06

REMUNERATION

REMUNERATION REPORT

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For Transaction Capital (the group), compensation is a critical determinant of organisational performance and sustainability.

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

These principles are reflected as one of the core components of Transaction Capital's strategy, which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that there is a normal distribution of talent in every field of endeavour, 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. This is all the more relevant in the current environment, where the entrepreneurial flair of the group is augmented by the depth and quality of management teams across the organisation.

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 and demanding environment. To complement this, compensation policies aim to sustain a performance-driven and entrepreneurial culture where the most talented people at all levels consider Transaction Capital and its divisions as an employer of choice.

GOVERNANCE OF COMPENSATION

Principle 14 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) 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."

To provide stakeholders with insight into Transaction Capital's remuneration policies and structures, the group continues to refine the remuneration report in line with King IV and the JSE Listings Requirements, and in consultation with shareholders (as detailed in the shareholder engagement section on page 116). The board of directors (the board) approved this remuneration report and believes that the performance criteria used to determine and measure short- and long-term incentive awards are fair and align appropriately with Transaction Capital's goals, strategies and outcomes, taking the requirements of all stakeholders into account.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

The board has ultimate responsibility for the appropriateness of remuneration policies and executive remuneration. The board delegates 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; lead independent non-executive director.
- **CHRISTOPHER SEABROOKE**
  Chairman of the board; independent non-executive director.
- **PAUL MILLER**
  Non-executive director.

The remuneration committee's mandate is 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.

Within this mandate, the remuneration committee believes that a well-designed remuneration policy maintains appropriate alignment 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 (LTIs) to meet the group's needs and strategic objectives, in addition to reviewing the robustness of long-term incentive schemes in ensuring continued contribution to shareholder value.

The remuneration committee is also responsible for ensuring that the implementation and execution of the remuneration policy achieves its objectives.

PRINCIPLES OF REMUNERATION

The following overarching principles are applied to remuneration:

- Transaction Capital's remuneration policies are approved by the remuneration committee and the board.
- Remuneration policies are designed to eliminate differential compensation related to gender, race and location, and apply the principle of equal work for equal pay.
- Compensation is defined on a cost-to-company (CTC) basis, with all benefits included and fully taxed.
- Formal and informal research and benchmarking is performed to determine market norms for similar positions.
- Remuneration is aligned to individual financial and non-financial outputs measured through performance management systems that focus on goals achieved and exceeded.
- Remuneration policies are designed to achieve the group's requirements to retain identified employees, while aligning the interests of employees with those of shareholders and stakeholders.
- Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance and ensure alignment with the group's sustainability and transformation objectives.
- Incentives and bonuses at executive level are aligned to profit growth and relevant return metrics, key non-financial measures, as well as additional key operational outputs and individual performance. In certain instances, a portion of these incentives may be deferred or delivered in the form of share plan awards to support the retention of identified executives and support decision-making based on long-term value creation.
- In instances where an executive's decisions have a direct impact on shareholder value, an element of their compensation is aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined LTI schemes (see page 119).
- The remuneration committee continually assesses whether those executives charged with setting and implementing group strategy are meaningfully invested in Transaction Capital, by way of direct investment and/or through an LTI scheme. In this regard, Transaction Capital introduced a policy of a minimum investment in the group for key executives (see page 119).
- The remuneration committee proposed the adoption of a malus and clawback policy in the 2019 financial year, subject to approval by shareholders at the upcoming annual general meeting (AGM). The policy will be effective for variable remuneration (both short-term and long-term incentives) awarded from the 2020 financial year. The intention is to have a policy that would allow the business to adjust variable remuneration awarded to participants before the vesting of an award (malus) and, in the case of participants who are members of the executive committees, to recover variable pay after vesting or even payment (clawback), under appropriate circumstances. In this way, the business would be able to recover value from key executives and thereby align risk and individual reward.
- Any change to the compensation of any individual at every level of the group must be approved by their second-level manager, with the remuneration committee approving the compensation of all executive directors, including the chief executive officer (CEO) and his direct reports, and certain functional specialists.
- Subject to the remuneration committee's approval, 'good leavers' will receive a pro rata benefit due to them in terms of LTIs, subject to meeting the performance requirements of each tranche.

SHAREHOLDER ENGAGEMENT

At the 2018 AGM on 7 March 2019, 80.87% of shareholders voted in favour of the group's remuneration policy, with 93.99% voting in favour of the remuneration implementation report.

Following engagements with shareholders after the 2018 AGM, a number of enhancements have been implemented to the remuneration policy in the 2019 financial year, as outlined below.

ENHANCEMENTS TO THE REMUNERATION POLICY

Minimum group shareholding/ LTI investment policy introduced for key executives.

→ Executive investment policy – see page 119.

Malus and clawback policy introduced for short- and long-term incentive plans, subject to shareholder approval at the upcoming AGM.

→ Principles of remuneration – see page 115.

Transformation targets included as qualitative measures in the discretionary component of short-term incentives for key executives.

→ Short-term incentives – see page 118.

