively; and</li> <li>○ the executive committee was converted into a management committee under the direction of the CEO.</li> </ul> </li> </ul>
<p>2.24. A governance framework should be agreed between the group and its subsidiary boards</p>	<p>Applied</p>	<ul style="list-style-type: none"> <li>• Various executive and non-executive directors of Transaction Capital act as non-executive directors and chairmen of the subsidiary boards. Where appropriate, the implementation and adoption of governance policies, processes or procedures of the group have been approved and implemented by the respective subsidiary boards.</li> <li>• Both the ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of all entities in the group.</li> </ul>

Principle	Application	Comment
2.25. Companies should remunerate directors and executives fairly and responsibly	Applied	<ul style="list-style-type: none"> <li>• As per the remuneration committee's terms of reference, the committee is responsible for the establishment and oversight of a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance at all levels of the group.</li> <li>• The remuneration policy is set out in the remuneration report included in the Integrated Annual Report. The remuneration of directors and executives (including the relevant policies) is considered to be fair.</li> <li>• As approved by shareholders on 10 July 2013, the remuneration committee has the authority to award executives within the group with share appreciation rights (awarded in terms of the Transaction Capital's Share Appreciation Rights Plan). Share appreciation rights are typically awarded annually, with a mid-year award being made to new joiners or employees with a change in role/ circumstance</li> <li>• Annual fees paid to non-executive directors for their services as directors have been recommended by the remuneration committee and approved by the board on a market-related basis, with no additional meeting attendance fees. This is due to board members providing input to the company on an on-going basis, not limited to the attendance of meetings.</li> <li>• The annual directors fees paid to non-executive directors are approved by shareholders at the annual general meeting ("AGM").</li> </ul>
2.26. Companies should disclose the remuneration of each individual director and certain senior executives	Applied	<ul style="list-style-type: none"> <li>• Refer to 2.25 above.</li> <li>• The remuneration of directors and executives including the relevant policies have been described in the remuneration report of the Integrated Annual Report and is considered to be fair.</li> </ul>
2.27. Shareholders should approve the company's remuneration policy	Applied	<ul style="list-style-type: none"> <li>• The remuneration policy is subject to a non-binding advisory vote by shareholders at the AGM.</li> </ul>

### 3. AUDIT COMMITTEE

Principle	Application	Comment
3.1. The board should ensure that the company has an effective and independent audit committee	Applied	<ul style="list-style-type: none"> <li>The responsibilities of the ARC committee are set out in the Companies Act, Transaction Capital's Memorandum of Incorporation, the King Code on Corporate Governance and the JSE Listings Requirements.</li> <li>The committee's terms of reference is reviewed annually and approved by the board.</li> <li>The ARC committee consists of three independent non-executive directors.</li> <li>At minimum, the ARC committee meets 3 times a year.</li> <li>The effectiveness of the committee is assessed annually.</li> <li>The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues.</li> <li>The members of the ARC committee meet with the internal and external auditors at least once a year without management being present.</li> <li>The minutes of each meeting of the ARC committee is tabled in each board pack.</li> </ul>
3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	<ul style="list-style-type: none"> <li>The ARC committee consists of three independent non-executive directors who, collectively, possess the required skill and knowledge to perform their duties. The board approved the appointment of the chairman of the board as a member of the ARC committee, as it believed that his skills and knowledge would enhance the committee.</li> <li>Access to training is provided on an on-going basis to assist members in discharging their duties.</li> <li>The chairman of the committee is not the chairman of the board.</li> <li>The committee members are permitted to consult with specialists or consultants at the company's cost, subject to the board approval process.</li> <li>The effectiveness of the ARC committee is assessed annually by the board and was found to be satisfactory.</li> </ul>
3.3. The audit committee should be chaired by an independent non-executive director	Applied	<ul style="list-style-type: none"> <li>The ARC committee is chaired by David Woollam, an independent non-executive director.</li> <li>The chairman of the ARC committee attends the AGM.</li> </ul>
3.4. The audit committee should oversee integrated reporting	Applied	<ul style="list-style-type: none"> <li>The ARC committee: <ul style="list-style-type: none"> <li>Oversees the preparation of the integrated annual report;</li> <li>Comments on the annual financial statements, accounting practices and internal financial controls;</li> <li>Reviews the annual financial statements and other financial reports; and</li> <li>Ensures the integrity of the Integrated Annual Report including assisting the board in approving disclosure of sustainability issues.</li> </ul> </li> <li>The ARC committee recommends the Integrated Annual Report to the board for approval.</li> </ul>

