



Transaction
Capital

RISK Report

for the year ended
30 September 2022

10
YEARS
AS A LISTED ENTITY

Contents

02

Risk management

05

Material risks and opportunities

Links to additional content are provided:



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



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



Our reporting suite

	Frameworks applied						
	The International Integrated Reporting <IR> Framework	Companies Act, 71 of 2008, as amended (Companies Act)	JSE Limited Listings Requirements	King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)*	International Financial Reporting Standards (IFRS)	United Nations Sustainable Development Goals (SDGs)	Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
 RISK report Sets out the group's approach to risk management and identifies material risks, opportunities and appropriate mitigation measures.			✓	✓			
 GOVERNANCE report Sets out comprehensive disclosure on the group's governance structures, processes and policies in the context of recommended King IV principles.		✓	✓	✓			
 INTEGRATED report Our primary report to stakeholders communicating the group's ability to create shared value over the short, medium and long term.	✓	✓	✓	✓	✓	✓	✓
 SUSTAINABILITY report Sets out detailed data-led economic, social and environmental (ESE) disclosure to provide stakeholders with an objective view of the group's impact.				✓		✓	✓
 Annual financial statements Presents the group's audited consolidated and company annual financial statements, including the audit committee and social and ethics committee reports.		✓	✓	✓	✓		
 Notice of annual general meeting and summarised financial statements Sets out the notice of the annual general meeting (AGM) and supporting documentation, and the summarised consolidated annual financial statements.		✓	✓	✓	✓		

* Copyright and trademarks are owned by the Institute of Directors of South Africa NPC and all of its rights are reserved.

Risk management

Transaction Capital (the group) defines risk as uncertain future events that could influence its ability to achieve its objectives. The possibility of loss is inextricably linked to uncertainty; therefore for risk to be quantified, the probability of an event occurring and its consequences must be considered. The group has a detailed risk management framework in place for managing risk to facilitate rational and informed decision-making.

The group's risk management approach aims to prevent value destruction through deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of risks to tolerable levels. The traditional view of risk is negative, with risks characterised as threats with adverse consequences. Our approach has evolved to seeing risk as including opportunity, thus modifying the risk response planning process. This gives equal status to opportunities and threats and seeks to manage them proactively to achieve the associated benefits. Ultimately, we are able to enhance value creation through executing on these opportunities.

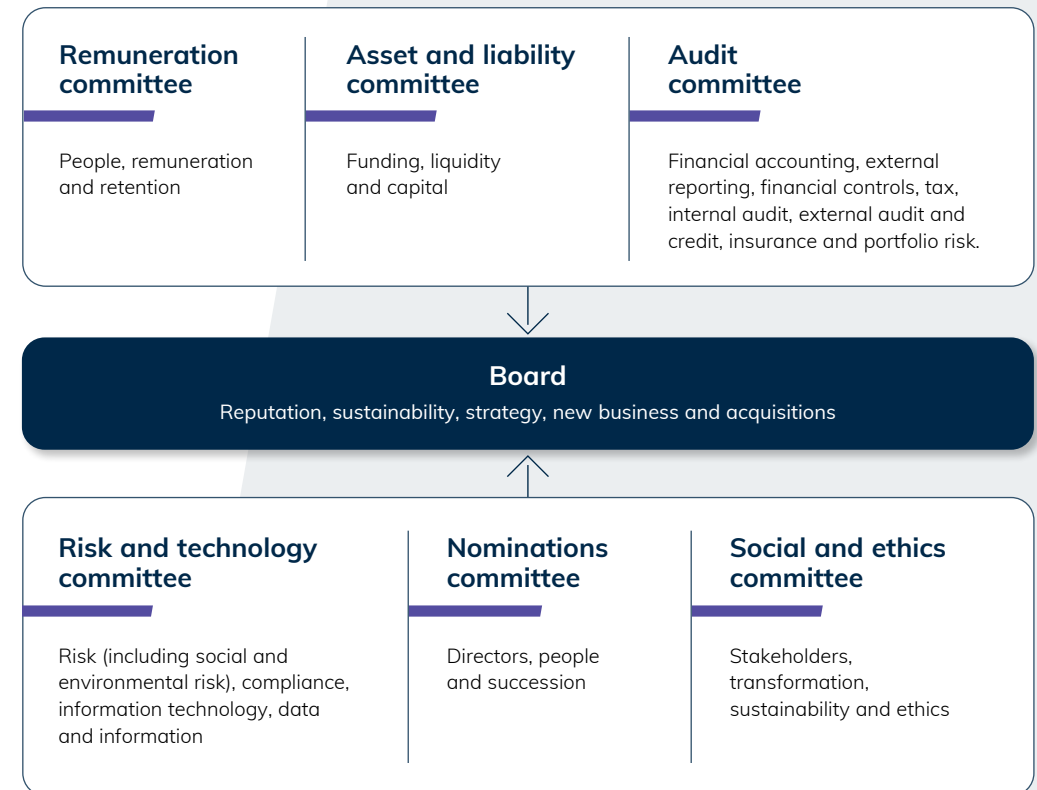
Risk framework and the governance of risk

