

GOVERNANCE REPORT

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

OUR GOVERNANCE PHILOSOPHY

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

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

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

The 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.

→ The King IV application register is available at www.transactioncapital.co.za.

The following enhancements to governance structures were implemented in 2019:

- Kuben Pillay was appointed as lead independent non-executive director with effect from 15 July 2019.
- A standing independent committee comprising three independent non-executive directors was constituted: Christopher Seabrooke, Kuben Pillay and Diane Radley. The committee is empowered and mandated to make

decisions where a purely independent view is required or where there may be a conflict of interest. The committee may engage group executives or external advisers as required to fulfil its mandate.

- The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.
 - Detail on these changes can be found in the Remuneration report. See page 116.
- An anti-bribery and corruption policy was adopted, which is available on www.transactioncapital.co.za.
- The ethics charter was revised to reflect the evolution of the group and its businesses, align to best practice and ensure practical application in addressing the key ethical risks of the group.
- The role of ethics executive was incorporated into the governance portfolio of the group company secretary, with the intention of appointing divisional ethics officers to serve as the custodians of the ethics function in their respective divisions.
- The growth of the group's divisions in existing and adjacent market verticals (including into new product types) required corresponding growth in the capacity and capability of internal audit. A new group internal audit executive was appointed to augment the required competencies of this key function.
- The ARC committee has recommended to the board that a new audit firm be appointed for the 2022 financial year. This is ahead of the mandatory audit firm rotation rule of the Independent Regulatory Board for Auditors, which takes effect from 1 April 2023.

ETHICAL LEADERSHIP

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

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

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

ETHICS AND CULTURE

The group's ethics charter constitutes a formally documented policy to guide and entrench an ethical and values-based culture across the group. The charter was first developed prior to the group's listing on the JSE Limited in 2012 and was revised in 2019 to reflect the evolution of the group and its businesses.

Revisions were made under the guidance of ethics consultancy Ethics Monitor to ensure that the charter aligns with best practice, is applicable to the group and its growth ambitions, is practical in application, and relevant to all its stakeholders. Focus groups were conducted with employees and management at the group executive office and across both divisions, and their feedback incorporated into the revised charter. The core values of integrity, excellence, respect and innovation remain, with a new value of accountability added. In this context, accountability means being responsible for one's own conduct, learning from mistakes and not blaming others.

With effect from 1 August 2019, the role of ethics executive has been incorporated into the governance portfolio of the group company secretary, who has direct access to the group board of directors and subsidiary boards, as required. Divisional ethics officers will be appointed to serve as the custodians of the ethics function in their respective divisions to further extend and deepen ethics structures across the group.

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

A new framework has been introduced to manage ethics reporting. The ethics function will assess 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 will determine which resource will investigate the breach (across different internal levels or involving external investigators) and to whom it will be reported. This approach removes subjectivity from the assessment, enhancing fairness and transparency in the group's approach to managing ethics.

The group has also adopted an anti-bribery and corruption policy, which includes guidelines for donations (including political donations) and sponsorships.

Regular ethics reporting is provided to the social and ethics committee and, where relevant, the ARC committee and the board.

SUSTAINABILITY FRAMEWORK

The sustainability policy has been approved by the board and adopted by the group. It mandates the social and ethics committee, the ARC committee, ALCO and Transaction Capital's executives with overseeing specific sustainability matters to ensure that the group and its businesses operate in an ethical, corruption-free and sustainable way.

The group's divisions are positioned deliberately in relation to socio-economic dynamics, enabling them to deliver good commercial returns and positive social impact in different economic conditions. By focusing on under-served market segments and contributing to the effective functioning and sustainability of their respective industries, the social relevance of the divisions is core to achieving the group's strategic objectives.

RESPONSIBLE CORPORATE CITIZENSHIP

Ultimate responsibility for corporate citizenship lies with the board, with oversight vested in the social and ethics committee and the ARC committee. The principles of responsible corporate citizenship underpin all key aspects of the business.

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

STAKEHOLDER ENGAGEMENT

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

Stakeholder engagement takes place at all levels, across subsidiaries and the group. Engagement with shareholders and investors takes place on a continuous basis through site visits, roadshows, meetings and ongoing interactions facilitated by the investor relations team. A stakeholder engagement report is submitted to the board bi-annually.

