

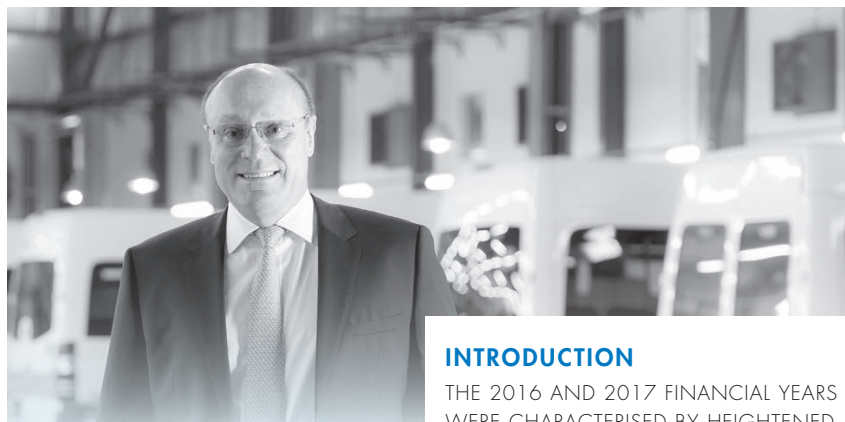
GOVERNANCE

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CHRISTOPHER SEABROOKE
CHAIRMAN

CHAIRMAN'S
REPORT

INTRODUCTION

THE 2016 AND 2017 FINANCIAL YEARS WERE CHARACTERISED BY HEIGHTENED CONCERNS REGARDING SOUTH AFRICA'S ECONOMIC POTENTIAL AND SOCIO-POLITICAL STABILITY, WITH THE CONCOMITANT RISK OF SOUTH AFRICA'S LOCAL CURRENCY RATING DOWNGRADE EXPECTED TO REMAIN AS A CENTRAL THEME IN THE IMMEDIATE FUTURE.

Consumers and the small- and medium-sized enterprise (SME) sector in South Africa remain vulnerable, with low real wage growth, high unemployment levels (currently estimated at 27.7%), the persistently high cost of household essentials despite slightly lower levels of inflation, only slightly reduced levels of household debt to income (72.6% for the second quarter of 2017) and muted gross domestic product (GDP) growth continuing to impact business confidence.

The combined effect of these factors is seen in the results of Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), which samples over five million consumers from Transaction Capital Risk Services' proprietary database. It showed that the national rehabilitation prospects of South African consumers already in a default position deteriorated by 1.1% in the second quarter of 2017 (compared to the corresponding quarter in 2016), followed by a further deterioration of 0.9% in the third quarter of 2017 (compared to the third quarter in 2016).

While household debt to income has reduced, this is mainly due to debt growing at a slower pace than income, rather than an absolute decline in household debt. The 25 basis points rate cut in July 2017 and lower inflation (5.1% at 30 September 2017) may improve the debt servicing ability of households, albeit moderately. No meaningful improvement in the consumer environment is expected, and tighter retail credit extension will support this gradual decrease in the debt burden of consumers.

Stable medium-term GDP growth is expected in Australia, which will serve to further diversify Transaction Capital's earnings over time.

HIGHLY DEFENSIVE BUSINESSES DELIVERING STRONG GROWTH

Despite persistent challenges in the South African market, Transaction Capital has continued to deliver high-quality organic earnings growth with high cash conversion rates since it listed on the JSE Limited five years ago. Headline earnings per share for the five years to 30 September 2017 grew at a compound annual growth rate (CAGR) of 21%, with dividends per share growth at a CAGR of 36% since 30 September 2014.

GOVERNANCE CHANGES

The board welcomed two new non-executive directors in the year. Olufunke Ighodaro, appointed to the board on 1 April 2017 as an independent non-executive director, brings a wealth of business experience and chairs the group's audit, risk and compliance committee. Olufunke has served as chief financial officer of Tiger Brands Limited and Primedia Limited. Paul Miller, a qualified corporate lawyer who built his career at the international law firm Berwin Leighton Paisner LLP, was appointed to the board on 1 July 2017. Paul has executed numerous equity capital market transactions and merger and acquisition deals during his 25-year legal career, and is also the chief executive officer of Everglan Capital Proprietary Limited. We welcome Olufunke and Paul to the board, and look forward to their contribution to Transaction Capital's growth.

We also welcome Theresa Palos, who was appointed as company secretary with effect from 2 March 2017. Theresa replaces Statucor (Pty) Ltd.

David Woollam and Dumisani Tabata resigned as independent non-executive directors with effect from 2 March 2017, and Moses Kgossana resigned as an independent non-executive director with effect from 8 September 2017. The board thanks these directors for their years of service to the group, and wishes them well in their future endeavours.

The annual performance evaluation of the board, conducted in November 2017, reaffirmed the effectiveness of the board in its direction of the group.

The King IV Report on Corporate Governance (King IV), released in November 2016, further advances South Africa's leadership in corporate governance and places the spotlight firmly on ethical and effective leadership. Transaction Capital conforms to the principles contained in King IV.

SHAREHOLDING

In February 2017, Transaction Capital returned to the equity market for the first time since listing. In an accelerated bookbuild, the group issued 28.4 million shares, raising R419 million to create the capacity for further acquisition opportunities. The issuance was oversubscribed and predominantly taken up by institutional investors.

As management was not permitted to participate in the bookbuild, the shareholding of directors decreased from 46% to 44%. Thus, the group's free float percentage is now at 56% (2016: 54%), with its institutional shareholding and foreign ownership increasing to 31% (2016: 28%) and 6% (2016: 3%) respectively.

The implementation of the Transaction Capital Limited Conditional Share Plan (CSP) was approved by shareholders on 20 October 2016.

The CSP strengthens Transaction Capital's ability to attract and retain key employees while providing them with the opportunity to share in the success of the relevant division in which they are employed, and creates alignment between their interests and that of shareholders. The remuneration report starting on page 92 provides further detail on the CSP.

DIVIDEND POLICY AND DIVIDEND DECLARATION

The dividend policy has been amended to a reduced cover ratio of 2 to 2.5 times (previously 2.5 to 3 times). This change has been implemented due to the improved quality of earnings as evidenced by high cash conversion rates and lower balance sheet risk, the stable capital requirements of the group and the ungeared net position of the holding company. All of these factors allow for a higher sustainable dividend pay out going forward.

Following the interim dividend of 15 cents per share (2016 interim: 12 cents per share), and in line with the new dividend policy, the board has declared a final gross cash dividend of 25 cents per share (2016: 18 cents per share) for the six months ended 30 September 2017.

CONCLUSION

Transaction Capital owns businesses that operate in highly specialised and under-served segments of the South African and Australian financial services market. Its market-leading divisions, SA Taxi and Transaction Capital Risk Services, led by entrepreneurial and experienced management teams, represent a diversified and scalable financial services platform, underpinned by a mature governance framework. The divisions leverage their proprietary data and technology to create value for their customers. Positioned deliberately in relation to demographic and socio-economic realities, they deliver both commercial returns and social benefits.

Despite persistent challenges in the economic environment, these defensive businesses continue to deliver strong performance and high-quality earnings.

I extend my appreciation to the group's leadership for providing strategic clarity and direction, and for the dedication and commitment of its more than 4 000 employees. My thanks also extend to the board for ongoing guidance and insight, and the group's bankers, funders and advisers for their continued support.



GOVERNANCE REPORT

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

KING IV

The King IV Report on Corporate Governance for South Africa was released on 1 November 2016 and is effective for financial years commencing from 1 April 2017. In line with the JSE Listings Requirements, Transaction Capital has transitioned to the new code, as encouraged. King IV advocates an outcome-based approach and defines corporate governance as the exercise of ethical and effective leadership towards achieving the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

Transaction Capital has set out its governance structures in line with the 16 principles of King IV. The application of King IV is on an apply and explain basis, and many of the practices underpinning the principles form an integral part of the group's internal controls, policies and procedures governing corporate conduct. The application of recommended practices have been adopted and reported on as necessary as part of the transition to King IV, taking into account Transaction Capital's business operations and its governance structure.

The board is committed to complying with legislation, regulations and best practices relevant to the group. The board regards the process of assessing and monitoring adherence to adopted governance standards as dynamic and endeavours to continually improve governance structures within the group. This is aligned with the aspirational nature of the King IV principles.

PRINCIPLE 1:

Ethical leadership

The governing body should lead ethically and effectively.

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

The board is responsible for the strategic direction of the group, which it considers in conjunction with the group's values and ethics charter. The group's values (available on its website, www.transactioncapital.co.za) provide the foundation for effective and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.

BOARD OF DIRECTORS

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

The board acts as the custodian of governance and has approved a formal charter that sets out its responsibilities in this regard. The board is responsible for appointing the chief executive officer (CEO) and for monitoring his management of the performance of Transaction Capital's assets and resources against approved strategic and financial objectives.

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

82 DETAILS OF RISK CATEGORIES MANAGED BY THE BOARD
SUB-COMMITTEES ARE INCLUDED IN THE RISK REPORT

PRINCIPLE 2:

Organisation values, ethics and culture

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

ETHICS

Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence and innovation. In addition, it describes Transaction Capital's guiding business principles that direct all business dealings within the group, by employees and with other stakeholders.