Transaction Capital's board of directors (the board) is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk to respective board sub-committees, divisional boards and management. The board monitors risk identification and management quarterly.

In terms of the enterprise-wide risk management framework, the board retains responsibility for monitoring reputational, sustainability (which covers our Economic, Social, Environmental and Governance activities), strategy, new business and acquisition risk. Monitoring the remaining risk categories is assigned to sub-committees with continuous board oversight, in line with the group's overall risk framework.

The risk framework specifically identifies the risk categories that comprise the group's risk universe. These risk categories, and the respective committees to which oversight responsibility is mandated, are presented alongside.

Risk universe



Risk methodology

The risk and technology committee assesses the risk management evaluation criteria annually. Any changes to the evaluation criteria, including risk appetite, tolerance and threshold, are recommended by the risk and technology committee to the board for adoption. The board reviews and approves the evaluation criteria annually to ensure that the group effectively identifies, manages and reports on risk across all operations and geographies.

Risk reporting is embedded in each subsidiary, which is reviewed at divisional board level and culminates in risk reporting at a group level.

Each risk is evaluated in terms of its likelihood and impact, both on an inherent (unmitigated risk) and residual (after mitigating action) basis. The likelihood scale ranges from one to four, with one being unlikely (where no perceived threat exists, or it may occur in exceptional circumstances) and four being almost certain (where there is a significant threat that could occur or has occurred). Impact is measured against elements including financial, reputational, compliance, health, safety, environmental and continuity of operations. Risk tolerances on key performance and strategic metrics are determined by the group's divisions and approved and monitored by the risk and technology committee.

The group risk profile is reviewed quarterly by the risk and technology committee and may be revised after considering changes to the local, regional, and global macroeconomic environment, current political and legislative developments, socioeconomic challenges, and technological advancements. Through the combined assurance model, the risk and technology committee evaluates and approves the level of assurance provided for all group risks.

Risk management functions are in place for each division, significant business function and for the group as a whole. These functions facilitate the bottom-up risk assessment workshops used to identify existing and emerging risks, and are responsible for maintaining detailed risk registers, including mitigating factors and managements' responses thereto. Individual risk registers are reported and discussed at divisional board meetings, with material risks, mitigations and associated opportunities reviewed by the risk and technology committee and the board, where appropriate.



Our risk appetite reflects the level of risk deemed acceptable by the board before implementing mitigating actions, while risk tolerance refers to the group's strategic capacity to accept or withstand risk.

Risk appetite has been determined by setting exposure limits at three levels based on the residual risk exposure:

Level 1

Any calculated risk exposure that requires no further management mitigation. The risk exposure does not appear to present a material or significant threat to the group and remains within our risk appetite.

Level 2

A threshold range where the risk exposure exceeds our risk appetite but remains within risk tolerance. It requires management to make a conscious decision about risk tolerance versus risk mitigation.

