

GOVERNANCE REPORT

THE TRANSACTION CAPITAL BOARD OF DIRECTORS IS THE FOCAL POINT OF ITS CORPORATE GOVERNANCE FRAMEWORK. THE GROUP FOLLOWS A STAKEHOLDER-INCLUSIVE APPROACH TO GOVERNANCE, WITH THE BOARD BEING ULTIMATELY RESPONSIBLE AND ACCOUNTABLE TO STAKEHOLDERS FOR THE PERFORMANCE, ACTIVITIES AND CONTROL OF THE GROUP.

The board maintains a high level of individual and collective responsibility, accountability, fairness and transparency, which together drive a culture of risk awareness, ethical behaviour and value creation.

The board is responsible for strategic direction and sets the group's values and ethics charter. The group's values, set out on page 10, provide the foundation for effective leadership and are the basis for all deliberations, decisions and actions at board level as well as within every area of the business.

BOARD OF DIRECTORS

The board provides effective and responsible leadership based on an ethical foundation by directing strategy and operations in a way that supports sustainable business, while considering the short- and long-term impacts on society, the environment and stakeholders, as per the group's sustainability policy.

The board is responsible for appointing the chief executive officer (CEO) and for monitoring his management of the performance of Transaction Capital's assets and resources against approved strategic and financial objectives.

The board recognises that strategy, risk, performance and sustainability are inextricably linked. The board informs and approves the strategy and ensures that it is aligned to the purpose of the group, its value drivers and the legitimate interests and expectations of its stakeholders.

The board is specifically responsible for monitoring the management of risks in the reputational and sustainability risk categories of the enterprise-wide risk management framework.



Details of risk categories managed by the board sub-committees are included in the risk report starting on page 82.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees, which are set out on page 79. The audit, risk and compliance (ARC) committee and the social and ethics committee both fulfil the statutory governance requirements on behalf of Transaction Capital and its divisions.

The board acts as the custodian of governance and has approved a formal charter that sets out its responsibilities in this regard.

The board is satisfied that it has discharged its duties and obligations effectively during the year under review.

KING III

Transaction Capital's governance structures are in accordance with the principles and recommended practices, where applicable, of the King Code on Governance Principles for South Africa 2009 (King III).

In addition, the board is committed to complying with all legislation, regulations and best practices relevant to the group. The board regards the process of analysing and monitoring adherence to adopted governance standards as dynamic and endeavours to continually improve the governance structures within the group.

The directors confirm that the company has complied with the principles as set out in King III, with one partial compliance area noted as follows:

- > Principle 9.3 Sustainability reporting and disclosure should be independently assured.

Although a process for independent assurance of sustainability-related information and disclosure has not been implemented, a sustainability policy has been approved by the board and adopted by the group. In addition, the ARC committee oversees the preparation of the Integrated Annual Report, with certain sections being reviewed by the external and internal auditors where appropriate. External verification will be sought at an appropriate time.

The King Committee published the final King IV Report on Corporate Governance for South Africa (King IV) on 1 November 2016. King IV replaces King III in its entirety. King IV is effective in respect of financial years commencing on or after 1 April 2017. Transaction Capital is in the process of performing a gap analysis and will aim to adopt King IV in the next financial year, to the extent possible.

GOVERNANCE AND COMPLIANCE FRAMEWORK

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

Each of Transaction Capital's divisions has its own board of directors, with each division's governance processes being aligned to Transaction Capital's governance framework, thereby appropriately allocating various levels of authority to individuals and committees throughout the group structure. The activities of each business's board include reviewing and providing opinions on the corporate strategy, business plans, risk propensity, budgets and sustainability of their respective divisions. The strategies, business plans and performance criteria for each division are clearly defined, with appropriate key performance indicators having been implemented to measure and monitor performance against their strategies.

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 and number for their views to carry significant weight in the decisions of the group and divisional CEOs.

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS

- > Christopher Seabrooke (chairman)
- > Phumzile Langeni
- > Dumisani Tabata
- > David Woollam
- > Moses Kgosana (appointed 14 March 2016)
- > Kuben Pillay (appointed 1 August 2016)

Shaun Zagnoev resigned as an independent non-executive director on 8 December 2015.

NON-EXECUTIVE DIRECTOR

- > Roberto Rossi

EXECUTIVE DIRECTORS

- > David Hurwitz (CEO)
- > Ronen Goldstein (financial director) (appointed 1 August 2016)
- > Mark Herskovits (executive director: capital management) (appointed 1 August 2016, previously group chief financial officer)
- > Jonathan Jawno (executive director)
- > Michael Mendelowitz (executive director)

From 1 August 2016, Mark Herskovits was appointed as capital management executive for the Transaction Capital group, in which position he is responsible for Transaction Capital's funding and capital markets engagements, with a predominant focus on SA Taxi. Mark remains an executive director of Transaction Capital and a member of the group's asset and liability committee (ALCO). With effect from that date, Ronen Goldstein was appointed as the financial director of Transaction Capital.