As an ethical roadmap for the group, the ethics charter requires all group operations to conduct business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The CEO is the custodian of the charter, and is assisted by the group's ethics officer. The board reviews the charter annually.

Transaction Capital maintains an independent whistle blowing hotline operated by an external service provider. Reports can be made anonymously through the hotline and are directed to the group ethics officer for investigation or escalation. In addition, reporting of unethical or fraudulent behaviour to line management and the respective human resources departments of the group's businesses is encouraged. This is reported on in the social and ethics committee meetings as well as the relevant board meetings.

PRINCIPLE 3:

Responsible corporate citizenship

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

Responsible corporate citizenship is integrated into the group's strategy, and its principles underpin all key aspects of the business. Ultimate responsibility lies with the board, with oversight vested in the social and ethics committee and the ARC committee.

The social and ethics committee monitors targets and measures many of the aspects listed under the King IV practices (including employment equity, fair remuneration, equal work for equal pay, safety, health, economic transformation, public health and safety, consumer protection, community development and protection of human rights). The ARC committee is responsible for the prevention, detection and response to fraud and corruption. It is also responsible for tax policy.

The sustainability policy governs interactions with the group's stakeholders. Stakeholder engagement takes place at all levels, across the subsidiaries and group. The sustainability policy has been approved by the board and adopted by the group.

In addition, the ARC committee oversees the preparation of the integrated report, with certain sections being reviewed by the external and internal auditors where appropriate.

Each division's societal relevance is core to achieving the group's strategic objectives.

34 & 44 FOR FURTHER DETAIL ON THE SOCIETAL RELEVANCE
OF TRANSACTION CAPITAL'S DIVISIONS

PRINCIPLE 4:

Strategy, implementation and performance

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The board has set out its mission, strategy and associated risks in this integrated report, with Transaction Capital's core values available on its website. In directing strategy, the board considers the risks and opportunities related to the context in which the group operates, to create value for all stakeholders.

The board has delegated the formulation and implementation of group strategy to management with the required input from the board. The board has approved the group strategy along with key performance criteria and targets for management to assess the implementation of the group strategy.

The ARC committee assists the board with the governance of risks, as detailed in the committee's terms of reference. The board assesses the overall viability of the company with regards to its reliance and effects on capital, solvency and liquidity, and its status as a going concern.

PRINCIPLE 5:

Reports and disclosure

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium- and long-term prospects.

The board has approved the group's strategy, together with its risks and opportunities, which are all included in this integrated report. The integrated report enables stakeholders to make an informed decision about the group's direction.

Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

PRINCIPLE 6:

Role of the governing body

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The board of directors of Transaction Capital is the focal point of its corporate governance framework. The group follows a stakeholder-inclusive approach to governance, with the board being ultimately responsible and accountable to stakeholders for the performance, activities and control of the group.

The board has adopted the board charter and approves board sub-committee terms of reference and group policies. The board charter and group policies regulate how the board conducts itself in the best interest of the company and its stakeholders, taking into account the principles of good corporate governance and legislation.

Annual reviews are conducted as part of the board's workplan. The board charter provides for non-executive independent, external professional advice and for non-executive directors to set up meetings with management, where necessary.

75 SEE PRINCIPLE 1 FOR MORE DETAIL

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

Each of Transaction Capital's divisions has its own board of directors, with each division's governance processes aligned to Transaction Capital's governance framework, thereby appropriately allocating various levels of authority to individuals and committees

throughout the group structure. The activities of each division's board include reviewing and providing input on the corporate strategy, business plans, risk propensity, budgets and sustainability. The strategies, business plans and performance criteria for each division are clearly defined, with appropriate key performance indicators in place to measure and monitor performance against their strategies.

PRINCIPLE 7:

Composition of the governing body

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The board, in conjunction with the nominations committee, assesses the composition and membership of the board and board committees holistically on an annual basis.

The non-executive directors bring independent judgement and experience to the board's deliberations and decisions. Non-executive directors are chosen based on the appropriateness of their business skills and expertise to the strategic direction of the group. The nominations committee and the board take into account the diversity of academic qualifications, technical expertise, industry knowledge, experience, business acumen, race and gender when board appointments are considered. No one individual or group of individuals has unfettered powers of decision-making.

In addition, Transaction Capital supports the principles and aims of gender diversity at board level. The group has adopted a gender diversity policy with a voluntary target of employing at least two female directors at board level, which was met in the reporting period. The nominations committee will assess the set targets and fulfilment thereof annually.

Based on its most recent assessment performed in November 2017, the board, together with the nominations committee, is satisfied that the board's composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

In terms of their fiduciary duties, directors should act independently in exercising their judgement and fulfilling their duties, and should not have their discretion fettered in any way. This requires that directors apply their minds honestly and make decisions in the best interest of the organisation on all matters presented to the board.

Directors do not participate on matters in which they may be conflicted. The notion of the independence of directors is also a structural issue that considers their relationship to other parties in assessing their independence. The independence of non-executive directors is assessed annually.

All committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through the chairman of each committee, the committees report back to the board at each board meeting. The committees also report to stakeholders annually as required (be it in the integrated report and/or at the annual general meeting (AGM)).

The composition of each division's board includes non-executive directors, some of whom may be executive or non-executive directors of Transaction Capital. Directors of these boards are of sufficient calibre, experience, diversity and number for their views to carry significant weight in the decisions of the group and divisional CEOs.

Appointment and induction process

The nominations committee assists in identifying suitable board members, and performs background and reference checks prior to their appointment.

New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or financial director, and consists of an information pack, detailed discussions on the environment and operations of each of the major businesses, and site visits. Formal induction processes were fulfilled for all director appointments during the period.

Consultation process

Directors are encouraged to take independent advice, where necessary, for the proper execution of their duties and responsibilities. This is done at Transaction Capital's expense, after consultation with the chairman. In addition, directors have unrestricted access to the group's auditors and professional advisers, and to the advice and services of the company secretary.

After advising the CEO of their intention to do so, directors may attend any committee or subsidiary board meeting, and have unrestricted access to any executive, manager or employee in the group as well as to any information generated by the group.

In addition, the company provides training to directors, as required.

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

Independent non-executive directors

- Christopher Seabrooke (chairman)
- Phumzile Langeni
- Kuben Pillay
- Olufunke Ighodaro (appointed 1 April 2017)

The following members resigned during the year:

- Dumisani Tabata (resigned 2 March 2017)
- David Woolam (resigned 2 March 2017)
- Moses Kgosana (resigned 8 September 2017)

Non-executive directors

- Roberto Rossi
- Paul Miller (appointed 1 July 2017)

Executive directors

- David Hurwitz (CEO)
- Ronen Goldstein (financial director)
- Mark Herskovits (executive director: capital management)
- Jonathan Jawno (executive director)
- Michael Mendelowitz (executive director)

28 THE BIOGRAPHIES OF GROUP DIRECTORS ARE PROVIDED IN THE DIRECTORATE SECTION

This year, Christopher Seabrooke, David Hurwitz and Mark Herskovits will retire by rotation and are standing for re-election at the AGM. These directors have been appraised by the board and their re-election is recommended. In addition, those directors appointed during the year will also be nominated for election as directors.

Chairman

Christopher Seabrooke is the independent non-executive chairman of the Transaction Capital board and is responsible for leading the board in fulfilling its mandate. The offices of chairman and CEO are separate. The board appoints the chairman from among its members annually and, together with the nominations committee, is responsible for the succession plan of the chairman. The chairman's performance is reviewed as part of the board's annual assessments, the result of which showed that the chairman leads ethically and effectively.

Chief executive officer

David Hurwitz is the group CEO, responsible for the leadership of Transaction Capital and the implementation of the strategies, structures and policies adopted by the board. The board appoints the CEO and sets the terms of his employment contract.

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

Financial director

Ronen Goldstein is the financial director of Transaction Capital and is responsible for reporting on Transaction Capital's financial performance. The ARC committee and the board are satisfied with the financial director's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the full financial period.

Company secretary

With effect from 2 March 2017, Theresa Palos replaced Statucor (Pty) Ltd as company secretary. The board is satisfied with the qualifications, experience and competence of Theresa Palos.

All directors have access to the services and advice of the company secretary, who supports the board as a whole and the directors individually in fulfilling their duties.

The company secretary is required to fulfil duties under the Companies Act and the JSE Listings Requirements, and to ensure that appropriate procedures and processes are in place for board proceedings. The company secretary is a resource in the group on governance, ethics and legislative changes. The company secretary is entitled to obtain independent advice to achieve these objectives.

The board has assessed the company secretary function as adequate and is satisfied that an arm's length relationship is maintained.

BOARD MEETINGS

Directors are required to attend all board meetings. The board follows a formal workplan that includes strategy, operational and financial performance, risk and governance. Progress against the group's strategic objectives is reported on at each meeting.

The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each item on the meeting's agenda, including reports by the executive office. At least four board meetings are held annually, one of which includes a strategic review.

BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

	Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year	4	3	2	2	2	4
Board member	Status					
Christopher Seabrooke	3	2	1	1	–	3
Phumzile Langeni	4	3	–	–	2	–
Moses Kgosana ¹	3	2	–	–	–	–
Kuben Pillay	4	–	2	2	–	–
Olufunke Ighodaro ²	3	3	–	–	–	3
Roberto Rossi	4	–	2	2*	–	–
Paul Miller ³	2	–	–	1	–	–
David Hurwitz	4	3*	2*	2*	2	4
Mark Herskovits	4	–	–	–	–	4
Jonathan Jawno	4	3*	2*	2	–	4
Michael Mendelowitz	4	–	2*	2*	–	–
Ronen Goldstein	4	3*	2*	2*	2	4*

* Invitee.