Level 3

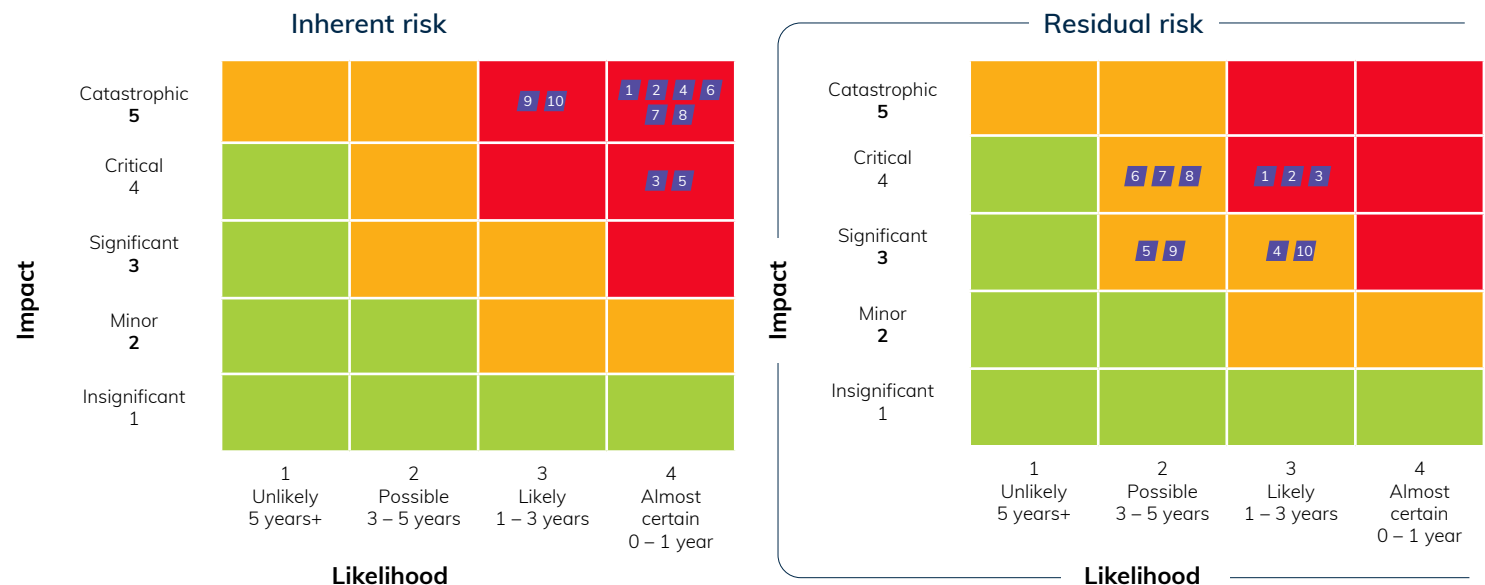
Exposures above our risk tolerance that are considered a material risk and must be supported by a comprehensive mitigation plan and timeline for implementation.

Material risks (summary table)

↑ Elevated ↓ Reduced ↔ Static

1	2	3	4	5	6	7	8	9	10
Operating environment	Cyber crime and information security	Original equipment manufacturer (OEM) supply (SA Taxi)	Affordability constraints (SA Taxi)	Acquisitive strategy execution	Capital	Liquidity	Regulatory compliance	People	Climate
↔	↑	↑	↔	↔	↔	↔	↔	↔	↔

The heat maps below reflect risks that exceed the risk tolerance and are considered material to the group for the year under review:



Material risks and opportunities

↑ Elevated ↓ Reduced ↔ Static

1

Operating environment

Global context

- ▶ Almost three years after COVID-19 was declared a global pandemic, its effects continue to redefine the global operating context and place financial and societal pressure on economies worldwide. The pandemic has created shifts in the labour markets ranging from rising unemployment rates to a phenomenon termed the 'great resignation' which has resulted in a global skills shortage as employees in predominantly the UK and Europe have voluntarily resigned from jobs to pursue opportunities presented by remote work models. These shifts present both new risks and opportunities for Transaction Capital.
- ▶ The Russia-Ukraine war which began in late February 2022 further threatens global economic recovery as it continues to drive weaker growth, stronger inflation and potentially long-term damage to supply chains. A response to the rapid rise in global inflation has therefore seen many countries increase their interest rates.

