



Transaction Capital Limited
Environmental Policy
and
Climate Change
Statement

Approved by the Board of Directors on 5 March 2021

Effective from 5 March 2021

ENQUIRIES:

Company Secretary



Transaction Capital

1. Introduction

In delivering our mission to provide shared value to all of our stakeholders, we at Transaction Capital Limited (“**TC**”), recognise the rapidly changing global context and risks posed by environmental and social impacts, particularly climate change. The physical effects of climate change and environmental degradation, as well as the transition to a low-carbon and more circular economy drive financial risk. We also recognise the imperative for sustainable development in order to build a prosperous and resilient society.

Climate change presents both risks and opportunities. We at TC believe that identifying and disclosing these risks will assist us in mitigating against them and building a resilient and diversified company.

2. Scope

TC actively identifies and invests in alternative asset classes, in which our best-in-class technology, proprietary data and analytics capabilities enable us to generate outstanding returns. This extends to operating unique, high-potential businesses in market sectors where historically low levels of stakeholder trust provide compelling opportunities for disruption. We partner with expert, entrepreneurial and co-invested management teams to scale, grow and position these highly specialised, digitally advantaged and vertically integrated businesses to offer market-leading value propositions. As a proudly South African corporate, our market-leading divisions, SA Taxi and Transaction Capital Risk Services (“**TCRS**”), provide financial and allied services in highly specialised and under-served segments of the financial services sector. This policy applies to TC, the entities that we own, the entities in which we hold a majority interest, the entities that we control, and any business that we manage.

We understand that the challenges posed by climate change will affect TC’s business, including its subsidiaries, in various ways. Although TC’s business at a group level has a low overall impact on the natural environment, we continue to undertake initiatives to reduce our environmental impact in keeping with our duty of care towards the environment. These initiatives are reported to the TC Social and Ethics Committee on a bi-annual basis, at minimum.

Furthermore, we recognise that our investment decisions and capital allocation have both social and environmental impacts.

SA Taxi is a vertically integrated business platform utilising specialist capabilities, enriched proprietary data and technology to provide developmental finance, insurance and other services to empower small- and medium-sized enterprises and create shared value opportunities, thus supporting the sustainability of the minibus taxi industry. Ultimately SA Taxi’s offering enables mobility access for millions of minibus taxi commuters and promotes financial inclusion.

SA Taxi maximises value retention through this vertically integrated business platform. Its salvage operation recovers and refurbishes used parts from vehicles that are not economically viable to repair, contributing to a circular economy through parts recycling. SA Taxi also retails well-priced new and pre-owned auto parts to taxi operators, the latter contributing to re-use and both passing on cost savings to the consumer. SA Taxi’s dealership sells new and pre-owned minibus taxis, which provides operators with a reliable and affordable alternative to buying new vehicles and also minimises industry waste. However, the transport industry as a whole contributes to South Africa’s greenhouse gas (“**GHG**”) emissions and may be susceptible to transition related risk. There is consequently a need for the transport industry to play its role in the transition to a lower-carbon economy and opportunities for sustainable transport exist.

TCRS drives economic growth by promoting stable, functioning credit markets, rehabilitating debtors ethically and responsibly, and enabling efficient payment and transaction processing platforms. While climate change is often viewed as an environmental challenge, it will have major economic and social impacts, which will include physical risks, transition risks and liability and disclosure risks. We recognise that the financial sector will also need to play its role in the transition and opportunities for sustainable finance in the financial sector exist.

3. Regulatory context of our commitments

South Africa's robust environmental regulatory framework provides for a constitutional imperative to achieve secure ecologically sustainable development while promoting justifiable economic and social development. Climate change threatens sustainable development as it jeopardises resources that humans depend on for life itself. South Africa has committed to core principles of the United Nations Framework Convention on Climate Change and the Paris Agreement on Climate Change to an emissions peak in 2020 to 2025, a plateau for a ten-year period from 2025 to 2035 and a decline from 2036 onwards. However, policies and regulatory measures are already being proposed and implemented to begin the transition to a lower-carbon economy.

Particularly relevant for TC's business are: (i) the phased introduction of a Carbon Tax; (ii) a proposed climate change bill; (iii) the Green Transport Strategy for South Africa: (2018–2050); and (iv) the draft technical paper 2020 on *Financing a Sustainable Economy*. Although these policies and regulatory measures do not contain binding legal obligations for TC as yet, in line with international trends, TC recognises the growing importance of identifying and disclosing climate-related risks, mitigation and adaptation. In particular, TC is guided by the Recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), which emphasises disclosure of governance, strategy, risk management and metrics and targets, and the growing importance of understanding environmental, social and governance ("**ESG**") considerations.

