

An important driver of Motus' reputation is our ability to ensure compliance within an increasingly complex regulatory environment and across multiple jurisdictions. As a compliant business, our customers are protected and have accessible redress when problems occur.

We are impacted by legislation that covers consumer protection, competition law, second-hand goods, data privacy, anti-money laundering, market access, treating customers fairly, health and safety, product responsibility, labour relations, employment equity and transformation. In addition, the retention of our importer licences depends on compliance with all customs and excise legislation, and our businesses that operate as authorised financial service providers (FSPs) are impacted by an increasingly complex financial services regulatory framework. Any breach in compliance, whether material or minor, can impact our operations and relationships with various stakeholders, including banks, original equipment manufacturers (OEMs), regulators and the public.

Our employees receive training to increase their understanding of their regulatory obligations. Incidents of non-compliance are escalated to senior managers and the finance, risk and review committee. Employees who fail to adhere to compliance processes and controls are disciplined appropriately.

For more information on ethics, see [ethics management](#) under sustainable development best practice.

For more information on environmental compliance, see [environmental compliance](#).

Performance measure

No material instances of non-compliance with laws and regulations during the reporting year, including the provision and use of our products and services and environmental legislation.

Link to material issues

› Demonstrate governance best practice

Opportunity

Our ability to effectively implement new controls quickly can provide an advantage in our highly regulated businesses.

Risks and challenges

- › Financial and reputational consequences of non-compliance.
- › Ability to adequately respond to new and emerging regulation.
- › Managing the added cost and complexity to the customer value proposition and the way we do business as a result of changing legislation and policy uncertainty.
- › Regulatory pressure to allow new entrants to market with lower or no franchise standards.

Boundary

› All Motus entities.

Ensuring regulatory compliance

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Areas of focus

Conform to JSE Listings Requirements	Ensure compliance	Align to a new financial services regulatory landscape	Understand and prepare for new and emerging regulation
<p>Priorities</p> <ul style="list-style-type: none"> › Dedicated team to ensure readiness. › Articulate a distinct investment proposition for Motus. › Deepen the application of the principles and recommendations of the King Report on Corporate Governance™* for South Africa (King IV). The Motus board has been reconstituted to comply with King IV. 	<p>Priorities</p> <ul style="list-style-type: none"> › Maintain a robust regulatory compliance framework. › Establish policies and procedures at divisional level and filter these down to individual businesses. › Conduct compliance audits quarterly across Motus. › Centralised specialist functions established for areas where compliance risk is high. › If needed, external advisers assist with assessments and ensure all regulated products and services comply with applicable legislation. 	<p>Priorities</p> <ul style="list-style-type: none"> › Merge Motus’ two finance and insurance businesses into a single operation, employing over 300 people and operating in over 150 dealerships. › Centralised monitoring of financial services regulation. 	<p>Priorities</p> <ul style="list-style-type: none"> › Continual monitoring of the regulatory universe to ensure early detection of potential impacts. › Head office assesses regulatory changes and, where required, develops new controls which are filtered into the relevant divisions. › Training delivered to employees to ensure new processes are effectively embedded. › Engage with business leaders in South Africa and maintain memberships in industry bodies to advocate for more effective policies.

Contributing to the shaping of policy

We go beyond mere tick box compliance to actively contribute to the shaping of policy, where possible, and adopting the spirit and letter of the law in our business operations. To advocate for more effective policies, we leverage our memberships in industry associations.

Representatives from Motus hold the following positions in various industry associations.

<p>National Association of Automobile Manufacturers of South Africa (NAAMSA):</p> <ul style="list-style-type: none"> › Deputy president of NAAMSA. › Chair of the Consumer Protection Act forum. › Coordinator of the Automotive Aftermarket Advocacy Programme task team. 	<p>Motor Parts and Equipment Association (MPEA):</p> <ul style="list-style-type: none"> › Office bearer of MPEA. 	<p>National Automobile Dealers Association’s (NADA):</p> <ul style="list-style-type: none"> › Several office bearers in the national executive committee. › Office bearer in the working management committee.
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Aligning to the new financial services regulatory regime

The 2008 global financial crisis highlighted the need for a new regulatory model for the financial sector. After several years of work, the Financial Services Regulation Act was enacted on 22 August 2017, marking the implementation of the Twin Peaks framework of financial regulation. Twin Peaks places equal focus on prudential and market conduct regulation and supervision. In April 2018, the Financial Sector Conduct Authority (FSCA) was established and is responsible for enhancing the integrity and efficiency of South Africa's financial markets and protecting financial customers.

Twin Peaks goes beyond introducing new laws and is a fundamental change in business practice. It requires a change in our processes, which are being operationalised timeously given that we have closely monitored these developments over the past 10 years. We believe that as a first adopter of the new market conduct regime, we will have a competitive edge through a higher degree of trust among customers interacting with our products. We have undertaken extensive reviews of our financial services products to ensure that they comply with regulatory changes and that commissions and disclosures are more transparent.