Principle	Application	Comment
3.5. The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	Applied	<ul style="list-style-type: none"> <li>• The committee is responsible for monitoring the appropriateness of the combined assurance model to provide a co-ordinated approach to all assurance activities.</li> <li>• Refer to chapter 6 for more detail.</li> </ul>
3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	<ul style="list-style-type: none"> <li>• The ARC committee reviews the skills, resources and experience of the company's finance function annually and reports the results in the Integrated Annual Report.</li> <li>• A review of the skills and experience of the CFO, and confirmation that these are suitable, is performed annually. The results of the assessment were found to be satisfactory, and reported on in the Integrated Annual Report.</li> </ul>
3.7. The audit committee should be responsible for overseeing of internal audit	Applied	<ul style="list-style-type: none"> <li>• The ARC committee is responsible for overseeing internal audit.</li> <li>• The ARC committee plays a key role in ensuring that the company's internal audit function is independent and has the necessary resources, budget, standing and authority within the company to enable it to discharge its functions.</li> <li>• A review of the skills, experience and independence of the internal audit executive is performed annually. The results of the assessment were found to be satisfactory.</li> <li>• The internal audit function will be subjected to an independent quality review in the 2015 financial year.</li> <li>• Refer to chapter 6 for more detail.</li> </ul>
3.8. The audit committee should be an integral component of the risk management process	Applied	<ul style="list-style-type: none"> <li>• The ARC committee satisfies itself that the following risks have been appropriately addressed: <ul style="list-style-type: none"> <li>○ Financial reporting risks;</li> <li>○ Internal financial controls;</li> <li>○ Fraud risks relating to financial reporting; and</li> <li>○ Information technology risks relating to financial reporting.</li> </ul> </li> <li>• Refer to chapter 4 for more detail.</li> </ul>
3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	<ul style="list-style-type: none"> <li>• The ARC committee: <ul style="list-style-type: none"> <li>○ Nominated and has recommended the appointment of Deloitte and Touche, the external auditors, to the shareholders at the AGM;</li> <li>○ Approved the external auditor engagement terms including remuneration;</li> <li>○ Reported on the independence of the external auditor in the annual financial statements; and</li> <li>○ Defined a policy for non-audit services provided by the external auditor, pre-approved contracts for non-audit services in accordance with the authority levels within this policy, and reviewed the performance and effectiveness of the external audit process.</li> </ul> </li> </ul>
3.10. The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	<ul style="list-style-type: none"> <li>• The ARC committee provides a comprehensive report on its activities and terms of reference in the annual financial statements.</li> </ul>