Engagement with employees and other key stakeholders is reported at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings.

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

GOVERNANCE FRAMEWORK AND STRUCTURES

THE ROLE OF THE BOARD OF DIRECTORS

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

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

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

→ Details on the board sub-committees can be found later in this report. See page 29.

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

All committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through their chairmen, the committees report back to the board at each board meeting. The committees also report to stakeholders annually as required, in the integrated annual report and at the AGM if required.

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 that governs the authority delegated to group management and matters reserved for approval by the board.

STRATEGY AND REPORTING FUNCTIONS OF THE BOARD

The board has set out the group's mission (page 8), strategy (pages 38 to 45) and associated risks (pages 102 to 111) in this integrated annual report. In undertaking its duties of directing the group's strategy, assessing its business model and enhancing sustainability to create value for all stakeholders, the board takes into consideration the risks and opportunities related to the context in which the group operates.

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

→ Details on the targets can be found in the Remuneration report. See page 114.

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

The integrated annual report enables stakeholders to make an informed decision about the group's strategic direction, performance and prospects. The ARC committee oversees the preparation of the integrated annual report, with certain sections being reviewed by the external and internal auditors where appropriate. Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

BOARD COMPOSITION

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

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

The board charter and nominations committee terms of reference prescribe that non-executive directors are selected on the basis that their business skills and expertise are appropriate to the group's strategic direction and its specialism in credit-orientated alternative assets. 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.

The annual board review was performed in November 2019; based on this assessment, the board and nominations committee are satisfied that the board's overall composition (as well as that of its sub-committees) reflects an appropriate combination of knowledge, skills, experience, diversity and independence, as well as knowledge of the group and its specialism in credit-orientated alternative assets.

BOARD SKILLS MATRIX

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

SKILLS AREAS	DESCRIPTION	Nomination committee/ board assessment	
		BALANCE OF SKILLS AND EXPERIENCE	CONCLUSION
Industry experience	■ Broader financial services, including insurance and funds management.	Appropriate	Adequate
	■ Capital markets.	Appropriate	Adequate
Strategy	■ Strategic planning and implementation.	Appropriate	Adequate
	■ Mergers and acquisitions.	Appropriate	Adequate
	■ Capital raising.	Appropriate	Adequate
Governance	■ Establishing, monitoring and assessing the effectiveness of governance structures.	Appropriate	Adequate
Risk and compliance oversight	■ Managing areas of major risk to the organisation, including financial, environmental, regulatory, workplace health and safety, social and technology risks.	Appropriate	Adequate
People management and remuneration	■ Experience in managing people.	Appropriate	Adequate
	■ Knowledge of remuneration policy and the associated legislative and governance frameworks.	Appropriate	Adequate
Financial performance	■ Knowledge of accounting standards.	Appropriate	Adequate
	■ Ability to review and analyse financial statements.	Appropriate	Adequate
	■ Ability to analyse financial drivers in the business.	Appropriate	Adequate
Information and technology strategy	■ Knowledge of the strategic use and governance of information management, and information and technology, including personal information, privacy and security risk management.	Appropriate	Gap identified; additional skills being considered.
International experience	■ Knowledge of managing businesses in foreign jurisdictions and the associated risks and opportunities these present.	Appropriate	Gap identified; additional skills being considered.

BOARD TENURE

	0 – FIVE YEARS	SIX – NINE YEARS	>NINE YEARS
Independent non-executive directors	<ul style="list-style-type: none"> ■ Buhle Hanise ■ Kuben Pillay ■ Diane Radley 	–	<ul style="list-style-type: none"> ■ Phumzile Langeni ■ Christopher Seabrooke
Non-executive directors	<ul style="list-style-type: none"> ■ Paul Miller 	–	<ul style="list-style-type: none"> ■ Roberto Rossi
Executive directors	<ul style="list-style-type: none"> ■ Sean Doherty 	<ul style="list-style-type: none"> ■ Mark Herskovits ■ David Hurwitz 	<ul style="list-style-type: none"> ■ Jonathan Jawno ■ Michael Mendelowitz

AVERAGE TENURE OF THE BOARD
7.6 years

BOARD AVERAGE AGE

	NUMBER OF DIRECTORS
<50 years	5
50 – 60 years	6
>60 years	1

AVERAGE AGE OF THE BOARD
51 years

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.

