REMUNERATION REPORT

TRANSACTION CAPITAL CONSIDERS COMPENSATION A CRITICAL DETERMINANT OF ORGANISATIONAL PERFORMANCE AND SUSTAINABILITY. THIS VIEW IS FOUNDED FIRSTLY IN THE BELIEF THAT ALL FACTORS THAT UNDERPIN ENHANCED PERFORMANCE REQUIRE THE HIGHEST CALIBRE OF LEADERSHIP AND SPECIALIST TECHNICAL EXPERTISE, AND SECONDLY THAT STAKEHOLDERS' INTERESTS ARE BEST SERVED BY ALIGNING STRATEGY, BUSINESS MODEL, STRUCTURE, STAFFING AND COMPENSATION. WITHOUT ATTRACTING, MOTIVATING AND RETAINING THE BEST AVAILABLE TALENT, EVEN THE BEST STRATEGIES, BUSINESS MODELS AND STRUCTURES WILL FAIL.

These principles are reflected in Transaction Capital's fifth strategic objective (page 26), which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that in every field of endeavour there is a normal distribution of talent, and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply, the better Transaction Capital's people, the better the company.

Attracting and retaining high-calibre talent depends on providing both intrinsic and extrinsic rewards. While this remuneration report deals with the latter, intrinsic rewards are reflected in the Transaction Capital employee value proposition, which strives to provide talented individuals with good leadership, personal development and support, and meaningful work in an intellectually stimulating environment. To complement this, compensation policies are directed at sustaining a performance-driven culture such that the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.

GOVERNANCE OF COMPENSATION

The success of Transaction Capital and its divisions relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific subsidiaries, departments or organisational levels. The features of the group's approach to compensation are as follows:

> Compensation is defined on a cost to company basis with all benefits included and fully taxed.
> Any change to the compensation of any individual at every level of the group must be approved by the supervisor of the individual's supervisor, with the remuneration committee recommending the compensation of the chief executive officer (CEO), his direct reports and certain functional specialists.
> As part of the annual budgeting process, the group executive office provides guidelines on the percentage increase of fixed compensation to be applied throughout the group. These percentages generally take into account increases in consumer price inflation (CPI), individual performance and level in the organisational hierarchy, with percentages decreasing at higher levels.
> Formal and informal research and benchmarking are performed to determine market norms for similar positions.
> Remuneration is aligned to individual outputs measured through performance management systems that focus on goals achieved and exceeded.
> Incentives and bonuses at executive level are aligned to profit growth and relevant returns in addition to personal performance.
> Performance incentives are used to drive specific behaviours supportive of group, business or departmental performance. In certain instances, a portion of these incentives may be deferred to support retention.
> Transaction Capital attempts to eliminate differential compensation related to gender, race and location.
> The remuneration policies of the divisions are approved by the remuneration committee and the board. In those instances where an executive's decisions are likely to have a material impact on shareholder value, an element of their compensation may be aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined long-term incentive schemes (LTIs) (see compensation principles below).
> No employees or directors have employment terms that exceed six months' notice.

COMPENSATION PRINCIPLES

GENERAL STAFF

Throughout Transaction Capital, fixed and variable compensation policies and practices are structured to attract, motivate and retain the specific talent and skills required at each level for the progress of the group and its divisions. For the most part, these policies are determined by, and according to, divisional or departmental requirements within the governance guidelines described previously.

LEADERSHIP

Transaction Capital regards the individual and collective intellectual acuity, education, experience and industry knowledge of its most senior leaders and talent pool as a core capability and a source of competitive advantage. As such, the compensation, recruitment, performance, development and succession of the group's top executives is monitored directly by the CEO together with his direct reports, and indirectly by the remuneration and nominations committees.