## 4. THE GOVERNANCE OF RISK

Principle	Application	Comment
4.1. The board should be responsible for the governance of risk	Applied	<ul style="list-style-type: none"> <li>As expressed in the board charter, risk management and governance of risk forms part of the board's responsibility. The board has delegated this function to the ARC committee to oversee and monitor. The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues.</li> <li>A risk management framework has been developed and approved by the ARC committee.</li> <li>The board comments on the effectiveness of the system and process of risk management in the Integrated Annual Report.</li> <li>The induction training programmes of the board incorporate risk governance, as necessary.</li> <li>The risk management framework forms the basis of risk management workshops carried out quarterly at each subsidiary (or semi-annually for the smaller subsidiaries) and for the group as a whole. The ARC committee reviews the implementation of the risk management plan at each ARC committee meeting.</li> </ul>
4.2. The board should determine the levels of risk tolerance	Applied	<ul style="list-style-type: none"> <li>The ARC committee sets the levels of risk tolerance at least once a year.</li> <li>The ARC committee monitors that risks taken are within the tolerance levels at each ARC committee meeting.</li> </ul>
4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	<ul style="list-style-type: none"> <li>The board has delegated the risk management function to the ARC committee.</li> <li>The ARC committee considers the risk management policy and plan, and monitors the risk management process.</li> <li>The ARC committee membership is composed of 3 non-executive directors. The CEO, CFO, executive directors and other management attend ARC as invitees.</li> <li>Independent risk management experts are invited if necessary.</li> <li>At minimum, the ARC committee convenes 3 times a year.</li> <li>An assessment of the ARC committee is performed annually and was found to be adequate at the most recent evaluation.</li> </ul>
4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	<ul style="list-style-type: none"> <li>The group CFO, Mark Herskovits, has responsibility for the group risk function.</li> <li>The management team of each subsidiary is accountable for integrating risk in the day-to-day activities of the company.</li> </ul>

Principle	Application	Comment
4.5. The board should ensure that risk assessments are performed on a continual basis	Applied	<ul style="list-style-type: none"> <li>• Risk workshops are conducted quarterly at SA Taxi and MBD CS; and semi-annually at Principa and Rand Trust. Other quarterly risk workshops conducted include capital markets, group executive office and the group.</li> <li>• Risks are prioritised and ranked in terms of (1) Impact, (2) Likelihood and (3) Control environment to focus responses and interventions.</li> <li>• The risk workshops identify the key risks of the business by the executives of each business/ department applying their minds.</li> <li>• Risk workshops adopt a top-down approach with the executive of the company/ division participating.</li> <li>• The ARC committee reviews the register of each of the companies and divisions risks at each ARC committee meeting. Items are escalated to the board as necessary.</li> <li>• Risks are quantified in broad subjective categories that are relative to the company/ division objectives being considered.</li> </ul>
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	<ul style="list-style-type: none"> <li>• Risk workshops are conducted quarterly (or semi-annually where applicable - see 4.5 above)</li> <li>• Management is continuously scanning the industry and economic horizon for risks.</li> </ul>
4.7. The board should ensure that management considers and implements appropriate risk responses	Applied	<ul style="list-style-type: none"> <li>• The risk register details the controls, mitigating factors and/or improvement plans for all risks noted.</li> <li>• As per the ARC committee terms of reference, the ARC committee and abovementioned risk workshops consider risks as well as the high-level responses to manage risk to acceptable levels.</li> </ul>
4.8. The board should ensure continual risk monitoring by management	Applied	<ul style="list-style-type: none"> <li>• As required by the ARC committee terms of reference, the ARC committee oversees the effective and continual monitoring of risk management. This is achieved through quarterly reporting and committee meetings.</li> <li>• Credit committee meetings are held monthly at SA Taxi with attendance and membership of group executives.</li> </ul>
4.9. The board should receive assurance regarding the effectiveness of the risk management process	Applied	<ul style="list-style-type: none"> <li>• Internal audit provides a written assessment of the effectiveness of the system of internal controls and risk management to the ARC committee and the board.</li> </ul>
4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	<ul style="list-style-type: none"> <li>• Undue, unexpected or unusual risks are disclosed in the Integrated Annual Report.</li> <li>• The board discloses its view on the effectiveness of the risk management process in the Integrated Annual Report.</li> </ul>