Refer to page 36 for the biographies of group directors.

In compliance with King III, Transaction Capital's board for the period covered by this report comprised of 12 directors, being:

- > Seven non-executive directors (six of whom are independent); and
- > Five executive directors.

GOVERNANCE REPORT *continued*

David Woollam and Dumisani Tabata will not be available for re-election at the company's forthcoming annual general meeting (AGM). As a result, they will respectively resign from such date. To augment the board's skillset, and in line with Transaction Capital's gender diversity policy, the company is pleased to announce the appointment of Funke Ighodaro to the board effective from 1 April 2017.

Following the above-mentioned changes, the board will comprise six non-executive directors (five of whom are independent) and five executive directors.

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 offices of chairman and CEO are separate. 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 board's annual self-assessment.

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 appoints the CEO and sets the terms of his employment contract.

The board and its sub-committees have delegated authority to the CEO and management in line with the approved authority framework. Each year during November, the chairman and company secretary facilitate a formal performance appraisal of the CEO comprising an evaluation by each director. In addition, the CEO's employment contract is assessed for adequacy on an annual basis.

FINANCIAL DIRECTOR

As described on page 77, and in line with the group's succession planning, Ronen Goldstein was appointed as financial director of Transaction Capital with effect from 1 August 2016. The ARC committee as well as the board are satisfied with the financial director's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the full financial period.

COMPANY SECRETARY

With effect from 1 August 2016, Statucor Proprietary Limited (Statucor) replaced Ronen Goldstein as company secretary. The board is satisfied with the qualifications, experience and competence of Statucor as a provider of company secretarial services.

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 in the group on governance, ethics and legislative changes. The company secretary is entitled to obtain independent advice to achieve these objectives.

The board has considered the consultants, shareholders and board of Statucor, and is satisfied that an arm's length relationship is maintained between itself and Statucor.

SKILL, EXPERTISE AND EXPERIENCE REQUIREMENTS

The directors bring independent judgement and experience to the board's deliberations and decisions. Non-executive directors are chosen based on the appropriateness of their business skills and expertise to the strategic direction of the group. The nominations committee and the board take into account the diversity of academic qualifications, technical expertise, industry knowledge, experience, business acumen, race and gender when board appointments are considered.

In addition to the above, Transaction Capital supports the principles and aims of gender diversity at board level. Transaction Capital has adopted a gender diversity policy, whereby it voluntarily targets employing at least two women directors at board level. With the appointment of Funke Ighodaro to the board effective 1 April 2017, the above voluntary targets will be met. The nominations committee will assess the set targets and fulfilment thereof annually.

APPOINTMENT AND INDUCTION PROCESS

The nominations committee assists with identifying suitable board members and performs background and reference checks prior to their appointment. No one individual or group of individuals has unfettered powers of decision-making. New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or financial director, and consists of an information pack, detailed discussions on the environment and operations of each of the major businesses as well as site visits.

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 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.

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

A formal performance evaluation of the board, its committees and the company secretary is conducted annually by means of an evaluation questionnaire, to review the mix 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 improvement of the board and its committees for the following year.

Based on the annual evaluations undertaken during November 2016, 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 fulfill the respective committee's mandate.
- > Independent non-executive directors meet the criteria for independence in terms of King III.
- > The expertise, performance and experience of the chairman, CEO, financial director and the company secretary are adequate.

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 SUB-COMMITTEES

The governance function of the board sub-committees is outlined in the respective approved committee terms of reference. A brief description of each committee's mandate can be found at www.transactioncapital.co.za.

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

BOARD SUB-COMMITTEES

	NOMINATIONS ¹	REMUNERATION ¹	SOCIAL AND ETHICS	AUDIT, RISK AND COMPLIANCE ¹	ASSET AND LIABILITY ¹
Chairperson	Christopher Seabrooke ²	Dumisani Tabata ²	Phumzile Langeni ²	Moses Kgosana ²	David Woollam ²
Members	Dumisani Tabata ² Roberto Rossi ³	Christopher Seabrooke ² Kuben Pillay ² Jonathan Jawno ⁴	David Hurwitz ⁴ Ronen Goldstein ⁴	Phumzile Langeni ² Christopher Seabrooke ² David Woollam ²	Christopher Seabrooke ² David Hurwitz ⁴ Mark Herskovits ⁴ Jonathan Jawno ⁴
Functions managed	> People > Succession	> People > Remuneration	> Transformation > Sustainability > Ethics	> Accounting/tax/compliance > Information technology > Internal audit > Risk > Credit	> Funding > Capital
Number of meetings per year	At least two	At least two	At least two	At least three	At least four
Composition	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	A majority of independent non-executive directors.	The chairperson is an independent non-executive director.	Independent non-executive directors.	Includes independent non-executive directors as necessary.