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, using three forms of compensation:

> Total guaranteed pay (TGP) around the 60th percentile of the market. The TGP provides executives with a competitive stable income.
> Variable short-term incentives (STIs) for individual quantitative and qualitative performance aligned to corporate and individual objectives, paid annually with a deferred portion where appropriate. STIs are bespoke in nature, and are specifically designed with individualised qualitative objectives to promote performance and/or achieve pre-defined performance requirements. In addition, quantitative STIs may be awarded to reward superior performance. The annual STI requirements are approved by the remuneration committee. STIs reward specific behaviour and promote retention.
> LTI plans relate to the valuation of the company or its divisions, realisable over the medium to long term. The LTI plans create alignment with shareholders and are the major retention mechanism:

– **Share appreciation rights (SAR) plan**

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time. Subject to specific performance criteria, which is the achievement of continuous growth in group headline earnings per share of over CPI +5%, the SARs vest in full after four years of award date and are exercisable for a 12-month period. SAR awards granted until May 2014 were awarded with a three-year vesting period. The share price growth over the SAR period will be settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

The first tranche of the SAR plan vested on 12 July 2016. During the 2016 financial year a total of 7 344 576 SARs were exercised by participants resulting in 4 902 334 Transaction Capital shares being issued in settlement of the SAR obligation.

While the SAR plan has been a very successful retention mechanism since listing, the conditional share plan discussed below is favoured as a more appropriate retention and alignment tool for the purposes of incentivising employees. As such, it is anticipated that no new SAR awards will be granted in the forthcoming period. The remuneration committee will assess future use of SARs on a periodic basis as required. Those SAR awards already in issue will continue to vest as per the SAR plan.

– **Conditional share plan (CSP)**

The CSP was approved by shareholders at a general meeting held on 20 October 2016. It is anticipated that annual CSP awards will occur in November/ December each year, with May awards catering for new joiners and special circumstances. The first issue of CSPs was awarded in November 2016. All awards are subject to remuneration committee approval.

It is believed that the CSP is a superior long-term incentive for Transaction Capital's objectives. The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have a value, unlike the SAR awards.

The CSP will operate as a specific and direct LTI scheme that links to the performance of each division. It will cater for divisional executives who are believed to be in a position to directly impact and shape the performance of a division, while delivering on the division's strategy. Transaction Capital group executives will be incentivised based on the performance of the group as a whole.

The remuneration committee has approved a policy that the number of Transaction Capital shares issued in terms of the CSP awards will not exceed more than 5% of the issued ordinary shares of Transaction Capital at the time of approval of the CSP by shareholders.

The CSP mechanism, which is overseen and approved by the remuneration committee, will operate as follows:

- A valuation of each division will be performed by an independent expert on the date of CSP award (to obtain a valuation per notional share of each division). Transaction Capital executives will be awarded CSPs at the prevailing share price of Transaction Capital on date of award.
- Key executives will be awarded notional CSPs in each division (or Transaction Capital) for zero cost, based on retention and/or performance criteria set by the remuneration committee. The CSPs awarded to executives will be based on a notional share held in each division, giving executives direct exposure to the performance of that division (or based on Transaction Capital's share price for its executives).
- An updated valuation of each division will be performed by an independent expert on the date of vesting of the CSP.
- The remuneration committee approved the following criteria for the first tranche of the CSPs awarded. The following requirements will be assessed by the remuneration committee on an annual basis, and may be adjusted as necessary:

– Vesting period:

» Retention element (30% of award): to vest in full after three years, subject to continued employment.

» Performance element (70% of award): to vest in equal proportions in years two, three and four, and linked to performance requirements.

– Performance criteria: the following performance criteria have been set (per division for divisional executives, and on a consolidated basis for group executives):

Continuing headline earnings growth over vesting period*	% of CSP award to be vested
CPI	20%
CPI +5%	100%

** Growth levels in between bands will be vested on a proportional basis.*

– Employees are required to remain in the employ of the group to be eligible for CSP vestings (subject to standard "good leaver" rules).

– Employees who resign or are dismissed will forfeit any CSP awards that have not vested.

> Once the vesting period has passed and/or performance criteria are met (where relevant), the participant will receive shares in Transaction Capital to the value of the notional CSP on date of vesting.

The CSP achieves the following objectives:

> It will motivate and reward participants for creating long-term value through the opportunity to earn significant reward for superior performance.

> It will create a direct line of sight between the performance of each division and the incentive earned.

> Participants receive a right to receive a full share as opposed to the increase in value of a share.

> The CSP directly aligns the interests of the participants with those of shareholders.

– **General share purchase scheme**

The general share purchase scheme facilitated voluntary investment whereby executives were able to receive loan funding to purchase shares at market value. The scheme was largely wound down in the 2014 financial year. No further allocations will be made in terms of this scheme, which is expected to terminate in December 2018.