1. Moses Kgosana resigned on 8 September 2017.

2. Olufunke Ighodaro was appointed as an independent non-executive director on 1 April 2017 and attended all relevant meetings since date of appointment.

3. Paul Miller was appointed as a non-executive director on 1 July 2017 and attended all relevant meetings since date of appointment.

Succession planning

The nominations committee is responsible for formulating the formal succession plans of the board, the CEO and the CEO's direct reports. The committee reviews these succession plans annually. On approval of the succession plans, the CEO conducts alignment discussions with potential successors, where necessary, which may result in direct development interventions.

PRINCIPLE 8:

Committees of the governing body

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Board sub-committees

A delegation of authority is in place for board sub-committees. Board sub-committees have terms of reference, which are reviewed annually.

The governance function of the board sub-committees is outlined in the respective approved committee terms of reference.

Included in each committee's terms of reference is the imperative to enhance the standard of governance within the group, together with clearly defined authority delegation and reporting procedures. The board receives formal feedback from the chairman of each committee at each board meeting. Copies of the minutes of committee meetings are included in board documentation.

To align with King IV, changes were made to committee compositions, which were effective from 1 November 2017. Paul Miller has been appointed to the remuneration committee, replacing Jonathan Jawno, and Kuben Pillay has been appointed to the social and ethics committee, replacing Ronen Goldstein.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	NOMINATIONS	REMUNERATION	SOCIAL AND ETHICS	AUDIT, RISK AND COMPLIANCE	ASSET AND LIABILITY
Chairperson	Christopher Seabrooke ¹	Kuben Pillay ¹	Phumzile Langeni ¹	Olufunke Ighodaro ¹	David Hurwitz ³
Members	Roberto Rossi ² Kuben Pillay ¹	Christopher Seabrooke ¹ Paul Miller ²	David Hurwitz ³ Kuben Pillay ¹	Phumzile Langeni ¹ Christopher Seabrooke ¹	Christopher Seabrooke ¹ Olufunke Ighodaro ¹ Mark Herskovits ³ Jonathan Jawno ³
Functions managed	<ul style="list-style-type: none"> Directors People Succession 	<ul style="list-style-type: none"> People Remuneration Retention 	<ul style="list-style-type: none"> Transformation Sustainability Ethics 	<ul style="list-style-type: none"> Accounting, tax and compliance Information and technology Internal audit Risk Credit 	<ul style="list-style-type: none"> Funding Liquidity Capital
Number of meetings per year	At least two	At least two	At least two	At least three	At least four
Composition	Non-executive directors, the majority of whom are independent. The chairman is the independent non-executive chairman of the board.	All members are non-executive, the majority of which are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Independent non-executive directors.	Includes an independent non-executive director as necessary.

1. Independent non-executive director.

2. Non-executive director.

3. Executive director.

PRINCIPLE 9:

Delegation to management

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Assessment of the effectiveness of the board, its committees and the company secretary

A formal performance evaluation of the board, its committees and the company secretary is conducted annually by means of an evaluation questionnaire, to review the mix of skills, performance during the year, contribution and independence of individual directors, and the effectiveness of committees. Results of the evaluations provide the basis for improvement of the board and its committees for the following year.

The nominations committee workplan allows for a discussion of board performance as well as that of committees, the chair and members.

Based on the annual evaluations undertaken during November 2017, the board is satisfied that:

- All directors are committed to their roles and are performing to acceptable standards.
- The board and its committees are effective and operating to an appropriate standard.
- The group's risk management processes are operating effectively.
- All directors and committee members have the appropriate qualifications, experience and skills required to fulfil the respective committee's mandate.
- Independent non-executive directors meet the criteria for independence in terms of King IV.
- The expertise, performance and experience of the chairman, CEO, financial director, internal audit executive and the company secretary are adequate (refer principle 7 starting on page 76).

PRINCIPLE 10:*Performance and effectiveness*

The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and effective exercise of authority and responsibilities.

The board appoints the CEO and has a delegation of authority in place, in terms of which the CEO clearly leads the implementation and execution of strategy and policy, and serves as the link between the board and management. The CEO is accountable to and reports to the board. The role of CEO is clearly defined and his performance assessed by the board.

The board approves the appointment of the company secretary. Access to the company secretary and independent advice is available, where necessary.

An authority matrix is in place for the group governing the authority delegated to group management and matters reserved for decision by the board.

Annual reviews of directors, committees and the company secretary are performed.

PRINCIPLE 11:*Risk and opportunity governance*

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Transaction Capital has a board-approved risk framework, policy, risk appetite and tolerance levels, top risks and ongoing risk oversight and monitoring.

82 FURTHER DISCLOSURE IS MADE IN THE RISK REPORT

PRINCIPLE 12:*Technology and information governance*

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The board has delegated the governance of information and technology to the ARC committee, which also ensures that an IT governance reporting framework is in place. Chief information officers (CIOs) are appointed at each of the divisions, with the appointments ratified by the group CEO. IT expenditure is reported on and governed under the group's authority framework.

Each subsidiary sets its own strategy with regard to technology and information, and reports thereon to its board. Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, risk and the control environment are all dealt with within each IT team.

16 SEE STRATEGIC OBJECTIVE 3 THAT SETS OUT DETAILS OF TRANSACTION CAPITAL'S STRATEGY AROUND DATA AND TECHNOLOGY

PRINCIPLE 13:*Compliance governance*

The governing body should govern compliance with applicable laws and adopted standards in a way that supports the organisation being ethical and a good corporate citizen.

The ARC committee and social and ethics committee takes responsibility for compliance oversight. Board processes are in place to keep up to date with changes in the legislative landscape. The group-wide risk framework specifically manages compliance risk, with dedicated internal compliance functions in place in the divisions.

COMPLIANCE

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

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

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

- Identify the applicable legislative, regulatory and governance requirements.
- Prepare relevant monitoring programmes relating to the above-mentioned requirements.
- Recommend improvements to the functional heads within the businesses, and assist with implementation.

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

The divisions actively engage with legal counsel to garner advice on the application and implementation of any proposed new legislation, as well as potential effects on their respective businesses. No fines or non-monetary sanctions for non-compliance were levied against any business in the group during the year.

REGULATORY ENVIRONMENT

Due to the nature of its businesses, the group is subject to a range of regulations and legislation including, without limitation:

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

- Tax-related legislation including the Income Tax Act and the Value-added Tax Act.
- Labour-related legislation including the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act.
- Second-hand Goods Act.

Compliance with the letter and spirit of all laws, regulations and codes is required. The board, supported by the ARC committee, is responsible for keeping abreast of changes to the legislative landscape.

PRINCIPLE 14:*Remuneration governance*

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The remuneration committee is responsible for establishing and overseeing remuneration policy that promotes the achievement of strategic objectives and encourages individual performance at all levels within the group.

Shareholder approval is required for the remuneration policy and its implementation, and the non-executive directors' fees.

92 DETAILS OF THE REMUNERATION POLICY AND ITS IMPLEMENTATION ARE SET OUT IN THE REMUNERATION 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.

PRINCIPLE 15:*Assurance*

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The ARC committee is responsible for monitoring the appropriateness of the combined assurance model and applies a co-ordinated approach to all assurance activities. This includes considering the objectives of combined assurance and assessing its effectiveness. In addition, the ARC committee considers the robustness of the combined assurance model in order to place reliance thereon.

The ARC committee oversees the internal audit function and the external audit function. The ARC committee is satisfied that the external auditor remains independent of the organisation and the group has a policy in place to address the provision of non-audit services by the external auditors.

The ARC committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

INTERNAL AUDIT

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

The group internal audit executive reports administratively to the Transaction Capital CEO and functionally to the ARC committee chairman. Internal audit has remained independent of all operational functions.

The role of internal audit is to support the achievement of strategic objectives (and the supporting operational, financial and compliance objectives) through a systematic, disciplined approach to evaluating and recommending improvements that serve to increase the effectiveness of internal controls, risk management and governance processes. The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, and is updated as appropriate to ensure it is responsive to changes in the business. An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing, which is the highest rating awarded during such a review.

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

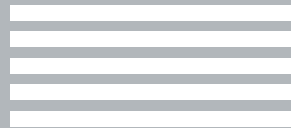
PRINCIPLE 16:*Stakeholders*

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Transaction Capital's sustainability policy governs the relationship with stakeholders, with the board and social and ethics committee assuming responsibility for stakeholder engagement.

Engagement with stakeholders is considered and discussed at divisional and group board level. Group-wide stakeholder engagement is reported on at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings. A stakeholder engagement report is submitted to divisional and group boards bi-annually. The divisions have detailed stakeholder engagement plans in place and report on these to their boards.

82 SEE THE RISK REPORT THAT SETS OUT DETAILS ON THE RELATIONSHIP WITH KEY STAKEHOLDERS



RISK REPORT

APPROACH TO RISK MANAGEMENT

Transaction Capital defines risk as uncertain future events that could influence its ability to achieve its objectives.