¹ Note proposed changes below ² Independent non-executive director ³ Non-executive director ⁴ Executive director

As a result of the forthcoming board changes described above, the following committee appointments and/or changes will be made effective from the AGM and the appointment of Funke Ighodaro:

- > Kuben Pillay will be appointed as chairman of the remuneration committee.
- > Kuben Pillay will be appointed to the nominations committee.
- > Funke Ighodaro will be appointed as a member of the ARC committee and ALCO.
- > David Hurwitz will be appointed as the chairman of ALCO.

GOVERNANCE REPORT *continued*

BOARD MEETINGS

Directors are required to attend all board meetings. The board follows a formal work plan that includes strategy, operational 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 in the year under review was as follows:

Number of meetings held for the year		Independent board	Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Board member	Status	2	5	3	2	3	2	3
Christopher Seabrooke	Independent non-executive	2	5	3	2	3	-	3
Phumzile Langeni	Independent non-executive	2	5	3	-	-	2	-
Dumisani Tabata	Independent non-executive	2	4	-	1	2	-	-
David Woollam	Independent non-executive	1	4	2	-	-	-	2
Moses Kgosana ²	Independent non-executive	-	3	3	-	-	-	-
Kuben Pillay ³	Independent non-executive	2	3	-	-	3	-	-
Roberto Rossi	Non-executive	-	4	-	2	2*	-	-
David Hurwitz	Executive	-	5	3*	2*	3*	1	3
Mark Herskovits	Executive	-	4	-	-	-	1	2
Jonathan Jawno	Executive	-	5	3*	2*	3	-	3
Michael Mendelowitz	Executive	-	5	-	2*	3*	-	-
Ronen Goldstein	Executive	2	5	3*	2*	3*	2	3*
Statucor	Company secretary ⁴	2*	3*	2*	-	-	-	-

* Invitee
 1 The independent board was constituted to assess the fairness of the JMR restructure transaction described in the chairman’s report starting on page 74.
 2 Appointed as an independent non-executive director on 14 March 2016 and attended all relevant meetings since date of appointment.
 3 Appointed as an independent non-executive director on 1 August 2016 and attended all relevant meetings since date of appointment.
 4 Ronen Goldstein was company secretary until 31 July 2016, after which date he was replaced by Statucor.

COMPLIANCE

Regulatory compliance is non-negotiable. This approach is explicitly articulated in Transaction Capital’s values and ethics charter.

The board proactively oversees the review of the group’s systems of control and governance. It also continuously recommends enhancements to ensure that each business is managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines.

Suitably qualified compliance officers are employed in the businesses that have high levels of regulatory compliance requirements, interaction and reporting. The roles of the compliance officers are to:

- > Identify the applicable legislative, regulatory and governance requirements.

- > Prepare relevant monitoring programmes relating to the above-mentioned requirements.
- > Recommend improvements to the functional heads within the businesses, and assist with implementation.

Quarterly compliance reports are submitted by the businesses to the group legal and compliance function, which in turn prepares a consolidated compliance report which is submitted to the ARC committee for consideration.

The businesses affected by proposed new legislation have actively engaged legal counsel to garner advice on the application and implementation thereof and the potential effect on their respective businesses. No fines or non-monetary sanctions for non-compliance were levied against any business in the group during the year.

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 (NCA).
- > Debt Collectors Act (DCA).
- > Insurance-related legislation including the Financial Advisory and Intermediary Services Act (FAIS), the Short-Term Insurance Act and Long-term Insurance Act.
- > Financial Intelligence Centre Act (FICA).
- > Consumer Protection Act (CPA).
- > Competition Act.
- > Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act (FMA), 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.

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.

Transaction Capital Limited (the legal entity) does not employ any employees, and as such no employment equity statistics for this entity have been included in this report.

INTERNAL AUDIT

The purpose, authority and responsibility of the internal audit function is defined in the internal audit charter, which is aligned with the requirements of the International Standards for the Professional Practice of Internal Auditing and of King III.

The group internal audit, fraud and ethics executive reports administratively to the Transaction Capital CEO and functionally to the ARC committee chairman. 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 business. KPMG performed an independent quality review on internal audit during 2016 and the internal audit function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing, which is the highest rating awarded during such a review.

In accordance with Transaction Capital’s combined assurance model, internal audit continues to liaise with external audit and other identified assurance providers to effectively assure against key risks.

ETHICS

The Transaction Capital ethics charter requires all group operations to conduct their business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The charter aligns the requirements for ethical conduct with the group’s key principles and values, guiding stakeholders in how to act in accordance with these values.

The board reviews the charter annually, which is supported by a group ethics strategy, awareness framework and governance policies. Transaction Capital has an independent whistle blowing hotline operated by an external service provider. Reports can be made anonymously through the hotline and reports are directed to the group ethics officer for escalation or investigation. In addition, reporting of unethical or fraudulent behaviour to line management and the respective human resources departments of the group’s businesses is encouraged.