– **Direct investment**

In appropriate circumstances, senior executives of a business may be afforded the opportunity to subscribe for direct equity in that business, thereby incentivising and aligning their long-term interests with those of the business, Transaction Capital and its shareholders.

2016 REMUNERATION COMPONENTS

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Guaranteed package measured against the 60th percentile of the market.	Competitive with market. Provides a standard of living consistent with the demands of a specific position.
Benefits	Group life; medical cover; provident fund; disability cover.	Competitive with market. Provides financial structures for death, retirement, health and wellness.
Short-term incentive	Annual incentive based on the achievement of bespoke and individualised qualitative objectives, with a quantitative portion of the bonus awarded subject to the remuneration committee's discretion, and a portion retained where appropriate. Financial objectives include profit growth and relevant returns (for example return on invested capital in SA Taxi or return on sales in Transaction Capital Risk Services' businesses).	Competitive with market. Provides means to enjoy a higher quality of life through superior performance.
Long-term incentive	SAR plan and CSP.	Market-related long-term reward and retention for executives and key talent provides risk-free opportunity to accumulate wealth based on share price, performance and tenure.
Total reward	Providing a competitive and attractive total compensation with a portion paid over the medium term.	To attract, motivate, align and retain scarce talent and to discourage dysfunctional short-term behaviour.

2016 EXECUTIVE COMPENSATION

TOTAL GUARANTEED PACKAGE

Executive TGP was determined based on the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. Formal and informal research coupled with market norms and industry practice also influenced the policies and practices in place.

SHORT-TERM INCENTIVE

The 2016 STI was based on the following:

> Growth of group earnings per share above CPI or growth of individual business profit after tax above CPI, with exponentially higher STIs awarded for higher levels of growth.

> Return on invested capital in SA Taxi and return on sales for Transaction Capital Risk Services' businesses.

> Where appropriate, STIs were awarded for individualised targets being met.

> Where appropriate, and as determined by the remuneration committee, certain executives were awarded qualitative STI payments based on superior individual performance.

LONG-TERM INCENTIVE

Executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and short-term incentive relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price. Awards were granted in November 2015 and May 2016 (to new joiners and in certain special circumstances); have a vesting period of four years; and are subject to predefined performance criteria. All SAR awards were approved by the remuneration committee.

While outside of the 2016 financial year, the first issuance of the CSP took place in November 2016, based on the criteria described on page 94.

EXECUTIVE DIRECTORS' REMUNERATION

The following table shows a breakdown of the annual remuneration (excluding SAR awards) of directors for the year ended 30 September:

Executive director	**Salary 2016 R**	**Benefits 2016 R**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015 R	Annual incentive bonus 2015 R	Total 2015 R
David Hurwitz	**2 848 492**	**685 376**	**2 598 750**	**6 132 618**	2 526 801	828 309	2 200 000	5 555 110
Mark Herskovits	**2 104 560**	**407 540**	**1 228 500**	**3 740 600**	2 010 156	368 922	1 170 000	3 549 078
Jonathan Jawno	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 308	150 732	2 000 000	3 220 040
Michael Mendelowitz	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 155	150 885	2 000 000	3 220 040
Ronen Goldstein[1]	**265 417**	**31 121**	**1 166 667**	**1 463 205**	–	–	–	–
Total	**7 332 869**	**1 449 717**	**14 593 917**	**23 376 502**	6 675 420	1 498 848	7 370 000	15 544 268

1 Appointed as an executive director effective 1 August 2016.

SHARE APPRECIATION RIGHTS

The following table shows the position as at 30 September 2016:

Executive director	Present value of SAR R	Number of SARs	Vesting period (years)	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on SARs exercised R
David Hurwitz						
– Granted on 11 July 2013	3 200 000	2 004 494	3	2 004 494	–	–
– Granted on 18 November 2013	2 092 570	979 049	3	–	–	–
– Granted on 25 November 2014	1 029 000	300 000	4	–	–	–
– Granted on 24 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
– Granted on 11 July 2013	2 700 000	1 691 292	3	939 607	751 685	5 417 021
– Granted on 18 November 2013	2 675 060	1 251 578	3	–	–	–
– Granted on 25 November 2014	857 000	250 000	4	–	–	–
– Granted on 24 November 2015	498 000	150 000	4	–	–	–
Ronen Goldstein						
– Granted on 11 July 2013	100 000	62 640	3	–	62 640	451 418
– Granted on 18 November 2013	150 000	70 180	3	–	–	–
– Granted on 25 November 2014	343 000	100 000	4	–	–	–
– Granted on 24 November 2015	498 000	150 000	4	–	–	–

Refer to note 25 in the annual financial statements for more detail on the SAR plan.