Local context

- ▶ While South Africa entered a post-lockdown period in 2022, the economic rebound that the country started to experience in 2021 was subdued in 2022, driven by frequent power outages, high unemployment, rising fuel and energy prices, inflationary pressures and rising interest rates. These factors have a significant impact on consumer behaviour.
- ▶ In addition, South Africa's province of KwaZulu-Natal (KZN) experienced unprecedented floods in mid-April 2022 which damaged key ports and disrupted business operations. Transaction Capital's businesses were affected to varying degrees by this event and the highly probable reoccurrence of natural disasters linked to climate change poses an ongoing risk to operations.

FC MC IC

Link to material matters



Stakeholder concerns

- ▶ Inability to maintain a sustainable trajectory of superior high-quality earnings growth.
- ▶ Inadequate diversification of revenue by product and sector.

Our response: mitigation and associated opportunities

Mitigation actions

Nutun

- ▶ In anticipation of the medium-term effects of the COVID-19 pandemic, Nutun implemented a world-class technology-led hybrid operating model, which is yielding higher productivity per agent.

WeBuyCars

- ▶ Continued to expand its nationwide footprint in FY2022. WeBuyCars opened 5 new vehicle supermarkets in FY2022, including one of the biggest used car dealerships in the world at the Dome in Northgate Johannesburg. The opening of these branches created additional capacity of ~2 460 parking bays, increasing national capacity to ~8 580 parking bays. Further expansion in other provinces is planned during FY2023.
- ▶ Harnesses data and technology to drive e-commerce growth, focussing on growing private consumer online vehicle sales.
- ▶ Established a presence in Morocco as part of the international expansion strategy. Further expansion opportunities will be considered in select markets.
- ▶ Continued enhancement of brand awareness, trust and customer experience.
- ▶ In collaboration with SA Taxi, WeBuyCars launched GoMo, the group's own vehicle finance product as principal. This bespoke offering is aimed at evolving the used vehicle finance market and disrupting vehicle ownership.

SA Taxi

- ▶ Has introduced innovative products to meet the affordability challenges of customers.

Opportunities

Nutun

- ▶ Increased consumer indebtedness and a deterioration in their ability to service debt resulting from the current economic impact contributed to larger non-performing consumer loan (NPL) portfolios available for Nutun to manage and acquire.
- ▶ Nutun's digital customer engagement services segment is an exciting opportunity to leverage our ZAR cost base, local technology platform and IP, as well as deep experience in managing outcomes-based call centre operations to help international clients mitigate the impact of the global shortage of human resources.

WeBuyCars

- ▶ The outlook for the used vehicle market in South Africa is positive. Structural support for this resilience and future growth includes cash-strapped consumers trading down to more affordable used vehicles, a trend given momentum by the prevailing economic conditions.
- ▶ Mobility trends show that more people are moving from using public transport and being passengers in personal vehicles to owning their first car, with vehicle ownership an aspiration deeply rooted in South African culture. Trading mostly in older used vehicles with an average age of nine years, positions WeBuyCars to benefit from the South African populations shift into private vehicle ownership.

SA Taxi

- ▶ Spending on minibus taxi transport is largely non-discretionary, making the industry defensive in tough economic conditions.
- ▶ SA Taxi's fully refurbished quality renewed taxis (QRTs) provide an affordable yet reliable alternative to buying a new vehicle.

↑ Elevated ↓ Reduced ↔ Static

2 Cyber crime and information security

The group manages and maintains a significant volume of confidential personal information in its daily operations. Cybersecurity continues to be a priority as criminals become more sophisticated. Cybersecurity breaches and attacks pose a threat to our reputation and our ability to maintain business continuity.

To date, cybersecurity risk across the group has been well managed.

While each division operates independently, potential acquisitions could add to the group cyber risk profile should they not have robust systems and tools in place to manage and/or mitigate cyber and information security risks.



IC SC

Link to material matters

Stakeholder concerns

- ▷ Protection of client and other personal information.
- ▷ Risk of business continuity and downtime.
- ▷ Impact on the reliability of reporting, which may negatively affect funders, shareholders and regulators.

Our response: mitigation and associated opportunities

Mitigation actions

The group maintains resilient and robust structures in a fast-changing security environment by making significant investments into cyber and information security, including implementing new systems and modifying protocols. Structures are discussed, reviewed and permeated through the group by the Cyber Security Committee.