The licensing of FSPs will change to business-specific risk-based licences. We expect this to positively impact our FSP businesses as they only sell risk-based insurance products directly linked to vehicles. As the risk to a consumer is significantly lower on these products than investment products, it is expected that the bespoke licences will be easier to comply with and at the same time make it easier for the regulator to deal with non-compliance.

New regulation on certain fees, such as onboarding fees, is likely to impact the commission and income streams of some of our FSP businesses. This will require action plans to minimise revenue loss.

Scrutiny from the FSCA is expected to increase in the form of audits on our FSP businesses and questions on conduct. In light of this, we have taken the decision to merge our two largest customer-facing FSP businesses into a single operation effective 2 July 2018. The operation has a compliance team that monitors developments in financial services regulation and already operates a paperless system that:

- › takes into account upcoming customer disclosure and transparency regulations;
- › provides full audit tracking and online audit functionality; and
- › tracks customer complaints online to respond to upcoming complaints management regulations.

In the next financial year, we will also focus on training our employees who sell financial and insurance products in line with the FSCA's amended 'fit and proper' requirements. This is of key importance as it ensures that our employees are operating within the ambit of the FSCA's new requirements, thereby protecting our FSP licences.

A new risk management and compliance programme for financial service providers

As from 2 October 2017, the amended Financial Intelligence Centre (FIC) Act requires all accountable institutions to develop, maintain and implement a risk management and compliance programme (RMCP). The programme must set out an institution's risk avoidance rules and processes linked to customer due diligence, including anti-money laundering and anti-terrorist financing. This new requirement applies to Motus' FSP businesses which are deemed to be accountable institutions. F&I Management Solutions (FAIMS) has developed an RMCP for approval at its next board meeting and the Financial Services division will seek to use this as a base to develop a standard RMCP. The FIC has made known its intention to amend the FIC Act to include vehicle dealerships as accountable institutions. The FAIMS RMCP has been drafted with this in mind and can easily be adapted to meet this requirement. This will be a significant change to the dealership framework and will require planning and training over the next 18 to 24 months to comply.

As each bank and insurer with whom Motus has a relationship has to independently determine its own onboarding, risk and acceptance procedures, this could mean that we are required to provide multiple sets of differing data and documents to our partners. Each month our businesses facilitate over 15 000 finance applications and the same number of insurance policies with banks and insurers, which means in the absence of an industry standard there will be added complexity to the sales process, requiring additional costs to enhance data processing systems and increasing the risk of non-compliance. FAIMS is aligning its processes to meet any revised onboarding requirement presented by our partners and it is ensuring that the electronic platform used to facilitate transactions is updated as new requirements are added to the operating procedures.

The FIC's guidance note on minimum requirements forms the basis of the action plan to develop a common industry standard to avoid delays in finance approvals.

Protecting the personal information of our customers

Customer information touches every aspect of a vehicle transaction, from the vehicle itself and its financing to value-added products and services, warranties and NaTIS registration. Compliance with the upcoming Protection of Personal Information regulation in South Africa will require the wide-scale integration of our systems, personnel and resources across all areas of the business where information is collected. The upside is that our customers will have a high level of comfort that their personal information is managed securely and responsibly.

Provisions to protect personal information have been included, as far as possible, in new contract negotiations, system and platform developments and documentation, and as a basis for all new projects. In response to the increasing threat of cybercrime globally, a number of initiatives are in place, including dedicated access levels for employees and information management controls.

A gap analysis on how personal information is treated has been completed for LiquidCapital, and the same process is now underway in Hyundai, Cargo Motors, Car Rental, AAAS and Multi-franchise Centurion. For the Car Rental businesses, this is of key importance as their European relationships are subject to the General Data Protection regulation which is designed to harmonise data privacy laws across Europe. The learnings from the gap analyses will be shared across the divisions to ensure optimal information management and protection measures are implemented.

Contributing to the Automotive Aftermarket Advocacy Programme

The Competition Commission's Automotive Aftermarket Advocacy Programme was established in response to anti-competitive concerns identified in the automotive aftermarket industry. Complaints have been made that the arrangements between OEMs, insurance companies and authorised service centres and panel beaters make entry into the market difficult for emerging workshops and that consumers are disadvantaged by warranty conditions that prohibit their ability to deal with independent workshops.

The programme aims to develop a voluntary code of conduct that provides consumers with the option to have their vehicles serviced, maintained and repaired through the franchise dealership or at independent workshops.

While a voluntary code could potentially impact our aftersales service operations within the dealer franchise, most out of warranty work is generally undertaken outside of the franchise network and the impact on parts and panel supply is likely to be minimal. For certain parts of our business, the code may offer opportunities. However, the draft code presents certain challenges in terms of existing servicing, maintenance and repair criteria mandated by the different brands, including specifically trained technicians and the use of OEM parts to achieve optimal vehicle safety and lifespan. Through our memberships in NAAMSA and NADA, we are engaging with the Competition Commission, which has requested our insight on a range of issues. A second draft of the code has been issued for comment and has started to address the concerns raised by Motus, however, more engagement is required to reach a position that does not prejudice the industry. The Competition Commission has noted that it would prefer to launch the code before the end of 2018.