CONDITIONAL SHARE PLAN

While outside the 2016 financial year, the following CSP's were awarded on 22 November 2016:

Executive director	Present value of CSP award R
David Hurwitz	
– Granted on 22 November 2016	1 684 672
Mark Herskovits	
– Granted on 22 November 2016	1 249 900
Ronen Goldstein	
– Granted on 22 November 2016	1 273 374

Note: vesting criteria are shown on page 94.

TRANSACTION CAPITAL GENERAL SHARE SCHEME

Executive director	**Number of shares 2016**	**Value of shares 2016 R**	**Value of funding 2016 R**	Number of shares 2015	Value of shares 2015 R	Value of funding 2015 R
David Hurwitz	**424 175**	**5 408 231**	**2 839 733**	679 740	6 797 400	4 032 649
Mark Herskovits	**–**	**–**	**–**	592 444	5 924 440	2 391 695

The rationale and context for the remuneration of these executive directors is as follows:

CHIEF EXECUTIVE OFFICER – DAVID HURWITZ

Mr Hurwitz' incentive bonus of R2 598 750 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for the overall improvement in the state of the group during 2016, and progress in achieving the group's strategic objectives including the conclusion of acquisitions and stringent capital management in a challenging trading environment.

FINANCIAL DIRECTOR – RONEN GOLDSTEIN

Mr Goldstein's incentive bonus of R1 166 667 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for the overall continued improvement in the state of the financial and risk structures and reporting of the group during 2016, and implementation of key group projects.

EXECUTIVE DIRECTOR – JONATHAN JAWNO

Mr Jawno's incentive bonus of R4 800 000 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for his specific role in the management of risk and capital.

Mr Jawno does not participate in the SAR plan or CSP.

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT – MARK HERSKOVITS

Mr Herskovits' incentive bonus of R1 228 500 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for meeting the group's capital management requirements well into the 2017 financial year.

EXECUTIVE DIRECTOR – MICHAEL MENDELOWITZ

Mr Mendelowitz' incentive bonus of R4 800 000 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities.

Mr Mendelowitz does not participate in the SAR plan or CSP.

Mr Jonathan Jawno and Mr Michael Mendelowitz are executive directors of the group, while Mr Roberto Rossi is a non-executive director with a consulting and project contract, and therefore not independent by definition (collectively, "founder directors").

The founder directors continue to be actively involved in various aspects of the group's businesses in support of executive line management. This involvement may include strategy, operations, acquisitions, disposals, capital raising, regulatory matters and participation in group and divisional management where appropriate. The board believes that the founder directors' participation in this manner adds considerable value for shareholders on an ongoing basis.

Following the JMR restructure (detailed on page 75), JMR Holdings Proprietary Limited (in which the respective family trusts of the founder directors hold equal shareholdings) continues to be the largest shareholder of reference of the group.

Due to the circumstances and history, the remuneration and fee arrangements of the founder directors are not conventionally structured. None of the founding directors participate in any of the group's employee share schemes or other long-term incentive plans. The base packages of the executive founder directors are well below market-related fees for directors of their calibre, where the non-executive director fees and consulting services of the non-executive founder director are also below market. At the end of each financial year, the independent non-executive members of the remuneration committee meet with the founder directors and consider their inputs and successes during the year. The remuneration committee then awards incentive bonuses and contract adjustments relative to quantitative and qualitative performance with reference to market benchmarks for listed companies comparable in size and industry.