## 5. THE GOVERNANCE OF INFORMATION TECHNOLOGY

Principle	Application	Comment
5.1. The board should be responsible for information technology (IT) governance	Applied	<ul style="list-style-type: none"> <li>The board has delegated the governance of information technology (“IT”) to the ARC committee to oversee and monitor.</li> <li>The chairman of the ARC committee provides verbal and/ or written feedback to the board on all material issues as necessary.</li> <li>A group level IT governance reporting framework and authority framework has been implemented.</li> <li>Assurance on IT governance is provided to the board via the internal audit work plan and reported to the ARC committee.</li> <li>A group IT report is prepared and provided to the ARC committee.</li> </ul>
5.2. IT should be aligned with the performance and sustainability objectives of the company	Applied	<ul style="list-style-type: none"> <li>The IT strategy of each subsidiary is based on the enablement of its business strategy.</li> <li>IT is viewed as a key business differentiator in most of the subsidiary businesses.</li> </ul>
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	<ul style="list-style-type: none"> <li>The board has delegated IT responsibilities to the subsidiary boards via the IT governance reporting framework and the authority framework.</li> <li>The chief information officer (“CIO”) position within each subsidiary is filled by an appropriately experienced and knowledgeable executive of the subsidiary who is a member of the respective subsidiary's executive management committee. The appointment of subsidiary CIO's is ratified by the group CEO. Smaller subsidiaries do not have a CIO.</li> </ul>
5.4. The board should monitor and evaluate significant IT investments and expenditure	Applied	<ul style="list-style-type: none"> <li>The level of IT expenditure is reported on in the group and subsidiary quarterly reports of the executive office and governed under the authority framework. Project specific reporting is provided in the ARC committee and board packs.</li> <li>IT is an agenda point on the quarterly subsidiary board meetings agendas.</li> <li>Assurance on IT governance is provided to the board via the internal audit work plan and reported to the ARC committee.</li> </ul>
5.5. IT should form an integral part of the company's risk management	Applied	<ul style="list-style-type: none"> <li>Disaster recovery plans have been implemented on a subsidiary level and testing of the disaster recovery and business continuity plans are performed at least bi-annually. The result of the disaster recovery testing is included within the group IT report to the ARC committee.</li> <li>The monitoring of compliance of IT has been delegated to the ARC committee and compliance reports are submitted to the ARC committee.</li> </ul>

Principle	Application	Comment
5.6. The board should ensure that information assets are managed effectively	Applied	<ul style="list-style-type: none"> <li>Information security and the performance and sustainability of the technology infrastructure are reported to the ARC committee. Readiness for the Protection of Personal Information Act is monitored and reported on by the compliance officers (see 6 below).</li> </ul>
5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	<ul style="list-style-type: none"> <li>The recording and management of IT risk is incorporated into the risk management process and recorded in the risk register of each of the subsidiaries within the group.</li> <li>The internal audit work plan covers IT general control reviews at the subsidiaries, with external consultants being utilised where necessary to fulfil these reviews. The findings of these reviews are reported to the ARC committee.</li> </ul>

## 6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

Principle	Application	Comment
<p>6.1. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards</p>	<p>Applied</p>	<ul style="list-style-type: none"> <li>As included in the board charter, the board has the overall accountability for managing risks relating to compliance. The board has delegated this function to the ARC committee to oversee and monitor. In addition, the ethos of Transaction Capital's compliance behaviour is guided by the "Transaction Capital Ethics Charter".</li> <li>The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues as necessary.</li> <li>The group legal manager co-ordinates and reviews submissions made by the compliance functions at the subsidiaries via a centralised compliance function.</li> <li>The governance and compliance framework is reported on in the Integrated Annual Report.</li> <li>The group legal and compliance function prescribes processes for escalating issues through the following suggested levels:</li> </ul> <div data-bbox="1093 630 1957 1262" style="text-align: center;"> <p><b>OVERSIGHT:</b> Audit, Risk &amp; Compliance Committee</p> <p><b>ESCALATION:</b> Executive committee</p> <p><b>CO-ORDINATION AND REVIEW:</b> Group legal and compliance</p> <p><b>OWNERSHIP:</b> Subsidiary business department - Legal/ compliance</p> <p><b>ASSURANCE:</b> Audit</p> </div>