Cyber and information security risks are mitigated through:

- ▷ Robust firewalls, employee awareness training, targeted threat protection, virus and malware scanning, and ongoing external vulnerability testing.
- ▷ Nutun is ISO27001 (Information Security Management System) certified.
- ▷ Multi-layered intrusion prevention systems, including early warning intrusion detection systems, and usage of Security Operations Centres, form part of our constantly hardening protection landscape.
- ▷ Ongoing information security maturity assessments by third-party service providers, with all vulnerabilities identified remediated effectively.
- ▷ A group-wide paperless policy.
- ▷ A centralised function for external reporting to shareholders, with regular

reviews to ensure the integrity and adequacy of this database.

- ▷ Encryption of sensitive data in the production and development environment.
- ▷ A group cyber risk insurance policy is in place.
- ▷ A strong focus on ensuring robust governance controls are in place which aims to promote efficient and secure day-to-day operations.
- ▷ Compliance with the letter and spirit of all laws, regulations and codes. These include legislation relating to information processing and electronic records, being the Electronic Communications and Transactions Act, Protection of Personal Information (POPI) Act, Promotion of Access to Information Act and the Cybercrimes Act.
- ▷ A comprehensive POPI programme is in place, with governance frameworks, policies, controls and employee training successfully implemented across the group.
- ▷ The due diligence process carried during the evaluation of potential acquisitions includes an assessment of the IT landscape and information security control environment.

Opportunities

Centralisation of cyber security policies and procedures will allow the group to benefit from economies of scale and best in class processes from each of our unique subsidiaries.

The regular hardening of cyber security defences, preventative and detective, will drive down insurance risk and coverage costs.

Transaction Capital has embarked on creating a centralised group data strategy. While it is nascent, the group has access to millions of data points that, once organised, can be used to amplify the subsidiaries.

Data is the new foundation of business and it is worth more when transformed into more constructive objects. When data is processed, analysed, and utilised efficiently and instantly, it will have a much greater value to the subsidiaries and, therefore, the group.

The data program will be run in the form of a Research Chair. This initiative is discussed further under the People risk on **page 10**.

↑ Elevated ↓ Reduced ↔ Static

3 OEM supply (SA Taxi)

As a result of its specialised focus, the group is exposed to supply risk in SA Taxi due to its dependence on OEMs as suppliers of specific minibus taxi vehicles and parts.

The devastating KwaZulu-Natal floods in mid-April 2022 led to the temporary closure of the Toyota plant. This had a negative impact on the availability of new minibus taxis.

The risk of low availability of parts could be further compounded by worsening tension between China and Taiwan. While SA Taxi will be able to source parts from other countries such as India, it will result in delays and increased parts costs.

MC

Link to material matters

Stakeholder concerns

- ▷ Reliance on OEMs for the supply of specialised vehicles and parts.
- ▷ Limited monthly supply of vehicles insufficient to meet market demand.

Our response: mitigation and associated opportunities

Mitigation actions

- ▶ Increased focus on QRT strategy and refurbishment capacity.
- ▶ Expansion of QRT dealership network, increase distribution of pre-owned vehicles through WeBuyCars super stores and partnering with other non-affiliated distribution channels.
- ▶ Development and execution of GoMo to diversify credit risk into a different product set and client base being consumer vehicles. This will allow SA Taxi to access additional growth levers as the South African economy changes over time.
- ▶ Ongoing engagement with OEMs to secure a consistent supply of vehicles, product offerings and parts into the market and integration of their supply and repair channels.
- ▶ SA Taxi Auto Parts ensures a consistent supply of quality parts at a lower cost through its salvage and retail operations.

Opportunities

- ▶ Continued exploration of alternative vehicle types, including electric vehicles.

4 Affordability constraints (SA Taxi)

Higher interest rates, increasing fuel prices and inflation have continued to put the profitability of the minibus taxi industry under pressure in FY2022.

FC MC

Link to material matters

Stakeholder concerns

- ▷ Reduced credit quality of SA Taxi's loans and advances book.
- ▷ Collections performance of the loans and advances book and lapsing of insurance policies (specifically in the open market) due to affordability constraints.