CONDITIONAL SHARE PLAN (CSP) AMENDMENTS

CSP to vest in years three, four and five after the award, in equal proportions of 33.3% per annum.

The prior vesting period was from two to five years.

Discontinuance of CSP awards criteria based only on the continued employment of an executive.

Super-performance to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional allocation of up to 25% of their CSP target vesting value.

This requires that predetermined "stretch" performance criteria, known as the maximum vesting value, are met.

→ Conditional share plan – see pages 119 to 121.

As in prior years, disclosure on remuneration policies and their implementation has been further enhanced.

ENHANCEMENTS TO REMUNERATION DISCLOSURE

Detailed description provided for the qualitative, quantitative and discretionary drivers' calculation of the executives' short-term incentive awards.

Includes the maximum short-term incentive potential.

→ Short-term incentives – see page 118.

Methodology to quantify the number of CSPs awarded.

→ Conditional share plan – see page 120.

Key metrics considered in determining divisional valuations for CSP purposes.

→ Conditional share plan – see page 120.

Disclosure of key executives' total equity value to the group to be determined annually.

→ Shareholding – see page 128.

The group's remuneration policy and its implementation is presented to shareholders annually for consideration and approval under the terms of separate non-binding advisory votes at the AGM, 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

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 encouraging positive outcomes and promoting 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 remuneration principles 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 are monitored directly by the CEO, together with his direct reports, with direct 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, particularly in light of the specialised skill set required in the industries in which the group operates. In addition, executive remuneration strives to align executives with stakeholder priorities.

The different components of remuneration, summarised in the table below, aim to attract, motivate, align and retain scarce talent, while discouraging dysfunctional short-term behaviour.

REMUNERATION COMPONENT	REMUNERATION POLICY	→ Reference
Basic salary	Total CTC measured against the 60th percentile of the market.	Page 118
Benefits	Group life, provident fund, medical cover and disability cover.	Page 118
Short-term incentives	Variable annual incentives based on achieving divisional/group quantitative objectives, plus a qualitative portion awarded based on non-financial measures and individual performance. Additional discretionary short-term incentives (STIs) may also be awarded for superior individual performance.	Page 118
Long-term incentives	Executives participate in LTI schemes where their decisions are 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.	Page 119
TOTAL REWARD	**Providing competitive and attractive total compensation with a portion paid over the medium to long term.**	

BASIC SALARY AND BENEFITS

Executive CTC is determined against the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. This is measured against the 60th percentile of the market, taking into account the company's market capitalisation, industry, revenue and earnings to ensure appropriate remuneration for level of seniority. Formal and informal research, coupled with market norms and industry practice, are also taken into consideration.

A market-related CTC provides executives with a competitive stable income and provides a standard of living consistent with the demands of a specific position. This represents a sufficiently high portion of the total remuneration to avoid overdependence on the variable components of remuneration.

No employees, including executives or directors, have employment terms that exceed six months' notice. Where relevant, the company is not under any obligation to make exit payments for executives leaving the group; however, this may be considered on a case-by-case basis.

Executives receive additional benefits that provide financial structures for death, retirement, health and wellness.

SHORT-TERM INCENTIVES

The overall award of STIs for executive directors align with the performance of the respective divisions. STIs promote the achievement of strategic objectives determined annually, based on the requirements of the group within the organisation's risk appetite as well as positive outcomes.

Qualitative and quantitative targets are pre-approved by the remuneration committee prior to the commencement of the forthcoming financial year for group and divisional executives.

SHORT-TERM INCENTIVES	QUANTITATIVE COMPONENT	QUALITATIVE COMPONENT
Amount	■ Group/divisional CEO – up to nine months. ■ Other executives – up to six months.	■ Up to three months.
Determinant	A combination of factors are considered in setting quantitative STI targets, depending on the role of the executive and the division in which they are employed (as pre-approved by the remuneration committee): ■ Growth in headline earnings per share (HEPS) above consumer price inflation (CPI). ■ Return on equity or invested capital. ■ Return on sales. ■ New business origination or growth in revenue. ■ Unfettered access to debt capital or the reduction in the cost of capital.	The remuneration committee considers individual performance in meeting strategic imperatives, which includes: ■ Strategy implementation. ■ Meeting employment equity targets. ■ Transformation strategy implementation. ■ Efficient capital management. ■ Identification, successful implementation and integration of acquisitions. ■ Implementation of operational, technology and risk management projects. ■ Other non-financial key performance indicators (KPIs).
Discretionary	In instances where – in the opinion of the remuneration committee – an individual executive has outperformed set KPIs, a discretionary STI may be awarded. A portion of this award may be deferred or delivered in the form of share plan awards.	

The remuneration committee must satisfy itself that such payments are fair and reasonable, and are disclosed to shareholders as required by remuneration governance principles.

LONG-TERM INCENTIVES

Executives participate in LTI schemes where their decisions 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.

