

KING III REGISTER

For the financial year ended
30 September 2016

TRANSACTION CAPITAL

Contents

Introduction	1
1. Ethical leadership and corporate citizenship.....	2
2. Board and directors	3
3. Audit committee	9
4. The governance of risk.....	12
5. The governance of information technology	14
6. Compliance with laws, rules, codes and standards	16
7. Internal audit.....	18
8. Governing stakeholder relationships.....	19
9. Integrated reporting and disclosure.....	21

INTRODUCTION

The board of directors of Transaction Capital Limited (“Transaction Capital” or “the company”) confirms that the Transaction Capital Group (“the group”) complied with the Code of Governance as set out in King III for the financial year ended 30 September 2016.

The King III register below details each of the 75 principles set out in King III, with commentary provided as to how each principle is achieved. Only one partial compliance area is noted in the register relating to the external verification of the integrated report, which is yet to be done given the early stage of integrated reporting in South Africa (refer 9.3). This external verification will be sought at an appropriate time. All other principles are applied and compliant.

Refer to Transaction Capital’s website (www.transactioncapital.co.za) or the 2016 Integrated Annual Report for a commentary on the governance activities of the group.

It is noted that King IV has been introduced by the Institute of Directors, and will be applicable for all financial reporting periods commencing on or after 1 April 2017. Transaction Capital has commenced assessing its corporate governance structures against King IV.

1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

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

2. BOARD AND DIRECTORS

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

Principle	Application	Comment
2.10. The board should ensure that there is an effective risk-based internal audit	Applied	<ul style="list-style-type: none"> Refer to chapter 7
2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	<ul style="list-style-type: none"> Refer to chapter 8
2.12. The board should ensure the integrity of the company's integrated report	Applied	<ul style="list-style-type: none"> Refer to chapter 9
2.13. The board should report on the effectiveness of the company's system of internal controls	Applied	<ul style="list-style-type: none"> Refer to chapters 7 and 9
2.14. The board and its directors should act in the best interests of the company	Applied	<ul style="list-style-type: none"> Apart from their statutory duties, directors have a fiduciary duty to the company as well as a common law duty to exercise care, skill and diligence in the management of the company's affairs. Directors act in the best interest of the company's stakeholders. Directors are encouraged to procure independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities. Directors are required to complete and sign a declaration of interest on a quarterly basis, and are expected to disclose any conflicts of interest as they arise. Transaction Capital's policy on security dealings governs the share dealing of directors and executives.
2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Applied	<ul style="list-style-type: none"> The solvency and liquidity of the company and going concern assertion of the group is approved by the ARC committee and the board on a regular basis. Business rescue proceedings will only be considered if the company is in financial distress which is currently not the case.
2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Applied	<ul style="list-style-type: none"> The board elects a chairman on an annual basis. The chairman is an independent non-executive director of the company. The chairman's performance is assessed annually by the board. The results of the most recent assessment were of a high standard.

Principle	Application	Comment
2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	<ul style="list-style-type: none"> • The board has appointed the Chief Executive Officer (“CEO”) and set the terms of his employment contract. The company's contract with the CEO is reviewed annually. • The board and its sub-committees have delegated authority to the CEO and management as per an approved authority framework. • The leadership of the company is the responsibility of the CEO. The task of the CEO is to lead the company and to implement the strategies, structures and policies approved by the board. • The CEO's performance is assessed annually by the board. The results of the most recent assessment were of a high standard. • The nominations committee has approved a succession plan for the board of directors, CEO and executive management.
2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	<ul style="list-style-type: none"> • The board comprises of a majority of non-executive directors, the majority of whom are independent. Refer to the 2016 Integrated Annual Report for further detail. • The independence and performance of the independent non-executive directors are assessed on an annual basis. In the most recent assessment, the independence and performance, knowledge and skill of the non-executive directors were found to be adequate. • During the year, Shaun Zagnoev resigned as an independent non-executive director, and Moses Kgosana and Kuben Pillay were appointed as independent non-executive directors of company. • Effective from 1 August 2016, Ronen Goldstein was appointed as financial director, with Mark Herskovits solely fulfilling the role of Capital Markets Executive for the group. • The size, diversity, skill and effectiveness of the board were assessed as adequate. • The board has introduced a “gender diversity policy”, the details of which are available in the Integrated Annual Report. • The board members include a CEO and a Financial Director.
2.19. Directors should be appointed through a formal process	Applied	<ul style="list-style-type: none"> • As required by the nominations committee terms of reference, the nominations committee assists with the identification of suitable board members and performs background and reference checks prior to the appointment of directors by the board. • Letters of appointment are issued to directors. No individual or block of individuals has unfettered powers of decision-making. • New directors are introduced to the group by way of a formal induction programme implemented under the responsibility of the Financial Director and the company secretary. This programme consists of an information pack, detailed discussions on the environment and operations of each of the major subsidiaries as well as site visits.