PROMOTION OF DIVERSITY AT BOARD LEVEL

	Target	Board representation		
		2019	2018	
Number of female directors	3	3	3	Target met
Number of black directors	3	3	3	Target met

The nominations committee assesses diversity targets and progress in meeting targets annually. These targets align to the JSE Listings Requirements on the promotion of diversity in areas such as gender, race, culture, age, field of knowledge, skills and experience.

INDEPENDENCE

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

The annual assessment process involved a self-assessment of independence by each non-executive director and an assessment of all the non-executive directors by the board. The criteria against which each director's independence was evaluated is set out on the next page.

In addition, as part of the group's alignment to the King IV principles, the board appointed Kuben Pillay as lead independent non-executive director with effect from 15 July 2019.

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

→ Details on the role of lead independent non-executive director can be found later in this report. See page 27.

INDEPENDENCE AND CONFLICTS OF INTEREST CRITERIA (aligned to King IV)

Is the director a significant provider of financial capital or of ongoing funding to Transaction Capital; or an officer, employee or representative of such a provider of financial capital or funding?

Does the director participate in a share-based incentive scheme offered by the company?

Does the director own securities in Transaction Capital, the value of which is material to the personal wealth of the director?

Has the director been in the employ of Transaction Capital as an executive manager during the preceding three years, or is the director a related party to such an executive manager?

Was the director the designated external auditor responsible for performing the statutory audit for Transaction Capital, or was the director a key member of the external audit firm, during the preceding three financial years?

Is the director a significant or ongoing professional adviser to Transaction Capital, other than as a member of the board?

Is the director a member of the governing body or executive management of a significant customer of, or supplier to, Transaction Capital?

Is the director a member of the governing body or executive management of another organisation that is a related party to Transaction Capital?

Is the director entitled to remuneration contingent on the performance of Transaction Capital?

In the case of an independent director whose length of service exceeds nine years, has the length of their service compromised their ability to act in an independent manner?

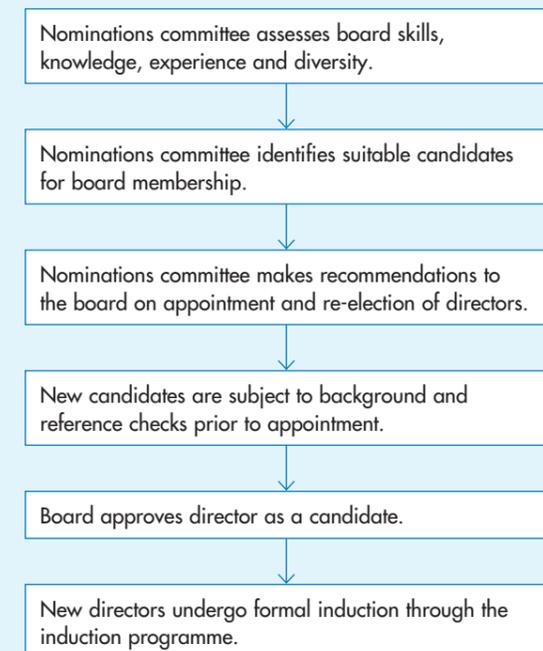
APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, with the board skills matrix (page 23) serving to identify additional skills and experience required to augment the collective capability of the board.

The committee ensures background and reference checks are completed prior to the appointment of new directors to the board.

New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or the chief financial officer (CFO). The programme includes detailed discussions on the environment and operations of each of the major businesses, site visits, and an information pack on the group. Formal induction processes were conducted for those directors appointed during the reporting period.

BOARD APPOINTMENT PROCESS



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

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS

- Buhle Hanise
- Phumzile Langeni
- Kuben Pillay (lead independent non-executive director)
- Diane Radley
- Christopher Seabrooke (chairman)

NON-EXECUTIVE DIRECTORS

- Paul Miller
- Roberto Rossi

EXECUTIVE DIRECTORS

- Sean Doherty (CFO) (appointed 1 June 2019)
- Mark Herskovits (executive director: capital management)
- David Hurwitz (CEO)
- Jonathan Jawno
- Michael Mendelowitz

Ronen Goldstein resigned as financial director on 31 May 2019.