Risk is quantified by the combination of the probability of an event occurring and the consequence thereof. Risk is a condition in which the possibility of loss is inextricably linked to uncertainty. Thus, a detailed framework for managing risk is required to facilitate rational decision-making under uncertain circumstances.

Risk management entails the deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of all risks to tolerable levels, and to maximise potential opportunities and positive impacts of all risks in the pursuit of achieving the group's strategic objectives.

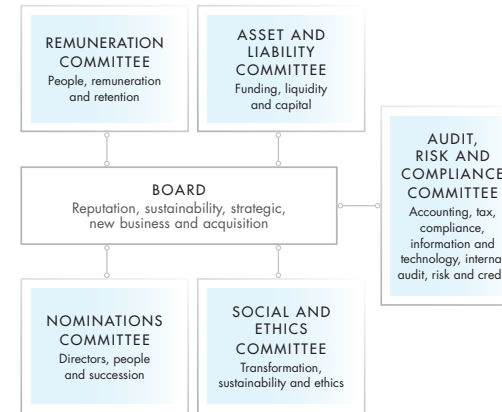
Risk tolerances on key performance and strategic metrics are determined by each of the group's divisions and approved and monitored by the ARC committee.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk appropriately to respective board committees, divisional boards and management, and monitors risk identification and management quarterly.

In terms of the enterprise-wide risk management framework, the board itself retains responsibility for monitoring reputational and sustainability risk. The monitoring of all other risks is assigned to sub-committees with continuous board oversight, in line with the overall governance structure. 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 illustrated on the next page.

Risk universe



Risk management committees are in place for each division, significant business functions (such as the capital markets team) and for the group as a whole. These committees are responsible for maintaining detailed risk registers, including mitigating factors and management's responses thereto. The individual risk registers are reported and discussed at divisional board meetings, with material risks and mitigants reviewed by the ARC committee and board, where appropriate.

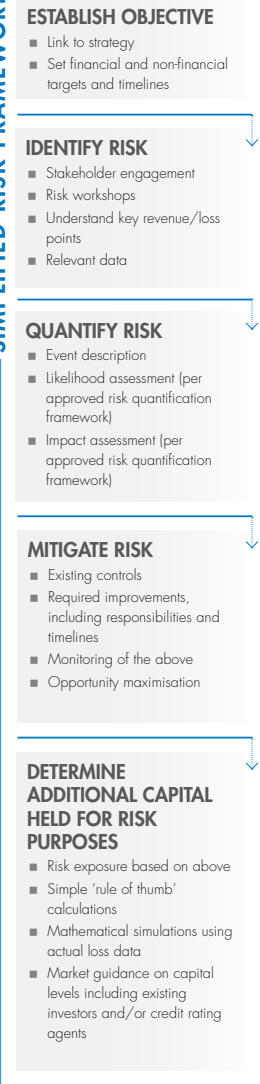
The profile of each risk details the nature of the threats the group faces, their impact on the business (taking into account financial and non-financial impacts) and the likelihood of occurrence. The profile also incorporates information pertaining to the level of controls in place and the corrective actions either required or in place.

The group considers financial risk against targets according to a return on equity (ROE) model, which is considered appropriate as the group's sustainability is founded on profit measures coupled with appropriate capital structures. In this regard, the group's capital structure is managed centrally by the executive, capital markets, risk and cash management teams.

Ongoing engagement with stakeholders ensures that external views are represented in the risk identification process. For the purpose of risk identification, stakeholders are prioritised according to their influence, the time and effort the group invests in managing the relationship, and the group's dependency on them. Transaction Capital's sustainability policy sets out the responsibility for overseeing the relationship with each stakeholder group.

Engagement with stakeholders is considered and discussed at divisional and group board level. Group-wide stakeholder engagement is reported on at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings. A stakeholder engagement report is submitted to divisional and group boards bi-annually.

SIMPLIFIED RISK FRAMEWORK



ESTABLISH OBJECTIVE

- Link to strategy
- Set financial and non-financial targets and timelines

IDENTIFY RISK

- Stakeholder engagement
- Risk workshops
- Understand key revenue/loss points
- Relevant data

QUANTIFY RISK

- Event description
- Likelihood assessment (per approved risk quantification framework)
- Impact assessment (per approved risk quantification framework)

MITIGATE RISK

- Existing controls
- Required improvements, including responsibilities and timelines
- Monitoring of the above
- Opportunity maximisation

DETERMINE ADDITIONAL CAPITAL HELD FOR RISK PURPOSES

- Risk exposure based on above
- Simple 'rule of thumb' calculations
- Mathematical simulations using actual loss data
- Market guidance on capital levels including existing investors and/or credit rating agents

TOP RISKS

TOP RISKS ARE IDENTIFIED THROUGH THE ENTERPRISE RISK MANAGEMENT (ERM) PROCESS. THE GROUP'S TOP RISKS, MITIGATING ACTIONS AND RELATED STAKEHOLDER CONCERNS ARE AS FOLLOWS:

RISK 01

Funding and capital risk, relating to:

- A challenging debt and capital raising environment due to market events (such as the potential for further sovereign ratings downgrades and generally challenging market conditions).
- Inappropriate deployment of capital.

Stakeholder concerns

- Maintaining appropriate access to funding in an environment where funding may be difficult to obtain.
- Increased costs of funding impacting net interest margin earned.
- Inappropriate allocation of capital resulting from sub-optimal capital management.

RISK 02

Acquisition risk, including the ability to identify, implement and integrate potential acquisitions, and the potential for disproportionate demands on executives' time.

Stakeholder concerns

- Inappropriate identification of targets and the ineffective subsequent integration thereof adversely affecting the returns and value proposition of the group.

RISK 03

Funding and capital risk, relating to:

Mitigation

A dedicated capital markets team is focused on managing the group's funding requirements, including a diversified fundraising strategy and applying a focused strategy to each funding source. 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).

Quarterly asset and liability committee (ALCO) meetings provide rigorous monitoring and oversight of concentration, roll-over, interest rate, counterparty, liquidity and regulatory risks. ALCO has approved and established policies and tolerances to manage these risks, while providing the flexibility needed to maintain agility in responding to changing economic and business conditions.

The above-mentioned measures have led to SA Taxi fulfilling its annual debt requirements for the 2018 financial year, and Transaction Capital Risk Services (TCRS) raising adequate funding facilities to fund its book buying aspirations.

Over R500 million of capital was deployed in accretive acquisitions during the year, generating diversified revenue streams by product and geography. R419 million was raised in an oversubscribed accelerated bookbuild, providing the capacity and flexibility for further acquisitions.

Rigorous investment criteria are adhered to (see risk 2 and 3 that follow), with active treasury management of excess funds.

65 SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT, FOR FURTHER DETAIL

RISK 04

Acquisition risk, including the ability to identify, implement and integrate potential acquisitions, and the potential for disproportionate demands on executives' time.

Mitigation

Acquisitions are assessed against Transaction Capital's acquisition strategy and stringent investment criteria.

18 SEE STRATEGIC OBJECTIVE 4 FOR TRANSACTION CAPITAL'S ACQUISITION STRATEGY AND INVESTMENT CRITERIA

The board applies its collective mind to the funding of acquisitions to ensure an appropriate combination of debt and equity funding to maintain appropriate risk-adjusted returns.

In addition, appropriate board approval is required to conclude transactions. Rigorous implementation processes ensure that Transaction Capital's governance and reporting requirements are adequately met, the progress of which is monitored by the divisional and group boards.

Transaction Capital executives are actively involved in the management and ongoing affairs of acquisitions after a transaction is completed.

TRANSACTION CAPITAL
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RISK 03

Risk of reduced ROE following recent acquisitions.

Stakeholder concerns

- Transaction Capital's inability to generate returns on invested capital to meet shareholder requirements.

RISK 04

Uncertain regulatory environment, including the volume of new or amended regulations being promulgated, and the potential for unintended consequences of pro-consumer regulations.

Stakeholder concerns

- Transaction Capital's ability to effectively and efficiently respond to regulatory uncertainty and change.
- The impact of regulatory uncertainty and change on the profitability of the business.

Mitigation

In line with the strict acquisition criteria discussed under risk 2, the group's recent acquisitions have been ROE accretive.

In addition, recent acquisitions have diversified the revenue and earnings streams of the group, both from a geographic and product perspective.

The group continues to actively pursue various organic and acquisitive growth opportunities.

Mitigation

Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain an early understanding of proposed legislation and position Transaction Capital appropriately for change.

Compliance functions are embedded within the divisions that have high levels of regulatory compliance requirements, to act as a resource for regulatory compliance information and provide guidance to avoid regulatory breaches.

The group legal function partners with the divisions to provide guidance on the interpretation of legal and regulatory requirements, and facilitates the process of obtaining independent views from attorneys and senior counsel, where doubt exists in the interpretation of regulatory requirements.

Mitigation efforts have resulted in Transaction Capital being largely unaffected by regulatory developments.