Principle	Application	Comment
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes	Applied	<ul style="list-style-type: none"> • Refer to 2.19 regarding induction. • In addition to the company providing directors with legislation and trading environment updates, directors are encouraged to take independent advice where necessary, at the company's cost, for the proper execution of their duties and responsibilities. • Directors have unfettered access to the group's auditors, professional advisors and to the advice and services of the company secretary. Directors may attend any committee or subsidiary board meeting after advising the CEO and have unrestricted access to any information generated by the group.
2.21. The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	<ul style="list-style-type: none"> • In keeping with the requirements of the Companies Act of 2008, the appointment of the company secretary was approved by the board. • Ronen Goldstein fulfilled the role of company secretary until 31 July 2016, during which period he was not a director of the company. Effective 1 August 2016, Statucor (Proprietary) Limited was appointed as the company secretary. • All directors have access to the company secretary's services and advice. The company secretary supports the board as a whole and the directors individually with regard to their duties. • The company secretary ensures that appropriate procedures and processes are in place for board proceedings. • The company secretary is a resource of the company on governance, ethics and legislative changes. • The company secretary is entitled to obtain independent advice to achieve these objectives and/or at the request of the board and its committees.
2.22. The evaluation of the board, its committees and the individual directors should be performed every year	Applied	<ul style="list-style-type: none"> • A formal performance evaluation of the board, committees and directors is conducted annually by means of a questionnaire. The mix of skills, performance during the year, contribution and independence of individual directors, and effectiveness of committees is reviewed. The results of the evaluations provide the basis for improvement of the board and its committees for the following year. • The board charter and respective committee terms of references are reviewed annually.

Principle	Application	Comment
2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	<ul style="list-style-type: none"> • The board is supported by appropriately mandated sub-committees: <ul style="list-style-type: none"> ○ The ARC committee; ○ The nominations committee; ○ The asset and liability committee; ○ The remuneration committee; and ○ The social and ethics committee. • Both the ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of all entities in the group. • The board and sub-committees are mandated by formal charters and/or terms of reference that are reviewed on an annual basis. • To the extent necessary, the respective committees may obtain independent outside professional advice at the cost of the company. • Further detail regarding the group's governance structures and committee composition can be found in the Integrated Annual Report.
2.24. A governance framework should be agreed between the group and its subsidiary boards	Applied	<ul style="list-style-type: none"> • Various executive and non-executive directors of Transaction Capital act as non-executive directors and chairmen of the subsidiary boards. Where appropriate, the implementation and adoption of governance policies, processes or procedures of the group have been approved and implemented by the respective subsidiary boards. • Both the ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of all entities in the group.
2.25. Companies should remunerate directors and executives fairly and responsibly	Applied	<ul style="list-style-type: none"> • As per the remuneration committee's terms of reference, the committee is responsible for the establishment and oversight of a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance at all levels of the group. • The remuneration policy is set out in the remuneration report included in the Integrated Annual Report. Remuneration consists of base pay and short and long term incentives that are deemed to adequately remunerate executives while aligning executives with the requirements of shareholders. • Annual fees paid to non-executive directors for their services as directors have been recommended by the remuneration committee and approved by the board on a market-related basis, with no additional meeting attendance fees. This is due to board members providing input to the company on an on-going basis, not limited to the attendance of meetings. • The annual directors fees paid to non-executive directors are approved by shareholders at the annual general meeting ("AGM").
2.26. Companies should disclose the remuneration of each individual director and certain senior executives	Applied	<ul style="list-style-type: none"> • Refer to 2.25 above. • The remuneration of directors and executives including the relevant policies have been set out in the remuneration report of the Integrated Annual Report and is considered to be fair.