Principle	Application	Comment
6.2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Applied	<ul style="list-style-type: none"> <li>• The board, supported by the ARC committee and the social and ethics committee, is responsible for keeping abreast of changes to the legislative landscape.</li> <li>• A formal performance evaluation of the board is conducted annually by means of a self-evaluation questionnaire, in which the mix of skills, performance during the year, contribution and independence of individual directors, and effectiveness of committees are reviewed.</li> </ul>
6.3. Compliance risk should form an integral part of the company's risk management process	Applied	<ul style="list-style-type: none"> <li>• The group-wide risk framework has compliance risk as a separate risk category. Compliance risks are discussed at each risk workshop and are recorded on the subsidiary's risk register, with appropriate responsibility and management action plans being recorded.</li> <li>• SA Taxi and MBD CS have dedicated internal compliance functions in place. A centralised compliance team is in place.</li> </ul>
6.4. The board should delegate to management the implementation of an effective compliance framework and processes	Applied	<ul style="list-style-type: none"> <li>• The "Transaction Capital Ethics Charter", which was approved by the board, determines the compliance standard followed by the group (compliance with laws, rules, codes and standards has been incorporated the "Transaction Capital Ethics Charter").</li> <li>• Assurance on compliance is provided by both external audit, internal audit and various other assurance providers.</li> <li>• All subsidiary boards deal with compliance issues in detail. Dedicated compliance officers are in place at SA Taxi and MBD CS. All compliance officers in the group have a reporting line to an executive in the relevant subsidiary. The resourcing of the compliance function is the responsibility of the subsidiary CEOs.</li> <li>• Compliance is a standard agenda item at the ARC committee.</li> <li>• Compliance is considered as a separate risk category in the risk workshops.</li> <li>• The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues, which will be reported on in the Integrated Annual Report (where applicable).</li> </ul>

## 7. INTERNAL AUDIT

Principle	Application	Comment
7.1. The board should ensure that there is an effective risk based internal audit	Applied	<ul style="list-style-type: none"> <li>• An effective risk-based internal audit function exists.</li> <li>• The purpose, authority and responsibilities of the internal audit function are defined in the internal audit charter which is reviewed and approved annually.</li> <li>• Internal audit adheres to the Institute of Internal Audit Standards and Code of Ethics.</li> </ul>
7.2. Internal audit should follow a risk based approach to its plan	Applied	<ul style="list-style-type: none"> <li>• A risk-based approach to internal audit planning is adopted in assessing the group's control environment and is aligned to the risk assessment processes in place.</li> </ul>
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	<ul style="list-style-type: none"> <li>• A written assessment regarding the effectiveness of the group's internal controls and risk management is tabled at each ARC committee meeting.</li> </ul>
7.4. The audit committee should be responsible for overseeing internal audit	Applied	<ul style="list-style-type: none"> <li>• The group internal audit executive reports functionally to the chairman of the ARC committee and administratively to the CEO. The performance and independence of the group internal audit executive is performed annually and was found to be satisfactory.</li> <li>• The group internal audit executive is present at all ARC committee meetings and presents feedback on internal audit affairs.</li> <li>• The ARC committee approves the internal audit plan and monitors the performance of internal audit.</li> </ul>
7.5. Internal audit should be strategically positioned to achieve its objectives	Applied	<ul style="list-style-type: none"> <li>• The independence of the internal audit function is formally considered on an annual basis, the result of which was considered adequate.</li> <li>• Internal audit has remained independent of all operational functions.</li> <li>• The reporting line, unrestricted access to the ARC committee chairman and members of the committee, as well having representation as an invitee to relevant meetings results in appropriate organisational positioning.</li> </ul>