RISK 05	<p>The ability to acquire a sufficient number of non-performing loan (NPL) portfolios at an acceptable price, and to then generate sufficient yield from these acquired portfolios (applicable to Transaction Capital Recoveries (TCR)).</p>	<p>Mitigation</p> <p>Operational initiatives include:</p> <ul style="list-style-type: none"> Substantial investment in and development of technology infrastructure to further improve collections. Continuous enhancement of analytics capabilities to leverage superior data. Centralised call centre infrastructure to ensure consistent and efficient collections performance. Obtaining appropriate group and divisional executive approval for potential purchases. Initiating and concluding exclusive negotiations with several of its larger clients, ensuring high-quality purchases and enabling bespoke purchase agreements.
	<p>Stakeholder concerns</p> <ul style="list-style-type: none"> Inappropriate return on funds invested to acquire purchased books. 	<p>63 SEE THE FINANCIAL DIRECTOR'S REPORT FOR PERFORMANCE IN ACQUIRING NPL PORTFOLIOS</p>
RISK 06	<p>The impact of difficult economic conditions and stringent regulatory requirements on revenue (applicable to TCRS).</p>	<p>Mitigation</p> <ul style="list-style-type: none"> TCRS' strategy includes increasing revenue from non-NCA regulated clients, including the outsourced collection of outstanding claims in the insurance, telecommunications and public sectors, in addition to Tier 1 banks. Revenue streams continue to be developed by innovative, bespoke product offerings and solutions. Recent acquisitions have provided the group with the ability to further diversify its product offering and geographic footprint.
	<p>Stakeholder concerns</p> <ul style="list-style-type: none"> Lower growth in revenue. 	<p>18 SEE STRATEGIC OBJECTIVE 4 FOR MORE DETAIL ON ACQUISITIONS DURING THE YEAR</p>
RISK 07	<p>Public sector finances are generally in a poor state, making it a class of counterparty that needs to be managed closely to ensure payments are received timeously (applicable to TCR).</p>	<p>Mitigation</p> <p>Management engages regularly with relevant parties in the public sector to ensure compliance with agreement terms.</p>
	<p>Stakeholder concerns</p> <ul style="list-style-type: none"> Non-adherence to payment terms and working capital strain. 	

RISK 08	<p>The ability to diversify revenue streams beyond minibus taxis into other market segments, to ensure growth over the longer term (applicable to SA Taxi).</p>	<p>Mitigation</p> <p>SA Taxi is strategically positioned to deepen its vertical integration into its current market segment while leveraging its existing competencies. This includes expanding its direct sales retail channel, enhancing its telematics services and expanding its insurance offering.</p>
	<p>Stakeholder concerns</p> <ul style="list-style-type: none"> Constraints to long-term sustainable growth. 	<p>34 SEE SA TAXI'S DIVISIONAL REVIEW, WHICH INCLUDES THE Q&A WITH TERRY KIER, FOR MORE INFORMATION ON HOW IT IS EXPANDING BEYOND THE FINANCING OF MINIBUS TAXIS</p>
RISK 09	<p>Market forces beyond the group's control (interest rates, exchange rates, fuel prices, limited fare increases, increases in vehicle prices) impacting the affordability of monthly instalments (applicable to SA Taxi).</p>	<p>Mitigation</p> <ul style="list-style-type: none"> Credit policies are adjusted appropriately and adhered to stringently, with credit vintages being consistently monitored. The ability to grant credit to creditworthy customers not being serviced by traditional credit providers to secure an under-served market segment. The efficiency of SA Taxi's ability to repossess, refurbish and resell vehicles assists in maintaining low levels of ultimate credit loss. Intensive and continuous engagement and collaboration with key industry stakeholders and associations to ensure the sustainability of the taxi operator and industry as a whole. The effectiveness of SA Taxi's ability to manage this risk is reflected in continued improvements in its credit performance.
	<p>Stakeholder concerns</p> <ul style="list-style-type: none"> Protest action from within the South African taxi industry. Credit quality of the book and of new business may be negatively impacted. Muted collections performance and/or origination activity due to affordability. 	<p>88 FOR FURTHER DETAILS ON SA TAXI'S CREDIT PERFORMANCE</p>

KEY RISKS

Key risks are those risks that require specific and ongoing operational, governance and strategic management. Key risks are different from top risks (set out on pages 84 to 87) as they are anticipated to be ongoing due to the strategy and business model of the group, while top risks are identified through the ERM process.

Transaction Capital's key risks are as follows:

Credit risk

Credit risk, or default risk, relates to the lender's risk of loss arising from a borrower who does not pay their full contractual instalment. In the case of Transaction Capital, and as a result of its target market, the risk of non-payment is higher than for traditional lenders. This heightened credit risk is controlled through substantial operational capacity, coupled with a higher risk-adjusted yield.

IFRS 9 was early adopted in the 2015 financial year, resulting in a higher quality of earnings due to a more conservative provisioning methodology against loans and advances, and the amortisation profile of purchased book debts being better aligned with the collection profile. This early adoption has reduced balance sheet risk for Transaction Capital and removed uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

The loss allowance for a financial instrument is measured at the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Purchased NPL portfolios are considered credit-impaired assets that are specifically impaired

SA TAXI

The cost of the risk relating to SA Taxi at 30 September is calculated below.

	2017	2016
Interest income % – average gross loans and advances	22.7	22.2
Interest expense % – average gross loans and advances	(11.3)	(11.1)
Net interest income % – average gross loans and advances (net interest margin)	11.4	11.1
Impairment expense % – average gross loans and advances (cost of credit)	(3.2)	(3.1)
Risk-adjusted net interest income % – average gross loans and advances	8.2	8.0

The net interest income margin increased to 11.4% due to slightly lower gearing and an improved NPL ratio, despite an increase in the cost of borrowing. The recent downgrades of South Africa's credit rating and the industry protest action have not had a meaningful impact on SA Taxi's net interest margin or other credit metrics. The risk-adjusted net interest margin improved to 8.2% from 8.0% in the prior year.

SA Taxi's provisions and NPLs are set out below.

	2017	2016
NPL ratio	% 17.1	17.4
Provision coverage	% 5.2	6.7
Credit loss ratio	% 3.2	3.1

(stage 3) and are measured using lifetime expected credit losses from the onset. These assets remain in stage 3 for the duration of the financial instrument.

Loan portfolios are divided into performing loans and NPLs. As the group's assets are developmental in nature, in terms of the traditionally under-served market segments it lends to, a higher than average level of arrears is expected, which may not necessarily result in credit loss. The group's impairment provision models take into account both contractual default and recent payment history. Provisions are held against financial assets to cover expected losses in terms of IFRS 9.

At group level, credit risk is monitored by the ARC committee, while SA Taxi and Transaction Capital Business Solutions (TCBS) have their own credit committees responsible for credit risk (of which membership includes group executives), which meet at least quarterly.

Aspects of credit risk that are monitored include changes to origination strategies, new business approvals, and collections strategy and performance.

While SA Taxi exclusively services the minibus taxi industry, it has limited exposure to a single counterparty, with the largest exposure to a single borrower being negligible as a percentage of assets exposed to credit risk.

Credit risk is managed operationally at the time of origination and in terms of collections thereafter. TCR has entered into a collection agreement with various public sector counterparties. Public sector finances are generally in a poor state, making it a class of counterparty that needs to be managed closely to ensure payments are received timeously.

The credit loss ratio of 3.2% remained at the bottom end of the division's risk tolerance of 3% to 4%, and the NPL ratio improved to 17.1% from 17.4%. A combination of strong collection performance, high credit quality of loans originated in the retail dealership, conservative credit granting criteria and the ability to refurbish and re-sell high quality vehicles supported this improvement.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and the average cost to repair repossessed vehicles was reduced further in the year. This was due to efficiencies achieved in the combined auto body repair and mechanical refurbishment centre. Due to fewer NPLs, the reduced average cost to repair repossessed vehicles and higher recoveries on the resale of these vehicles, provision coverage reduced to 5.2%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.3 times.

The business continues to rely on Toyota minibus taxis for new vehicle originations, thus potential shortages of these vehicles presents a risk. The dominance of Toyota supports a stable market value for the sale of repossessed refurbished vehicles, which underpins SA Taxi's credit model. While SA Taxi's market share of Toyota minibus originations is steadily increasing, SA Taxi is implementing various initiatives in increasing its quota of new vehicle sales.

SA Taxi is also continually diversifying its product lines to counter the reliance on Toyota minibus taxis, including working with Nissan and Mercedes, with the Mercedes Sprinter mainly used for long-distance routes, to ensure their minibus taxi vehicle market is sustainable, and increasing the supply of repossessed refinanced (i.e. pre-owned) Toyota minibus vehicles to meet supply shortfalls.

TCRS

In TCR, purchased NPL portfolios have inherent credit risk, which is reflected in the heavily discounted purchase price to face value. TCR has its own investment committee responsible for credit risk, which meets as required when portfolios are being considered for acquisition. The approval of an investment in a new NPL portfolio involves the divisional executives and group executive directors, depending on whether its value falls above a certain threshold.

The current economic climate and TCRS' data, scale and capital position favour the acquisition of NPL portfolios in South Africa from risk averse clients who prefer an immediate recovery against their NPLs.

TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at 30 September 2017.

	2017	2016
Asset turnover ratio	% 52.1	71.7
Estimated remaining collections	Rm 1 673	1 313

Liquidity risk

Liquidity risk arises when a borrowing entity within the group does not possess adequate cash resources to meet its payment obligations as they fall due, or where it can only access liquidity on materially disadvantageous terms.

Liquidity risk in the group is primarily controlled through cash-flow matching. This is achieved through setting the duration and repayment terms of debt facilities at the time of issue to suit the projected cash inflows from assets, and through careful monitoring and management of the maturity of debt that has a lump-sum payment due at maturity, where these exist.