Our response: mitigation and associated opportunities

Mitigation actions

SA Taxi

- ▶ Has a vertically integrated business model that positions it well to serve clients across the full minibus taxi value chain.
- ▶ Applies leading-edge analytics to its real-time vehicle mobility datasets to manage credit and insurance risk.
- ▶ New products developed to address affordability constraints of minibus taxi operators including debt rehabilitation programme.
- ▶ Continues to drive the sale and finance of QRTs, lowering the cost of ownership for a minibus taxi operator that is seen as an affordable yet reliable alternative to buying a new vehicle.

- ▶ Increased insurance policy originations by introducing new product lines and enhancements to products and pricing.
- ▶ Increased refurbishment capacity at SA Taxi Auto Repairs to support higher QRT vehicle supply to our dealerships and, in turn, increase loan originations.
- ▶ Supports competitively priced insurance premiums by leveraging SA Taxi Protect's competitive advantage in reducing cost of claim through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts.
- ▶ Targeting higher quality and experienced minibus taxi operators, resulting in lower loan approvals and lower net interest margins.

Opportunities

- ▶ Continues to assess opportunities for further vertical integration to broaden its addressable market within the minibus taxi market and support future organic growth.

↑ Elevated ↓ Reduced ↔ Static

5 Acquisitive strategy execution

Transaction Capital identifies, develops and partners with expert, coinvested and entrepreneurial founders and managers of businesses, in building and scaling highly competitive, efficient and decentralised operating platforms that manage its assets. We mobilise an optimal balance of equity and debt capital to fund the growth of business platforms and their underlying assets.

IC MC FC

Link to material matters

Stakeholder concerns

- ▷ Ineffective integration of acquired businesses adversely affecting the returns and value proposition of the group.
- ▷ Failure to achieve growth and returns in new markets beyond South Africa.
- ▷ Inadequate diversification of revenue by geography.

Our response: mitigation and associated opportunities

Mitigation actions

Transaction Capital continues to actively identify investment opportunities in adjacent markets and related asset classes, in which its best-in-class technology, proprietary data and analytics capabilities enable it to generate attractive returns. All acquisitions are assessed against a set of stringent acquisition criteria.

- ▷ Appropriate board approval in line with the group's authority framework is required to conclude transactions.
- ▷ Collectively, the board applies its mind

to the funding of acquisitions to ensure an appropriate balance of debt and equity funding that maintains appropriate risk-adjusted returns.

- ▷ Rigorous implementation processes ensure that Transaction Capital's governance and reporting requirements are adequately met, with progress monitored by the board.
- ▷ Transaction Capital's executives are actively involved in the management and ongoing affairs of acquisitions after a transaction is completed.

Opportunities

- ▷ TC Global Finance leverages the group's unique relationship with its founders to identify and grow value-accretive investments outside of South Africa. Co-investment alongside our founders on these international opportunities aligns the interests of Transaction Capital and the founders, and reduces investment risk.
- ▷ TC Ventures actively seeks out investments in innovative, high-growth and entrepreneurial South African businesses, with a focus on fintech disruptors.

6 Capital

The group is currently facing a challenging capital raising environment due to global and local economic factors.

FC

Link to material matters

Stakeholder concerns

- ▷ Maintaining appropriate access to funding in a challenging operating environment.
- ▷ Increased cost of funding impacting net interest margin earned.
- ▷ Inappropriate allocation of capital.

Our response: mitigation and associated opportunities

Mitigation actions

- ▷ Dedicated capital markets teams across the group manage funding requirements, including a diversified fundraising strategy and a focused strategy for each funding source. The capital markets teams report to the asset and liability committee on a quarterly basis.
- ▷ The group's funding strategy seeks to diversify funding sources on the basis of:
 - Geography (local and international funders).
 - Funder type (including banks, asset managers, institutional investors, development finance institutions, impact investors and hedge funds).
 - Individual investors.
 - Structure type (including securitisation, note programmes, syndicated loan programmes and bespoke funding structures).
- Instrument (such as rated or unrated, listed or unlisted, bilateral and syndicated loans, and bespoke debentures).
- ▷ Rigorous investment criteria are adhered to in acquisitions (see risk 5), with active treasury management of excess funds.
- ▷ For the group's divisions:
 - Nutun's funding requirements for the acquisition of NPL portfolios in South Africa and Australia in 2023 are already secured.
 - WeBuyCars has a strong balance sheet with low levels of debt, supported by the capital-light nature of its operations and high cash conversion rates.
 - SA Taxi has adequate liquidity available in undrawn debt facilities to fund expected loan originations throughout 2023.