Principle	Application	Comment
2.27. Shareholders should approve the company's remuneration policy	Applied	<ul style="list-style-type: none"><li data-bbox="965 212 2130 240">• The remuneration policy is subject to a non-binding advisory vote by shareholders at the AGM.

3. AUDIT COMMITTEE

Principle	Application	Comment
3.1. The board should ensure that the company has an effective and independent audit committee	Applied	<ul style="list-style-type: none"> • The responsibilities of the ARC committee are set out in the Companies Act, Transaction Capital's Memorandum of Incorporation, the King Code on Corporate Governance and the JSE Listings Requirements. • The committee's terms of reference is reviewed annually and approved by the board. • The ARC committee consists of four independent non-executive directors. • At a minimum, the ARC committee meets 3 times a year. • The effectiveness of the ARC committee is assessed annually. • The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues. • The members of the ARC committee meet with the internal and external auditors at least once a year without management being present. • The minutes of each meeting of the ARC committee is tabled in each board pack.
3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	<ul style="list-style-type: none"> • The ARC committee consists of four independent non-executive directors who, collectively, possess the required skill and knowledge to perform their duties. The board approved the appointment of the chairman of the board as a member of the ARC committee, as it believed that his skills and knowledge enhance the committee. • The chairman of the ARC committee is not the chairman of the board. • ARC committee members are provided with timeous information around changes in legislation and environment. • The committee members are permitted to consult with specialists or consultants at the company's cost, subject to the board approval process. • The effectiveness of the ARC committee is assessed annually. The most recent assessment was found to be satisfactory. • Moses Kgosana was appointed to the board of directors of the company on 15 March 2016, and appointed as the chairman of the committee from the same date. No further changes to the committee composition took place during the year.
3.3. The audit committee should be chaired by an independent non-executive director	Applied	<ul style="list-style-type: none"> • The ARC committee is chaired by an independent non-executive director. • The chairman of the ARC committee attends the AGM.

Principle	Application	Comment
3.4. The audit committee should oversee integrated reporting	Applied	<ul style="list-style-type: none"> • The ARC committee: <ul style="list-style-type: none"> ○ Oversees the preparation of the integrated annual report; ○ Comments on the annual financial statements, accounting practices and internal financial controls; ○ Reviews the annual financial statements and other financial reports; and ○ Ensures the integrity of the Integrated Annual Report including assisting the board in approving disclosure of sustainability issues where relevant. • The ARC committee recommends the Integrated Annual Report to the board for approval.
3.5. The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	Applied	<ul style="list-style-type: none"> • The ARC committee is responsible for monitoring the appropriateness of the combined assurance model to provide a co-ordinated approach to all assurance activities.
3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	<ul style="list-style-type: none"> • The ARC committee reviews the skills, resources and experience of the company's finance function annually and reports the results in the Integrated Annual Report. • A review of the skills and experience of the Financial Director, and confirmation that these are suitable, is performed annually. The results of the most recent assessment were found to be satisfactory, and reported on in the Integrated Annual Report.
3.7. The audit committee should be responsible for overseeing of internal audit	Applied	<ul style="list-style-type: none"> • The ARC committee is responsible for overseeing internal audit. • The ARC committee plays a key role in ensuring that the company's internal audit function is independent and has the necessary resources, budget, standing and authority within the company to enable it to discharge its functions. • A review of the skills, experience and independence of the internal audit executive is performed annually. The results of the most recent assessment were found to be satisfactory. • In 2016 an independent quality assessment was performed by KPMG on the internal audit function, with the finding that the function "generally conforms" to the International Standards for the Professional Practice of Internal Auditing. This is the highest rating that can be achieved. • Refer to chapter 7 for more detail.
3.8. The audit committee should be an integral component of the risk management process	Applied	<ul style="list-style-type: none"> • The ARC committee's terms of reference sets out the committee's responsibility regarding risk management. • Amongst others, the ARC committee satisfies itself that the following risks have been appropriately addressed: <ul style="list-style-type: none"> ○ Financial reporting risks; ○ Internal financial controls; ○ Fraud risks relating to financial reporting; and ○ Information technology risks relating to financial reporting. • Refer to chapter 4 for more detail.