The positive liquidity mismatch graph included in the capital management report on page 66 illustrates a liquidity mismatch favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

The group's funding strategy is directed by the funding requirements established in the divisional budgets and forecasts, and approved by the divisional and group boards. The capital markets team is mandated to raise sufficient capital, taking into account business needs, the specific demands and the state of the debt markets, and the requirements of debt investor mandates. This results in a well-diversified funding base.

65 SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT, FOR MORE DETAIL ON DIVERSIFICATION BY BOTH FUNDING CATEGORY AND FUNDING STRUCTURE

Capital risk

Capital risk is the risk that the group will have insufficient capital to absorb its losses and fund its growth.

The divisions of the group are not subject to regulatory capital adequacy requirements. Capital is managed using internally generated capital adequacy models, taking into account targeted growth rates, ROE, contractual financial covenants, stress testing and targeted credit ratings.

Equity capital is raised at group level where necessary, and then allocated to the divisions based on the capital requirements for each funding structure. Goodwill is not included in assets and is deducted from capital in line with market practices when calculating the capital adequacy ratio.

During the year under review, Transaction Capital deployed in excess of R500 million to three acquisitions. In February 2017, the group raised R419 million in an accelerated bookbuild process. The group's balance sheet remains well capitalised, liquid and ungeared (on a net basis). With excess capital of around R650 million, the group has the flexibility for immediate cash settlement of any future acquisitions.

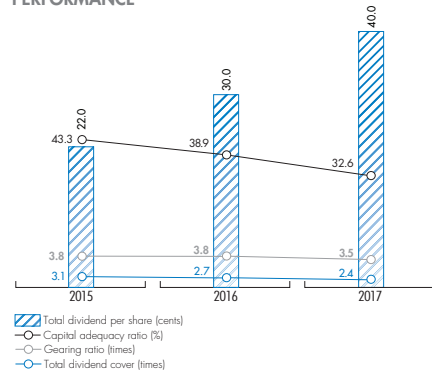
In addition, the dividend policy has been amended to an improved cover ratio of 2 to 2.5 times (previously 2.5 to 3 times).

72 SEE THE CHAIRMAN'S REPORT FOR MORE INFORMATION ON THE REVISED DIVIDEND POLICY AND THE DIVIDEND DECLARATION

The cost of borrowing increased in the year under review due to a meaningful proportion of funding being raised from international investors (in line with the group's strategy to diversify its funding sources), offset to an extent by a decrease in the repo rate. Loans denominated in foreign currency are all fully hedged as Transaction Capital does not take exchange rate risk. The associated hedge costs have contributed to the increase in the cost of borrowing.

No forward cover has been taken on foreign exchange movements arising from Recoveries Corporation's earnings.

PERFORMANCE



Interest rate risk

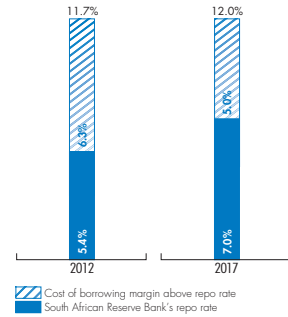
Interest rate risk is the risk that arises from fluctuating interest rates. The group's general interest rate risk management strategy is to match the re-pricing characteristics of assets to liabilities; thus, if a division originates floating-rate assets, it should issue floating-rate debt or hedge accordingly.

However, each division can deviate from this policy, subject to ALCO approval. In this instance, ALCO reviews the decisions of management and can exercise its discretion to change these decisions if it considers the risk to be out of line with the group's risk tolerance and interest rate forecast. Strategies, including hedging, are used to limit losses arising from interest rate basis risk or to take advantage of structurally low rates. Hedge accounting is applied to remove unnecessary volatility from the income statement.

Furthermore, the group typically manages interest rate risk through risk-adjusted excess spread, where asset yields are sufficient to absorb movements in interest rates, as well as interest rate risk strategies.

The group prepares an interest rate forecast quarterly that is approved by ALCO and is used for budgets, forecasts and interest rate decision-making purposes. ALCO monitors the sensitivity of the group's net interest income in response to a parallel yield curve shift. Hedges are considered where undue volatility in earnings can materialise.

COST OF BORROWING SINCE LISTING



Information technology risk

The group manages and maintains a significant volume of confidential personal information in its daily operations. Through the consideration of relevant ISO standards and best practice, the group has executed appropriate measures to protect this information against loss, damage, destruction, and unlawful access. In addition to physical security, key interventions that have been implemented include state-of-the-art firewalls enabled for deep packet inspection, encryption technology, rigorous scanning processes to detect viruses and malware, and ongoing external vulnerability testing. The group has adopted a paperless policy, and employee training programmes geared towards information technology security and awareness are regularly conducted.

The group invests heavily in information technology to ensure that its businesses are efficient and to reduce the risk of disruption.

42 & 52 SEE THE Q&As WITH TERRY KIER AND DAVID MCALPIN FOR FURTHER DETAILS IN THIS REGARD

Operational risk including people risk

To manage operational risk, the group adopts specific operational risk practices that assist management to understand the risks and reduce the risk profile, in line with the group's risk appetite. The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.

People risk relates to the risk of inadequate management of human capital practices, policies and processes, resulting in the inability to attract, manage, develop and retain competent resources. People risk management includes recruitment procedures for screening employees, training and change management programmes, and human resource and succession planning policies.

The group's human capital statistics and policies are reviewed by the social and ethics committee. Succession planning is performed by each division, with the nominations committee (and ultimately the board) reviewing succession plans at least annually.

92 SEE THE REMUNERATION REPORT FOR MORE INFORMATION ON THE GROUP'S REMUNERATION POLICY AND IMPLEMENTATION

Transformation risk

As a responsible corporate citizen, the group supports transformation objectives in South Africa that seek to address historical imbalances. In addition, many of the group's businesses are required to maintain minimum broad-based black economic empowerment (B-BBEE) scores to retain clients. During the 2015 financial year, two B-BBEE transactions were finalised, with a B-BBEE trust taking an ownership stake in TCR and Principa respectively.

	B-BBEE level
SA TAXI	4
TCR	3
PRINCIPA	4
TCBS	5
ROAD COVER	4
THE BEANCOUNTER	4
GROUP EXECUTIVE OFFICE	5

Transformation risk is monitored by the social and ethics committee, as well as the divisional and group boards.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of failure to comply with laws, regulation and similar standards and/or internal group policies, authority levels, prescribed practices and ethical standards applicable to its subsidiaries.

Compliance risk is monitored by the ARC committee. Each division with high levels of regulatory compliance requirements has a suitably experienced compliance officer, who has identified the relevant regulations and similar standards applicable to that specific division.

80 SEE THE GOVERNANCE REPORT FOR APPLICABLE LEGISLATION

The group retains central legal advisory resources while compliance governance levels at each business remain appropriate. Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain early understanding of proposed legislation and to appropriately position the group for change.



REMUNERATION REPORT

TRANSACTION CAPITAL CONSIDERS COMPENSATION A CRITICAL DETERMINANT OF ORGANISATIONAL PERFORMANCE AND SUSTAINABILITY. THIS VIEW IS FOUNDED IN THE BELIEF THAT ALL FACTORS THAT UNDERPIN 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. 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 20), 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 Transaction Capital's 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 where the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.

GOVERNANCE OF COMPENSATION

Principle 14 of the King IV report states:

"The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term."

Transaction Capital has considered the impact of King IV, as well as the JSE Listings Requirements, and has updated the remuneration report to align with the enhanced disclosure requirements. The board of directors approved the remuneration report and believe that the performance criteria that are used to measure and determine short- and long-term incentive awards are aligned with Transaction Capital's goals, strategies and outcomes.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

The board of directors of the company has ultimate responsibility for the appropriateness of remuneration policies and executive remuneration. The board has delegated oversight of this responsibility to the group's remuneration committee, which comprises the following non-executive directors, the majority of whom are independent:

- Kuben Pillay (chairman of the committee; independent non-executive director).
- Christopher Seabrooke (chairman of the board; independent non-executive director).
- Paul Miller (non-executive director, replacing Jonathan Jawno's membership of the committee with effect from 1 November 2017).

The remuneration committee's mandate is to strive to ensure that the group's remuneration policies:

- Are fair, responsible and transparent.
- Attract, motivate, reward and retain human capital.
- Promote the achievement of strategic objectives within the organisation's risk appetite.
- Promote positive outcomes.
- Promote an ethical culture and responsible corporate citizenship.

It is with this in mind that a well-designed remuneration policy strikes a balance between the interests of shareholders and executives, and the principles of good governance. The remuneration committee assesses the mix of fixed remuneration, variable remuneration and long-term incentives to meet the group's needs and strategic objectives, in addition to reviewing the robustness of incentive schemes in ensuring continued contribution to shareholder value. It is the responsibility of the remuneration committee to oversee that the implementation and execution of the remuneration policy achieves its objectives.