Opportunities

- ▷ Transaction Capital remains well capitalised, with adequate access to liquidity. R1.28 billion was raised from an oversubscribed accelerated bookbuild on 9 September 2022, providing ample liquidity to execute on opportunities. This includes opportunities resulting from market dynamics related to the current economic climate, investment opportunities identified through Transaction Capital and its divisions, and our TC Ventures and TC Global Finance strategies.

↑ Elevated ↓ Reduced ↔ Static

7 Liquidity

Liquidity risk remains a material risk to the group as the impact on collections at SA Taxi is felt as a consequence of the fuel price increases and interest rates hikes in light of higher inflation.

These conditions were successfully navigated with the support of the group executive office.

FC

Link to material matters



Stakeholder concerns

- ▷ Inability to meet payment obligations as they fall due.
- ▷ Accessing liquidity on materially disadvantageous terms.

Our response: mitigation and associated opportunities

Mitigation actions

- ▶ Liquidity risk is primarily controlled through cash flow matching and maintaining appropriate funding runways at group and divisional levels.
- ▶ Maintaining a positive liquidity mismatch favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.
- ▶ A well-diversified funding base through geography, funder type, individual investor, type of structure and type of instrument.

Opportunities

- ▶ Optimise the group's mix of funding structures to reduce the cost of funding.

8 Regulatory compliance

Our regulatory universe will match the expansion of our operations into other jurisdictions.

Transaction Capital seeks to institutionalise best governance practices in its divisions and supports the formalisation of our market sectors. As these sectors are in markets with historically low levels of client service and stakeholder trust, robust governance and regulatory compliance provide compelling opportunities for disruption.

MC IC SC

Link to material matters



Stakeholder concerns

- ▷ Inability to respond to regulatory uncertainty and change effectively and efficiently, resulting in reputational and financial risk.
- ▷ The impact of regulatory uncertainty and change on the profitability of the business.

Our response: mitigation and associated opportunities

Mitigation actions

- ▶ The group retains central legal advisory resources, with suitably experienced compliance officers in place at each division. These teams ensure compliance and minimise regulatory risk by managing the group's exposure to the regulatory landscape, thereby preserving value.
- ▶ Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain an early understanding of proposed legislation and to appropriately position the group for change.
- ▶ The partnership between SA Taxi and the South African National Taxi Council (SANTACO) assists SA Taxi in engagements with regulators.

Opportunities

- ▶ The group's responsiveness and agility to regulatory change ensures that we are well placed to comply with regulatory developments.

↑ Elevated ↓ Reduced ↔ Static

9 People

Transaction Capital believes that all factors underpinning enhanced performance require the highest calibre of leadership and specialist technical expertise, and that stakeholders' interests are best served by aligning strategy, business model, structure, staffing and compensation. Moreover, without attracting, motivating and retaining the best available talent, even the best strategies, business models and structures will fail.

This is even more relevant in the current environment, where the entrepreneurial flair of the group is augmented by the depth and quality of management teams across the organisation.

The wellbeing of our employees remains a critical priority.



HC SC

Link to material matters



Stakeholder concerns

- ▷ The ability to attract, retain and motivate high-calibre talent in a competitive skill market, compounded by emigration pressures, limited high-calibre resources and the high cost of talent.
- ▷ Competitive remuneration structures.
- ▷ The ability to achieve transformation targets, especially race and gender targets, at senior management levels.
- ▷ Physical and mental wellbeing of employees.

Our response: mitigation and associated opportunities

Mitigation actions

- ▶ Transaction Capital's Research Chair programme positions the group as an employer of choice for the brightest data minds. Through this program, we partner with the best PhD and Masters students to work on core business data problems and strategies. The initial phases of this strategy will be a partnership with two universities, the University of Pretoria and Stellenbosch University. While this is a medium to long-term benefit, the short-term use is that the programs will be utilised to acquire talent in the data space instantly.
- ▶ In 2021 Transaction Capital launched the group Chartered Accountant (CA) training programme appointing 5 candidates, who started in 2022. The South African Institute of Chartered Accountants (SAICA) has since increased our quota to 30 candidates.