This year, Mark Herskovits, David Hurwitz, Jonathan Jawno and Phumzile Langeni 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, Sean Doherty, who was appointed in the 2019 financial year, will also be nominated for election as a director.

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

Formal performance evaluations of the board, its 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 committees. Results of the evaluations provide the basis for enhancements to the board and its 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 committees, the chairman and members.

Based on the annual evaluations undertaken during November 2019, the board is satisfied that:

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

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

CHAIRMAN

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

The offices of chairman and CEO are separate.

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuben Pillay was appointed as the lead independent non-executive director of the Transaction Capital board on 15 July 2019. In line with the recommendation of King IV, the lead independent non-executive director performs specific duties primarily aimed at supporting the chairman by serving as a sounding board to the chairman, facilitating decision-making in instances of conflicts of interest and being an avenue of communication for other directors.

CHIEF EXECUTIVE OFFICER

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

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

CHIEF FINANCIAL OFFICER

Sean Doherty was appointed as the CFO of Transaction Capital on 1 June 2019. In this role, Sean is responsible for reporting on Transaction Capital's financial performance and overall risk management. The ARC committee and the board are satisfied with the CFO's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the 2019 financial year.

COMPANY SECRETARY

Theresa Palos is the company secretary of Transaction Capital. The board is satisfied with the qualifications, experience and competence of the company secretary. All directors have access to the services and advice of the company secretary, who supports the board as a whole and the directors individually in fulfilling their duties. The company secretary is required to fulfil duties under the Companies Act and the JSE Listings Requirements, and to ensure that appropriate procedures and processes are in place for board proceedings. The company secretary is a resource on governance in the group and is responsible for ethics, having assumed the role of group ethics executive. The company secretary is entitled to obtain independent advice to achieve these objectives.

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

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.

BOARD MEETINGS

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

BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

	Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year	5	3	2	2	3	4
Board member	Appointment date					
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Buhle Hanise ¹	January 2019	5	3	–	–	4
Phumzile Langeni	June 2009	5	2	–	–	3
Kuben Pillay ²	August 2016	5	–	2	2	3
Diane Radley	July 2018	5	3	–	–	4
Christopher Seabrooke	June 2009	5	3	2	2	–
NON-EXECUTIVE DIRECTORS						
Paul Miller	July 2017	5	–	–	2	–
Roberto Rossi	September 2003	5	–	2	2*	–
EXECUTIVE DIRECTORS						
Sean Doherty ³	June 2019	2	2*	2*	2*	–
Ronen Goldstein ⁴		3	1*	–	–	–
Mark Herskovits	January 2014	5	–	–	–	4
David Hurwitz	April 2012	5	3*	2*	2*	3
Jonathan Jawno	March 2003	5	3*	2*	2*	–
Michael Mendelowitz	March 2003	5	–	2*	2*	–

* Attended as invitee.

1. Buhle Hanise was appointed as an independent non-executive director and a member of the ARC committee and ALCO on 1 January 2019.

2. Kuben Pillay was appointed as the lead independent non-executive director on 15 July 2019.

3. Sean Doherty was appointed as CFO on 1 June 2019.

4. Ronen Goldstein resigned as financial director on 31 May 2019.

BOARD SUB-COMMITTEES

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

Included in each 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 committee at each board meeting. Copies of the minutes of committee meetings are included in the board documentation.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
CHAIRPERSON	Diane Radley	Christopher Seabrooke	Kuben Pillay	Phumzile Langeni	David Hurwitz
MEMBERS	Buhle Hanise Phumzile Langeni Christopher Seabrooke	Kuben Pillay Roberto Rossi	Paul Miller Christopher Seabrooke	David Hurwitz Kuben Pillay	Buhle Hanise Mark Herskovits Jonathan Jawno Diane Radley Christopher Seabrooke
FUNCTIONS MANAGED	<ul style="list-style-type: none"> ■ Accounting, tax and compliance ■ Information and technology ■ Internal audit ■ Risk ■ Credit 	<ul style="list-style-type: none"> ■ Directors ■ People ■ Succession 	<ul style="list-style-type: none"> ■ People ■ Remuneration ■ Retention 	<ul style="list-style-type: none"> ■ Stakeholders ■ Transformation ■ Sustainability ■ Ethics 	<ul style="list-style-type: none"> ■ Funding ■ Liquidity ■ Capital
NUMBER OF MEETINGS PER YEAR	At least three	At least two	At least two	At least two	At least four
COMPOSITION	Independent non-executive directors.	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	All members are non-executive, the majority of whom are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Includes independent non-executive directors as necessary.