PRINCIPLES OF REMUNERATION

The following overarching principles are applied to remuneration:

- The remuneration policies are approved by the remuneration committee and the board.
- Transaction Capital attempts to eliminate differential compensation related to gender, race and location, and applies the principle of equal work for equal pay.
- Compensation is defined on a cost-to-company basis, with all benefits included and fully taxed.
- 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.
- Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance. Incentives and bonuses at executive level are aligned to profit growth and relevant returns metrics, in addition to key outputs and personal performance. In certain instances, a portion of these incentives may be deferred or delivered in the form of share plan awards to support retention.
- 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 (see part 1 that follows for the group's compensation principles).
- 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 approving the compensation of all executive directors, including the CEO and his direct reports, and certain functional specialists.
- No employees or directors have employment terms that exceed six months' notice.
- Where relevant, the company is not under any obligation to make exit payments for leaving executives, and this may be considered on a case-by-case basis. Subject to the remuneration committee's approval, "good leavers" in terms of the long-term incentives will receive a pro-rata benefit due to them, subject to meeting each tranche's performance requirements.

SHAREHOLDER ENGAGEMENT

At the 2016 annual general meeting, 94.2% of shareholders voted in favour of the group's remuneration policy. No significant changes in the remuneration policy have occurred in the current year.

The group's remuneration policy and the implementation thereof will be placed before shareholders for consideration and approval under the terms of separate advisory non-binding votes at the annual general meeting as recommended by King IV and prescribed by the JSE Listings Requirements.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraph 3.91 of the JSE Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

PART 1

OVERVIEW OF REMUNERATION POLICY

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 divisions, departments or organisational levels. The entrepreneurial spirit of the group requires that the remuneration policy remains competitive and flexible, while still able to achieve positive outcomes, and promote an ethical culture and good corporate citizenship.

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, with oversight by the remuneration and nominations committees and the board.

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, while aligning executive remuneration with stakeholder priorities.

The group operates a total cost to company philosophy where base package and benefits (including defined contributions to retirement funds, medical aid and other insured benefits) form part of the employees' fixed cost to company remuneration. Employees also participate in the short-term incentive scheme in the form of a performance bonus plan. Two key long-term incentive plans are in operation – the share appreciation rights plan (SAR plan) and the conditional share plan (CSP).

The different components of remuneration, the policy that governs it and the strategic intent and drivers are summarised in the table that follows.

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Total guaranteed pay (TGP) measured against the 60 th percentile of the market.	The TGP is market-related, provides executives with a competitive stable income and provides a standard of living consistent with the demands of a specific position. The fixed portion represents a sufficiently high portion of the total remuneration to avoid over dependence on the variable components.
Benefits	Group life, provident fund, medical cover and disability cover.	Provides financial structures for death, retirement, health and wellness.
Short-term incentives (STIs)	Variable annual incentives based on the achievement of divisional/group quantitative objectives, with a qualitative portion of the bonus awarded based on individual performance (where appropriate) and a portion deferred in certain circumstances. STIs are bespoke in nature (for the group, divisions and function) and are specifically designed with individualised qualitative objectives to promote performance and/or achieve pre-defined performance requirements (this includes growth in profits and other return metrics where appropriate). Financial objectives include profit growth and relevant returns (for example, return on invested capital in SA Tax or return on sales in TCRS). Quantitative STIs may be awarded to reward superior performance.	STIs reward specific behaviour and promote retention, while rewarding the executive based on a combination of assessment of the individual's and business' performance. In defining an individual's performance, the remuneration committee considers both financial and non-financial performance. The STI provides means to enjoy a higher quality of life through superior performance.
Long-term incentives (LTIs)	Executives participate in a LTI scheme where their decisions or behaviour is likely to have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance. LTI plans relate to the valuation of the group or its divisions, realisable over the medium to long term. Refer page 96 for a full description of the LTIs available to executives.	Rewards executives for achieving strategic objectives and positive outcomes in the medium to long term, while aligning objectives with stakeholders. Market-related long-term reward and retention for executives and key talent provides opportunity to accumulate wealth based on continued employment and company performance and valuation.
Total reward	Providing a competitive and attractive total compensation with a portion paid over the medium to long term.	To attract, motivate, align and retain scarce talent and to discourage dysfunctional short-term behaviour.

LONG-TERM INCENTIVES**■ Share appreciation rights plan**

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time, subject to pre-defined performance criteria.

The SAR plan is an option-type plan (at no cost to the participant), with SARs awarded being equity-settled subsequent to the exercise thereof. A SAR is a conditional right awarded to a participant to receive such number of shares, the value of which is equal to the difference between the market value of the Transaction Capital share on the date of exercise and the date of grant. In other words, the participant is able to enjoy the increase in Transaction Capital's share price from the date of grant until the date on which the conditional rights are exercised.

The share price growth over the SAR period is 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.

Subject to specific performance criteria, being 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, with all awards post this date vesting four years after the award date.

While the SAR plan has been a successful retention mechanism since listing, the conditional share plan discussed below is favoured as a more appropriate retention tool with better alignment of performance to shareholder interests. This is in line with international trends towards less volatile and lower geared LTIs, which have proved to provide better alignment with shareholder interests and are more likely to avoid extreme payouts. As such, no new SAR awards were granted in the current year. The remuneration committee will assess the 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

Transaction Capital has adopted a decentralised management structure by devolving authority and responsibility to its respective divisions, namely SA Taxi and TCRS. This strategic objective has resulted in the requirement for an LTI scheme which has, as its primary objective, the linking of the scheme's performance to that of the relevant division. The CSP operates as a specific LTI scheme that directly links to the performance of each division. It caters 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 are incentivised based on the performance of the group as a whole.

The purpose of the CSP is to incentivise participants to deliver the relevant division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. The CSP will furthermore provide participants with the opportunity to share in the success of the relevant division in which he/she is employed and provide alignment between the participants and shareholders.

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 tranche of CSPs was awarded in November 2016. All awards are subject to remuneration committee approval.

The remuneration committee believes 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.

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

- A valuation of each division will be performed by an independent expert on the date of the CSP award (to obtain a valuation per notional share of each division). Transaction Capital executives are awarded CSPs at the prevailing share price of Transaction Capital on date of award.
- Key executives are 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.
- Employees are required to remain in the employ of the group to be eligible for vesting of the CSP (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 motivates and rewards participants for creating long-term value through the opportunity to earn significant reward for superior performance.
- It creates 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.

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.

■ 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 primarily operated prior to the listing of Transaction Capital in 2012 and was largely wound down in the 2014 financial year. No further allocations will be made in terms of this scheme, which terminated in December 2017.

■ Direct investment

In appropriate circumstances, senior executives of a business may be afforded the opportunity to co-invest in that business (generally by way of an equity subscription partly funded by the company), thereby incentivising and aligning their long-term interests with those of the business, Transaction Capital and its shareholders.

Founders

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

As the founder directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi 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 and management, 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 restructure of the shareholding of the founder directors, completed in November 2016, Everglan Capital 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 founder directors participate in any of the group's employee share schemes or other LTI plans. The base packages of the executive founder directors are well below market-related fees for directors of their calibre. 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, in consultation with the CEO, 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.

Non-executive directors

The annual fees paid to non-executive directors of the company for their services as directors and as members of the various board committees are determined on a market-related basis and are benchmarked against industry norms. No additional meeting attendance fees are paid.

The fees are approved by the remuneration committee and the board prior to being presented to shareholders for approval at the company's annual general meeting.

Directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the board, through the nominations committee, proposes their re-election to shareholders.

Non-executive directors do not participate in any of the group's LTI plans.

PART 2

IMPLEMENTATION REPORT

Executive compensation

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

	2017				2016			
	Salary R	Benefits R	Annual incentive bonus R	Total R	Salary R	Benefits R	Annual incentive bonus R	Total R
Executive directors								
David Hurwitz	3 150 802	548 207	2 728 688	6 427 697	2 848 492	685 376	2 598 750	6 132 618
Mark Herskovits	2 194 536	436 401	2 618 140	5 249 077	2 104 560	407 540	1 228 500	3 740 600
Jonathan Jawno	1 341 480	183 570	4 000 000	5 525 050	1 057 200	162 840	4 800 000	6 020 040
Michael Mendelowitz	1 341 480	183 570	4 000 000	5 525 050	1 057 200	162 840	4 800 000	6 020 040
Ronen Goldstein	1 592 500	186 725	1 166 667	2 945 892	265 417	31 121	1 166 667	1 463 205
Prescribed officers								
Terry Kier	2 842 422	2 327 828	2 040 500	7 210 750	2 728 524	1 909 962	2 887 500	7 525 986
David McAlpin	2 824 393	292 007	2 337 300	5 453 700	2 664 522	275 478	2 327 500	5 267 500
Total	15 287 613	4 158 308	18 891 295	38 337 216	12 725 915	3 635 157	19 808 917	36 169 989

Total guaranteed package

Executive TGP is 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. The remuneration committee believes that the TGP is fair in light of the outcomes of the benchmarking undertaken and relative market norms.

Short-term incentives

QUANTITATIVE

Bespoke and individualised quantitative targets are pre-set and assessed annually by the remuneration committee to promote individual and group performance. The following factors are taken into account:

- Group:
 - Growth in headline earnings per share above CPI.
 - Return on equity achieved.
- Divisions:
 - Growth in earnings per share above CPI.
 - Return on invested capital.
 - Where relevant, return on sales and new business origination.
- Where appropriate, STIs were awarded for individualised targets being met.
- In general terms, employees can achieve a maximum quantitative STI of up to nine months of the employee's TGP.