This initiative will also allow us to grow our own talent in the fields of accounting and finance.

- ▶ Flexibility in work-from-home and work-from-office protocols.
- ▶ Competitive compensation policies which aim to sustain a performance-driven and entrepreneurial culture where the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.
- ▶ Talent management and recruitment strategies to attract high-calibre talent.
- ▶ Ethics charter and values setting the required behaviours for all of Transaction Capital's people to inform a values-led approach to our business.
- ▶ Employee engagement surveys and benchmarking to provide an ongoing assessment of key employee issues and track change over time.

- ▶ Investment in training and development to improve the skills of our people.
- ▶ Transformation targets included as a non-financial key performance indicator as part of executive remuneration.
- ▶ Our commitment to the health, safety and wellbeing of our employees is operationalised through:
 - Employee assistance programmes in place to support the physical and mental health of our employees.
 - Comprehensive safety protocols and hygiene measures are in place to ensure working environments are as safe as possible, and support is being provided to employees working from home.

Opportunities

- ▶ An employee value proposition which strives to provide talented individuals with good leadership, personal development and support, and meaningful work in an intellectually stimulating and demanding environment.

↑ Elevated ↓ Reduced ↔ Static

10 Climate

Transaction Capital recognises the rapidly changing global context and the risks associated with environmental and social factors, particularly climate change. These include:

1 Physical climate related risks:

Risks include the acute risk of drought, flood, and fire damage to direct operations as well as risks upstream and downstream in our value chain. Such climate related events were experienced through the recent KwaZulu-Natal floods which impacted the WeBuyCars warehouse in Durban, resulting in operations shutting down for a week. Impact on our upstream value chain was seen by the damage caused to our taxi supplier, Toyota, who temporarily closed their operations because of these floods. Downstream value chain of the SA Taxi business was also impacted, as damaged road infrastructure impacted the mobility of SA Taxi operators, reducing their income streams during this time.

These physical risks are seen as short term climate related risks, however they are occurring more frequently.

2 Transitional climate related risks:

Risks that arise from the transition to a low-carbon and more circular economy and include reputational related risks which could negatively impact cost of capital for the business if we are not seen to be a good corporate citizen and doing good towards the environment. Another transitional risk is the policy and legislation related risks as the country transitions to Green Transport systems. This is seen as a longer-term risk for Transaction Capital, but one we need to keep abreast of to ensure we are at the forefront of the transition.

NC

Link to material matters



Stakeholder concerns

- ▷ SA Taxi's efforts to understand and minimise the value chain environmental impact of the minibus taxi industry.

Our response: mitigation and associated opportunities

Mitigation actions

- ▶ A group-wide economic, social and environmental (ESE) steering committee, chaired by the group chief financial officer, drives sustainability initiatives across the group.
- ▶ Enhanced environmental disclosure as part of the group's sustainability report.
- ▶ The remuneration committee has introduced an ESEG key performance indicator for executives to be measured against, which will ensure accountability and incentivise change.
- ▶ Consistent engagement with a broad range of stakeholders to understand their concerns and expectations.
- ▶ Supporting the Paris Agreement's aim of limiting global warming to well below 2°C compared to pre-industrial levels, and pursuing efforts to limit it to 1.5°C.
- ▶ Minimising the group's direct carbon footprint by applying a precautionary approach to the natural environment and undertaking initiatives which demonstrate environmentally responsible behaviour.
- ▶ Exploring and investing in products and services that would accelerate the transition of the minibus taxi industry to a low-carbon and more circular economy.

Opportunities

Our efforts are guided by:

- ▶ The group's ESE framework, which informs our strategic and operational initiatives to ensure that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders, while minimising value-eroding activities. This framework allows us to measure and track impact across a broad range of metrics including environmental related metrics.
- ▶ Group-wide environmental policy and position on climate change.
- ▶ The recommendations of the IFRS ISSB's Sustainability Disclosure Standards, which ensure we are transparent throughout our disclosure and sharing relevant climate change related information.



Transaction
Capital