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.

COMBINED ASSURANCE FRAMEWORK

AUDIT, RISK AND COMPLIANCE

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

- Enabling an effective internal control environment.
- Supporting the integrity of information used for internal decision-making by management, the board and its 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 significant risks and material matters.

EXTERNAL AUDIT

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

The ARC committee considered the tenure of Deloitte & Touche, who have been Transaction Capital's auditors for 11 years. During this time, the group has rotated audit partners ahead of the five-year mandatory audit partner rotation requirement. However, as mentioned earlier, the ARC committee has recommended to the board that a new audit firm be appointed for the 2022 financial year. This is ahead of the mandatory audit firm rotation rule of the Independent Regulatory Board for Auditors, which takes effect from 1 April 2023.

INTERNAL AUDIT

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

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

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

An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to ISPPA, which is the highest rating awarded during such a review. The next independent quality review is set to take place in 2021. 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.

In 2019, Transaction Capital appointed a new group internal audit executive at group level, and positions have been established for heads of internal audit at each division. The previous head has relocated to SA Taxi and an experienced audit executive will be employed as head of internal audit at TCRS. These changes will ensure that the internal audit function remains sufficiently resourced at group and divisional levels over the medium term, to provide assurance on the strategic growth initiatives described in this integrated annual report.

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 top risks, and ensures ongoing risk oversight and monitoring for the group. The board is assisted by the ARC committee and ALCO in governing risk in a way that supports the group's strategic objectives.

→ Detail on the group's approach to risk management, and its top and key risks can be found in the Risk report. See page 102.

INFORMATION AND TECHNOLOGY

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

In 2018 the group implemented an updated IT policy that addresses the governance of IT in line with the recommended practices of King IV. Each subsidiary sets its own strategy with regards to IT, which is reported to its board and the ARC committee.

Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, cybersecurity, risk and the control environment are all managed within each IT team. In the current reporting period, the IT functions reported to the ARC committee that adequate arrangements are in place for 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.

COMPLIANCE FRAMEWORK

COMPLIANCE STRUCTURES

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

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

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

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

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

REGULATORY ENVIRONMENT

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

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

- Second-hand Goods Act.
- Electronic Communication and Transaction Act.
- National Payment System Act.

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

KEY REGULATORY DEVELOPMENTS

National Credit Regulator

The National Credit Amendment Act was signed into law in August 2019. It introduced, inter alia, the debt intervention application process. This will apply to TCRS but does not apply to SA Taxi as it is a developmental credit provider. As yet, no date has been published regarding the Act's commencement date.

→ Details on the impact of the Act can be found in the Q&A with David McAlpin, TCRS CEO. See page 94.

Competition Commission

The Competition Commission has published a notice informing all interested parties that the market inquiry into land-based public passenger transport will be completed by 31 March 2020. SA Taxi is contributing to the inquiry through its involvement in industry representative bodies, including SANTACO.

Short-term Insurance Act

Regulations published in September 2018 have now become effective. The regulations ensure that a written agreement is in place between an intermediary and insurer, where the intermediary collects premiums on the insurer's behalf. Consequently, SA Taxi Protect has concluded written binder and intermediary agreements with Guardrisk.

REMUNERATION GOVERNANCE

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

Remuneration consists of base pay and short- and long-term incentives that are deemed to adequately remunerate executives while aligning executive performance with the requirements of shareholders. The remuneration policy and its implementation report are put forward for separate non-binding advisory votes at the AGM. At the AGM held on 7 March 2019, the remuneration policy and implementation report both received the requisite non-binding advisory votes to pass, at 80% and 90% respectively. The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

→ Detail on enhancements to the remuneration policy and remuneration disclosure can be found in the Remuneration report. See page 116.