4. Our commitments

TC is committed to supporting sustainable and inclusive economic growth within the markets in which we operate. To ensure that TC continues to deliver shared value to our stakeholders and remains financially resilient in the face of climate change, TC is committed to:

- ▷ Complying with applicable environmental legislation.
- ▷ Applying a precautionary approach to the natural environment based on TC's classification as having an overall low environmental impact, and undertake initiatives which will demonstrate environmentally responsible behaviour.
- ▷ Reduce GHG emissions from energy usage.
- ▷ Dispose of harmful products in a responsible manner by working with accredited third parties.
- ▷ Implementation of a paper and plastic recycling process at all facilities, including relying on circular economy principles where possible.
- ▷ Responsible water management.
- ▷ Monitoring and reporting on TC's Economic, Social and Environmental Impact Frameworks.
- ▷ Investigating the feasibility of alternatively fuelled vehicles.
- ▷ Investing in technologies to modernise minibus taxi vehicles.
- ▷ Encouraging tyre related programmes involving the use of tyres with safety related benefits.
- ▷ Contributing to a circular economy through parts recycling and the sale of reliable and affordable pre-owned minibus taxi vehicles.
- ▷ Disclosing meaningful environmental and climate related impacts on the business and mitigation measures.
- ▷ Disclosing and reporting on ESG factors in the business.
- ▷ Contributing to the achievement of the United Nation's Sustainable Development Goals.
- ▷ Embracing, supporting and enacting the UN Global Compact's ten principles, including the following environmental related principles of (i) supporting a precautionary approach to environmental challenges (principle 7) (ii) undertaking initiatives to promote greater environmental responsibility (principle 8) and (iii) encouraging the development and diffusion of environmentally friendly technologies (principle 9).

5. Governance

In accordance with the King IV Report on Corporate Governance for South Africa, 2016, the TC board of directors ("**the Board**") is ultimately responsible for sustainability and sustainable development. The Board recognises that to incorporate the relevance of climate-related and environmental risks into the business of TC, adequate human resources will be required. In this regard, the Board has mandated the Social and Ethics and the Audit, Risk and Compliance committees and TC's executives with overseeing specific sustainability matters.

6. Strategy

Through the following strategy TC aims to ensure that it operates in a sustainable manner that provides due regard for climate change and environmental related risks:

- ▷ Determining how climate-related and environmental risks transmit to the economy and financial sector in the countries in which we operate and to identify how these risks are likely to be material for TC going-forward.
- ▷ Continuing with the work of the Social and Ethics and the Audit, Risk and Compliance committees to assess climate-related and environmental risks.
- ▷ Identify the exposures of TC entities that are vulnerable to climate-related and environmental risks and assess the potential losses should these risks materialise.
- ▷ Ensuring that adequate mitigation measures in respect of climate-related and environmental risks are adopted where appropriate.

This Environmental and Climate Change Policy must be read together with TC's other policies, including: Compliance risk management policy; Anti-bribery and corruption policy; Human rights policy; Diversity policy; Human capital policies; Sustainability policy (incorporating transformation and Broad-Based Black Economic Empowerment policies); the Ethics charter; and the terms of reference of the Audit, Risk and Compliance Committee.

7. Performance self-assessments

As part of a robust management system, each TC operation must establish a process to monitor the level of compliance to conformance to TC's environmental policies, standards, procedures and performance criteria on an annual basis. These self-assessment activities must be capable of driving effective corrective and preventative action.

8. Record keeping

Governmental laws and regulations may require specific documents and records to be maintained in the future, albeit that there may not be specific current or existing record keeping requirements. Additional record keeping requirements may be specified in operating permits or by other TC policies. All TC operations must fully assess their record keeping responsibilities and implement a program that ensures a level of compliance that is accurate, truthful and complete.

9. Reporting

TC operations should strive to understand all of their internal reporting obligations and ensure that a process is in place to report all compliance information timely, accurately and responsibly to corporate staffs and regulatory authorities. In addition, TC operations must provide accurate and timely environmental metrics and data through sound internal reporting practices. This critical data is the basis for internal and external reporting in due course.

10. Disclosure

TC is reporting on ESG factors in its Integrated Annual Report and supplementary Sustainability Report, which includes metrics to assess and manage relevant climate-related risks and opportunities. This Environmental Policy and Climate Change Statement is disclosed and made available to the public via TC's website at www.transactioncapital.co.za as part of TC's disclosures in furtherance of the Recommendations of the TCFD.