REMUNERATION REPORT *continued*

PRESCRIBED OFFICERS' REMUNERATION

The following table shows a breakdown of the annual remuneration of prescribed officers for the year ended 30 September:

Prescribed officer	**Salary 2016 R**	**Benefits 2016 R**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015 R	Annual incentive bonus 2015 R	Total 2015 R
Prescribed Officer A	**2 664 522**	**275 478**	**2 327 500**	**5 267 500**	2 546 430	262 443	1 633 333	4 442 206
Prescribed Officer B	**2 728 524**	**1 909 962**	**2 887 500**	**7 525 986**	2 607 356	1 853 090	1 375 000	5 835 446
Total	**5 393 046**	**2 185 440**	**5 215 000**	**12 793 486**	5 153 786	2 115 533	3 008 333	10 277 652

NON-EXECUTIVE DIRECTORS' FEES FOR 2016

The following table illustrates fees paid to non-executive directors for membership of committees. Fees are paid to non-executive directors quarterly in arrears with no additional meeting attendance fees. This is due to board members providing input to the company on an ongoing basis, not limited to the attendance of meetings.

The fees paid to non-executive directors have been determined on a market-related basis, as recommended by the remuneration committee and the board, and approved by shareholders at the annual general meeting.

Board members	C Seabrooke[1] R	D Woollam R	P Langeni[2] R	D Tabata R	R Rossi[3] R	M Kgosana[4] R	K Pillay[5] R	**Total R**
Chairperson (including committee attendance)	1 200 000	–	–	–	–	–	–	**1 200 000**
Director	–	250 000	250 000	250 000	250 000	135 417	41 667	**1 177 083**
Audit, risk and compliance committee (chairperson)	–	160 417	–	–	–	189 583	–	**350 000**
Audit, risk and compliance committee (member)	–	81 250	150 000	–	–	–	–	**231 250**
Asset and liability committee (chairperson)	–	62 500	–	–	–	–	–	**62 500**
Remuneration committee (chairperson)	–	–	–	125 000	–	–	–	**125 000**
Remuneration committee (member)	–	–	–	–	–	–	10 000	**10 000**
Nominations committee (member)	–	–	–	60 000	60 000	–	–	**120 000**
Social and ethics committee (chairperson)	–	–	125 000	–	–	–	–	**125 000**
Total annual fees	1 200 000	554 167	525 000	435 000	310 000	325 000	51 667	**3 400 833**

1 Mr Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee, audit risk and compliance committee and the asset and liability committee.

2 In addition to the fees received above, Ms Langeni received directors' fees of R200 000 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.

3 Mr Rossi received R890 000 for consulting services, in addition to the fees above.

4 Appointed as a non-executive director effective 15 March 2016.

5 Appointed as a non-executive director effective 1 August 2016.

NON-EXECUTIVE DIRECTORS' FEES FOR 2015

Board members	C Seabrooke R	D Woollam R	P Langeni[1] R	D Tabata R	S Zagnoev[2] R	R Rossi[3] R	**Total R**
Chairperson (including committee attendance)	1 200 000	–	–	–	–	–	**1 200 000**
Director	–	250 000	250 000	250 000	250 000	250 000	**1 250 000**
Audit, risk and compliance committee (chairperson)	–	350 000	–	–	–	–	**350 000**
Audit, risk and compliance committee (member)	–	–	150 000	–	–	–	**150 000**
Remuneration committee (chairperson)	–	–	–	125 000	–	–	**125 000**
Nominations committee (member)	–	–	–	60 000	–	60 000	**120 000**
Social and ethics committee (chairperson)	–	–	125 000	–	–	–	**125 000**
Total annual fees	1 200 000	600 000	525 000	435 000	250 000	310 000	**3 320 000**

1 In addition to the fees received above, Ms Langeni received directors' fees of R200 000 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and MBD Credit Solutions Holdings (Pty) Ltd.

2 Resigned effective 8 December 2015.

3 Mr Rossi received R890 000 for consulting services, in addition to the fees above.

CONCLUSION

Transaction Capital is mindful of the sensitivities surrounding executive compensation and will therefore:

> Adhere to King Codes of Governance Principles with regard to remuneration (King III and the recently released King IV) or any other industry-specific guidelines in the payment and disclosure of executive compensation.

> Disclose the principles and practices used to determine executive compensation.

> Offer full explanation and disclosure in those instances where executive compensation is not aligned to short-term performance.

> Exercise caution in making awards to departing executives.