## 8. GOVERNING STAKEHOLDER RELATIONSHIPS

Principle	Application	Comment
8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	<ul style="list-style-type: none"> <li>• The board charter charges the board with the responsibility for acting in the interests of all of the company's stakeholders.</li> <li>• The board has approved the company's sustainability policy which details the company's policy relating to the relationship with stakeholders.</li> <li>• Stakeholder engagement at subsidiaries is reported on bi-annually at subsidiary board meetings and is reported on at the social and ethics committee or Transaction Capital's board where appropriate.</li> <li>• The group has identified its stakeholders through its vision – amongst others, engagement takes place with:               <ul style="list-style-type: none"> <li>○ Clients;</li> <li>○ Executives and managers;</li> <li>○ Employees;</li> <li>○ Debt funders and counterparties;</li> <li>○ Suppliers;</li> <li>○ Shareholders;</li> <li>○ Law makers and regulators; and</li> <li>○ The community; and</li> <li>○ Media</li> </ul> </li> <li>• Reputational risk is the responsibility of the board.</li> <li>• The group engages pro-actively with all stakeholders throughout the year and report back on it in the Integrated Annual Report.</li> <li>• Stakeholder engagement activities are disclosed in the Integrated Annual Report.</li> </ul>
8.2. The board should delegate to management to proactively deal with stakeholder relationships	Applied	<ul style="list-style-type: none"> <li>• Refer to 8.1</li> <li>• Stakeholder relationships form an integral part of each subsidiary's business strategy.</li> <li>• Interaction with shareholders, funders and regulators (and the media relating to the aforementioned) is managed centrally by the group and reported on at the ARC committee, social and ethics committee and/or board where relevant.</li> <li>• Other stakeholder engagement is managed by each subsidiary and reported thereon at subsidiary board meetings as well as at the social and ethics committee or Transaction Capital's board where relevant.</li> </ul>
8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied	<ul style="list-style-type: none"> <li>• Refer to 8.1 and 8.2.</li> </ul>
8.4. Companies should ensure the equitable treatment of shareholders	Applied	<ul style="list-style-type: none"> <li>• All shareholders are treated equally by the group.</li> </ul>

Principle	Application	Comment
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	<ul style="list-style-type: none"> <li>• Refer to 8.1 and 8.2</li> </ul>
8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	<ul style="list-style-type: none"> <li>• The board does not have a formal documented dispute resolution process as it believes that the existing board, subsidiary boards, processes and committees within the group operate satisfactorily and no disputes were allowed to escalate to the point that the board had to take action.</li> <li>• In addition, where appropriate, disputes are resolved with regulatory bodies (for example the Financial Services Board and National Credit Regulator) as quickly and timeously as possible.</li> </ul>

## 9. INTEGRATED REPORTING AND DISCLOSURE

Principle	Application	Comment
9.1. The board should ensure the integrity of the company's integrated report	Applied	<ul style="list-style-type: none"> <li>The integrity of the Integrated Annual Report is safeguarded through, amongst others, a detailed review performed by internal audit and the ARC committee. The report is further signed off by the board.</li> </ul>
9.2. Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	<ul style="list-style-type: none"> <li>The group released an Integrated Annual Report which contains commentary on, amongst others, strategy, business model, financial and operational performance (including going concern), risk, material issues, governance and executive remuneration.</li> </ul>
9.3. Sustainability reporting and disclosure should be independently assured	Partially Applied	<ul style="list-style-type: none"> <li>The ARC committee: <ul style="list-style-type: none"> <li>Oversees the preparation of the Integrated Annual Report;</li> <li>Comments on the annual financial statements, accounting practices and internal financial controls;</li> <li>Reviews the annual financial statements and other financial reports; and</li> <li>Ensures the integrity of the Integrated Annual Report including assisting the board in approving disclosure of sustainability issues.</li> </ul> </li> <li>The annual financial statements have been audited by the group's external auditors, Deloitte &amp; Touche. The scope of the audit is limited to the information set out in the annual financial statements.</li> <li>Various sections of the Integrated Annual Report have been reviewed by internal audit, where appropriate.</li> <li>At this early stage of integrated reporting, the group has not sought external verification of the non-financial content of the Integrated Annual Report.</li> </ul>