Principle	Application	Comment
3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	<ul style="list-style-type: none"> • The ARC committee: <ul style="list-style-type: none"> ○ Nominates and recommends the appointment of the external auditors to the shareholders at the AGM; ○ Approves the external auditor engagement terms (including remuneration); ○ Reports on the independence of the external auditor in the annual financial statements; and ○ Defines a policy for non-audit services provided by the external auditor, pre-approves contracts for non-audit services in accordance with the authority levels within this policy, and reviews the performance and effectiveness of the external audit process.
3.10. The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	<ul style="list-style-type: none"> • The ARC committee provides a comprehensive report on its activities and terms of reference in the annual financial statements.

4. THE GOVERNANCE OF RISK

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

Principle	Application	Comment
4.5. The board should ensure that risk assessments are performed on a continual basis	Applied	<ul style="list-style-type: none"> • Risk workshops are conducted either quarterly or bi-annually at group and divisional level and for capital markets. • Risks are prioritised and ranked in terms of (1) impact, (2) likelihood and (3) control environment to focus responses and interventions. • Risk workshops adopt a top-down approach with relevant executives of the company/ division participating. • The ARC committee reviews the register of material risks at each ARC committee meeting. Items are escalated to the board as necessary.
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	<ul style="list-style-type: none"> • Risk workshops are conducted quarterly (or bi-annually where applicable - Refer to 4.5 above) • Management is continuously scanning the industry and economic horizon for risks.
4.7. The board should ensure that management considers and implements appropriate risk responses	Applied	<ul style="list-style-type: none"> • The risk register details the controls, mitigating factors and/or improvement plans for all risks noted. • As per the ARC committee terms of reference, the ARC committee and abovementioned risk workshops consider risks as well as the high-level responses to manage risk to acceptable levels.
4.8. The board should ensure continual risk monitoring by management	Applied	<ul style="list-style-type: none"> • As required by the ARC committee terms of reference, the ARC committee oversees the effective and continual monitoring of risk management. This is achieved through on-going reporting and committee meetings.
4.9. The board should receive assurance regarding the effectiveness of the risk management process	Applied	<ul style="list-style-type: none"> • Internal audit provides a written assessment of the effectiveness of the system of internal controls and risk management to the ARC committee and the board.
4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	<ul style="list-style-type: none"> • Undue, unexpected or unusual risks are disclosed in the Integrated Annual Report. • The board discloses its view on the effectiveness of the risk management process in the Integrated Annual Report.

5. THE GOVERNANCE OF INFORMATION TECHNOLOGY

Principle	Application	Comment
5.1. The board should be responsible for information technology (IT) governance	Applied	<ul style="list-style-type: none"> The board has delegated the governance of information technology (“IT”) to the ARC committee to oversee and monitor. The chairman of the ARC committee provides verbal and/ or written feedback to the board on all material issues as necessary. A group level IT governance reporting framework and authority framework has been implemented. Assurance on IT governance is provided to the board via the internal audit work plan and reported to the ARC committee. A group IT report is prepared and provided at each the ARC committees.
5.2. IT should be aligned with the performance and sustainability objectives of the company	Applied	<ul style="list-style-type: none"> The IT strategy of each subsidiary is based on the enablement of its business strategy. IT is viewed as a key business differentiator in the divisions.
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	Applied	<ul style="list-style-type: none"> The board has delegated IT responsibilities to the subsidiary boards via the IT governance reporting framework and the authority framework. The chief information officer (“CIO”) position within each division is filled by an appropriately experienced and knowledgeable executive of the subsidiary who is a member of the respective subsidiary's executive management committee. The appointment of subsidiary CIO's is ratified by the group CEO.
5.4. The board should monitor and evaluate significant IT investments and expenditure	Applied	<ul style="list-style-type: none"> The level of IT expenditure is reported and governed under the authority framework. IT is an agenda point at subsidiary board meetings. Assurance on IT governance is provided to the board via the internal audit work plan and reported to the ARC committee.
5.5. IT should form an integral part of the company's risk management	Applied	<ul style="list-style-type: none"> Disaster recovery and business continuity plans are in place and tested regularly. The result of the disaster recovery testing is included within the group IT report to the ARC committee. The monitoring of compliance of IT has been delegated to the ARC committee and compliance reports are submitted to the ARC committee.
5.6. The board should ensure that information assets are managed effectively	Applied	<ul style="list-style-type: none"> Information security and the performance and sustainability of the technology infrastructure are reported to the ARC committee.