QUALITATIVE

Where individual performance warrants, the remuneration committee may reward superior qualitative performance over and above quantitative targets set. The remuneration committee will consider individual performance in meeting strategic imperatives, such as capital management, acquisitions, operational projects and integration. In exercising this discretion, the remuneration committee must satisfy itself that such payments are fair and reasonable, and are disclosed to shareholders as required by remuneration governance principles.

The overall award of STIs for executive directors mirrors the performance of the business, and hence is determined as reasonable and aligned with shareholder interests. It achieves the objective of promoting the strategic objective within the organisation's risk appetite and promotes positive outcomes.

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

Chief executive officer David Hurwitz

David Hurwitz' incentive bonus of R2 728 688 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall improvement in the state of the group during 2017, the integration of the acquisitions completed in 2017, and progress in achieving the group's strategic objectives, including stringent capital management in a challenging trading environment.

Executive director: capital management Mark Herskovits

Mark Herskovits' incentive bonus of R2 618 140 for 2017 comprised:

- A quantitative bonus for the growth of SA Taxi's earnings per share and return on equity achieved.
- A qualitative bonus for meeting the group's capital management requirements well into the 2018 financial year, diversifying SA Taxi's funding sources (in particular with US-based development finance institutions) and managing the group's cost of funding.

Executive director Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 000 000 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific role in the management of risk and capital.

Executive director Michael Mendelowitz

Michael Mendelowitz' incentive bonus of R4 000 000 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities.

Financial director Ronen Goldstein

Ronen Goldstein's incentive bonus of R1 166 667 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall continued improvement in the state of the financial and risk structures and reporting of the group during 2017, the implementation and integration of the acquisitions completed in 2017, and implementation of key group projects.

Prescribed officer Terry Kier

Terry Kier's incentive bonus of R2 040 500 for 2017 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus for the progress in achieving the division's strategic objectives, including stringent capital management in a challenging trading environment.

Prescribed officer David McAlpin

David McAlpin's incentive bonus of R2 337 300 for 2017 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus the integration of the acquisitions completed in 2017 and progress in achieving the division's strategic objectives.

Long-term incentives

SHARE APPRECIATION RIGHTS PLAN

All SAR awards were approved by the remuneration committee, with the first tranche of the SAR plan vesting on 12 July 2016. No SARs were awarded in the current year. In previous years, executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and STIs relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price.

The following table shows the SAR position of executive directors and prescribed officers as at 30 September 2017:

	Present value of SARs 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 during the year R
Executive directors						
David Hurwitz						
Granted on 11 July 2013 ¹	–	–	3	–	2 004 494	22 303 067
Granted on 18 November 2013	–	–	3	–	979 049	10 379 705
Granted on 25 November 2014	1 029 000	300 000	4	–	–	–
Granted on 26 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
Granted on 11 July 2013 ¹	–	–	3	–	939 607	10 099 004
Granted on 18 November 2013	–	–	3	–	1 251 578	13 220 041
Granted on 25 November 2014	857 500	250 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
Ronen Goldstein						
Granted on 18 November 2013	–	–	3	–	70 180	717 703
Granted on 25 November 2014	343 000	100 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
Prescribed officers						
Terry Kier						
Granted on 18 November 2013	–	–	3	–	979 049	10 012 188
David McAlpin						
Granted on 25 November 2014	2 578 280	751 685	4	–	–	–
Granted on 26 November 2015	664 000	200 000	4	–	–	–

¹. Tranche vested and exercisable from 13 July 2017. SARs exercised by participants in the current year.

Jonathan Jawno and Michael Mendelowitz do not participate in the SAR plan.

Refer to note 24.1 in the annual financial statements for further details on the SAR plan.

CONDITIONAL SHARE PLAN

The CSP operates as a specific LTI scheme that directly links to the performance of each division. It caters 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 are incentivised based on the performance of the group as a whole.

The purpose of the CSP is to incentivise participants to deliver the relevant division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. The CSP will furthermore provide participants with the opportunity to share in the success of the relevant division in which he/she is employed and provide alignment between the participants and shareholders.

The remuneration committee approved the following criteria for the tranche of CSPs awarded in November 2017:

Vesting period:

- Retention element (30% of award): to vest in equal proportions in full after years three and four, subject to continued employment (November 2016 and May 2017 awards: to vest in full after three years, subject to continued employment).
- Performance element (70% of award): to vest as follows (and linked to performance criteria below):
 - Two years: 14.0%
 - Three years: 17.5%
 - Four years: 17.5%
 - Five years: 21.0%
 (November 2016 and May 2017 awards: 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 per share growth over vesting period*	% of CSP to be awarded
CPI	20%
CPI +5%	100%

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

The performance and vesting periods of future awards will be assessed for appropriateness by the remuneration committee on an annual basis.

The following table shows the CSP position of executive directors and prescribed officers as at 30 September 2017:

Component	Present value of CSP award R	Number of CSPs	Vesting periods (years)
Executive directors			
David Hurwitz Group			
Granted on 22 November 2016	1 684 672	131 821	2 to 4
Granted on 22 November 2017	1 665 106	132 186	2 to 5
Mark Herskovits SA Taxi			
Granted on 22 November 2016	1 249 900	159 977	2 to 4
Granted on 29 May 2017	1 663 004	214 988	2 to 4
Granted on 22 November 2017	839 072	94 480	2 to 5
Ronen Goldstein Group			
Granted on 22 November 2016	1 273 374	99 638	2 to 4
Granted on 22 November 2017	823 797	65 398	2 to 5
Prescribed officers			
David McAlpin Transaction Capital Risk Services			
Granted on 22 November 2016	5 892 530	1 303 817	2 to 4
Granted on 22 November 2017	5 689 807	1 181 474	2 to 5

No CSPs vested in the financial year ended 30 September 2017.

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 24.2 in the annual financial statements for further details on the CSP.

TRANSACTION CAPITAL GENERAL SHARE SCHEME

The following table shows the position as at 30 September 2017:

Executive director	2017			2016		
	Number of shares	Value of shares R	Value of funding R	Number of shares	Value of shares R	Value of funding R
David Hurwitz	77 409	1 180 487	662 599	424 175	5 408 231	2 839 733
Total	77 409	1 180 487	662 599	424 175	5 408 231	2 839 733

All amounts outstanding were settled in December 2017, with this scheme being discontinued.

DIRECT INVESTMENT

Terry Kier (CEO of SA Taxi) holds a direct investment of 2% in SA Taxi Holdings Proprietary Limited, incentivising him and directly aligning his long-term interests with those of SA Taxi, Transaction Capital and its shareholders.

Terry Kier owes a wholly-owned subsidiary of Transaction Capital an amount of R26 million at 30 September 2017. The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan, the benefit of which is included in the executive compensation table.

Terry Kier no longer participates in the SAR or CSP plans.

Non-executive directors' fees for 2017

The following table details fees paid to non-executive directors for directorship and membership of committees, 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. As from 1 June 2017, VAT is payable on non-executive directors' fees, where appropriate.

Board members	C Seabrooke ¹ R	D Woollam ² R	P Langeni ³ R	D Tabata ⁴ R	R Rossi ⁵ R	M Kgosana ⁶ R	K Pillay ⁷ R	O Ighodaro ⁷ R	P Miller ⁸ R	Total R
Chairperson (including committee attendance)	1 375 000	–	–	–	–	–	–	–	–	1 375 000
Director	–	104 167	308 333	104 167	308 333	286 458	308 333	175 000	87 500	1 682 291
Audit, risk and compliance committee (chairperson)	–	–	–	–	–	341 146	–	23 438	–	364 584
Audit, risk and compliance committee (member)	–	62 500	150 000	–	–	–	–	65 625	–	278 125
Asset and liability committee (chairperson)	–	52 083	–	–	–	–	–	–	–	52 083
Asset and liability committee (member)	–	–	–	–	–	–	–	60 000	–	60 000
Remuneration committee (chairperson)	–	–	–	52 083	–	–	145 833	–	–	197 916
Remuneration committee (member)	–	–	–	–	–	–	25 000	–	–	25 000
Nominations committee (member)	–	–	–	25 000	95 000	–	70 000	–	–	190 000
Social and ethics committee (chairperson)	–	–	197 917	–	–	–	–	–	–	197 917
Total annual fees	1 375 000	218 750	656 250	181 250	403 333	627 604	549 166	324 063	87 500	4 422 916

1. Christopher Seabrooke is also the chairman of the nominations committee, and a member of the remuneration committee, ARC committee and asset and liability committee.
2. Resigned as a non-executive director effective 2 March 2017.
3. In addition to the fees received above, Phumzile Langeni received directors' fees of R247 797 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.
4. Resigned as a non-executive director effective 2 March 2017.
5. In addition to the fees received above, Roberto Rossi received R1 096 667 for consulting services and R2 400 000 for corporate finance and legal services rendered to the group.
6. Resigned as a non-executive director effective 8 September 2017.
7. Appointed as a non-executive director effective 1 April 2017.
8. Appointed as a non-executive director effective 1 July 2017.

Non-executive directors' fees for 2016

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	1 177 084
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	3 400 834

1. Christopher Seabrooke is also the chairman of the nominations committee, and a member of the remuneration committee, ARC committee and asset and liability committee.
2. In addition to the fees received above, Phumzile 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. In addition to the fees received above, Roberto Rossi received R890 000 for consulting services.
4. Appointed as a non-executive director effective 15 March 2016.
5. Appointed as a non-executive director effective 1 August 2016.