Principle	Application	Comment
5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	<ul style="list-style-type: none"> • The recording and management of IT risk is incorporated into the risk management process and recorded in the risk register of each of the subsidiaries within the group. • The internal audit work plan covers IT general control reviews at the subsidiaries, with external consultants being utilised where necessary to fulfil these reviews. The findings of these reviews are reported to the ARC committee.

6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

Principle	Application	Comment
<p>6.1. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards</p>	<p>Applied</p>	<ul style="list-style-type: none"> As included in the board charter, the board has the overall accountability for managing risks relating to compliance. The board has delegated this function to the ARC committee to oversee and monitor. In addition, the ethos of Transaction Capital's compliance behaviour is guided by the "Transaction Capital Ethics Charter". The chairman of the ARC committee provides verbal and/or written feedback to the board on all material issues as necessary. The group legal manager co-ordinates and reviews submissions made by the compliance functions at the subsidiaries. The governance and compliance framework is reported on in the Integrated Annual Report. The group legal and compliance function prescribes processes for escalating issues through the following suggested levels: <div style="text-align: center;"> <pre> graph TD A["OVERSIGHT: Audit, Risk & Compliance Committee"] B["ESCALATION: Executive committee"] C["CO-ORDINATION AND REVIEW: Group legal and compliance"] D["OWNERSHIP: business department - Legal/ compliance"] A --- B B --- C C --- D style C fill:#FFD700 </pre> </div>

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

7. INTERNAL AUDIT

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

8. GOVERNING STAKEHOLDER RELATIONSHIPS

Principle	Application	Comment
<p>8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation</p>	<p>Applied</p>	<ul style="list-style-type: none"> • The board charter charges the board with the responsibility for acting in the interests of all of the company's stakeholders. • The board has approved the company's sustainability policy which details the company's policy relating to the relationship with its stakeholders. • Stakeholder engagement is reported on bi-annually at subsidiary board meetings and at the social and ethics committee and Transaction Capital's board where appropriate. • The group's vision lists key stakeholders with which ongoing engagement takes place: <ul style="list-style-type: none"> ○ Clients; ○ Executives and managers; ○ Employees; ○ Funders; ○ Suppliers; ○ Shareholders; and ○ Law makers and regulators. • Reputational risk is the responsibility of the board. • The group engages pro-actively with all stakeholders throughout the year. Risks identified during this process are included in relevant risk registers (refer to section 4).
<p>8.2. The board should delegate to management to proactively deal with stakeholder relationships</p>	<p>Applied</p>	<ul style="list-style-type: none"> • Refer to 8.1 • Stakeholder relationships form an integral part of each subsidiary's business strategy. • Interaction with shareholders, funders and regulators (and the media relating to the aforementioned) is managed centrally by the group and reported on at the ARC committee, social and ethics committee and/or board where relevant. • Other stakeholder engagement is managed by each subsidiary and reported thereon at subsidiary board meetings as well as at the social and ethics committee and Transaction Capital's board where relevant.
<p>8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company</p>	<p>Applied</p>	<ul style="list-style-type: none"> • Refer to 8.1 and 8.2.

Principle	Application	Comment
8.4. Companies should ensure the equitable treatment of shareholders	Applied	<ul style="list-style-type: none"> All shareholders are treated equally by the group.
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	<ul style="list-style-type: none"> Refer to 8.1 and 8.2
8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	<ul style="list-style-type: none"> Dispute resolution processes are dealt with by the board, subsidiary boards, and committees as required.

9. INTEGRATED REPORTING AND DISCLOSURE

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