EXECUTIVE INVESTMENT POLICY

The remuneration committee continuously reviews the equity value held by key executives in the group. The policy aims to apply appropriate retention mechanisms (through equity value) while ensuring alignment to the interests of Transaction Capital's shareholders. The assessment of the executives' equity value is comprised of:

- The value of LTI allocations, subject to the fulfilment of vesting conditions, awarded in terms of the CSP and Share Appreciation Rights (SAR) plan.
- The value of direct shareholding in Transaction Capital. These positions may be historic or due to the vesting of LTIs.
- The value of direct shareholding in a subsidiary of Transaction Capital.

The remuneration committee has instituted a policy in 2019 that key executives should hold a meaningful interest in the equity value of Transaction Capital, with a minimum target exposure to Transaction Capital's equity value maintained at three times annual CTC (held directly or indirectly). Where the equity value of a key executive of the group is determined to be low, accelerated annual LTI awards or a once-off LTI award may be awarded.

→ *A detailed breakdown of equity value per executive can be found later in this report. See page 128.*

CONDITIONAL SHARE PLAN

The CSP provides executives with an opportunity to share in the equity growth and success of Transaction Capital and that of the division in which they are employed. This provides direct alignment between the executives and shareholders as any vesting amount of the CSP is based on the company's share price for group employees and on divisional valuations for divisional employees.

Transaction Capital has a decentralised management structure that devolves authority and responsibility to its respective divisions, namely SA Taxi and Transaction Capital Risk Services (TCRS). To support this strategic objective, a primary objective of the LTI scheme is to link the scheme's performance to the equity value of the respective divisions. While Transaction Capital group executives are incentivised based on the share price and performance of the group as a whole, the CSP also caters for divisional executives who are believed to be in a position to directly impact the performance and valuation of each division, while delivering on the division's strategy. Its purpose is to incentivise participants to deliver on business strategy over the long term, and to act as a retention mechanism and tool to attract prospective employees.

The remuneration committee believes that the CSP is a superior LTI for Transaction Capital's objectives, which has largely superceded the SAR plan (discussed in greater detail below). 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 value.

The first tranche of CSPs was awarded in November 2016. Annual CSP awards occur in November/December each year, with interim awards catering for new joiners and special circumstances. All awards are subject to remuneration committee approval.

Executives' CTC and job grades are considered in the quantum of awards. In general terms, the following annual awards are granted:

- 50% of CTC – executive directors or divisional directors/executives.
- 30% of CTC – senior executives.
- 20% of CTC – junior executives and scarce skills requiring retention.

The remuneration committee may apply discretion for CSP awards granted in addition to the formulaic job grade awards (as detailed above) depending on:

- Executive performance delivered.
- Potential and tenure.
- STIs relative to market benchmarks.
- An executive's equity value assessed against the group's executive investment policy as detailed in the executive investment policy on page 119.

The CSP mechanism is overseen and approved by the remuneration committee. It operates as follows:

DETAIL	GROUP EXECUTIVES	DIVISIONAL EXECUTIVES
Grant price	10-day volume weighted average price (VWAP) of Transaction Capital share on date of issue.	Divisional notional value per share on date of issue.
Number of CSPs granted	Equal to the monetary value of the LTI award, as approved by the remuneration committee, divided by the approved share price of the relevant member group to which the LTI award relates.	
Exercise price	10-day VWAP of Transaction Capital on date of exercise.	Divisional notional value per share on date of exercise.
Valuation	Share price of Transaction Capital.	A valuation of each division is performed by an independent expert on the date of the CSP award and exercise. Among others, the following key metrics are considered in determining divisional valuations: ■ Level of revenue and earnings. ■ Growth in revenue, cost-to-income ratios and HEPS. ■ Return on equity, return on assets and net asset value. ■ Credit performance. ■ Assessment of quality of earnings and expected future performance. ■ Dividend pay out rates and cash conversion levels. ■ A "sum of the parts" of the divisions is compared to the group market capitalisation for reasonability.
Cost	Executives receive CSP awards for zero cost.	
Vesting period	As per the most recent award, the CSP vesting period has been amended to vest in years three, four and five after the award, in equal proportions of 33.33% per annum.	
Performance criteria	Performance criteria are pre-set by the remuneration committee for each vesting period. The most recent performance criteria have been set as follows (per division for divisional executives, and on a consolidated basis for group executives): (see table below) Note that the valuation, and thus the benefit received by executives on vesting, is determined on the share price of Transaction Capital for group executives and on the divisional valuations for divisional executives. This provides direct alignment with shareholders, and takes into account the performance and valuation of the group and divisions as a whole. As such, executives are exposed to all performance metrics of the group on which the valuation of the group is determined, and not simply the single metric of growth in core HEPS over the vesting period. Commencing from the May/June 2019 CSP awards and in line with the revised remuneration policy, no further awards based only on continued employment of an executive have been issued.	
Super-performance	Super-performance is to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component of their CSP settlement value, should predetermined stretch performance criteria be met. Stretch performance criteria will be set annually by the remuneration committee and can include growth in core headline earnings above a predetermined hurdle. See page 125 for details on the 2019 super-performance stretch targets.	
Delivery	Once the vesting period has passed and performance criteria are met, the participant receives shares in Transaction Capital to the value of the notional CSP awards on date of vesting.	
Continued employment	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).	

Continuing core HEPS growth over vesting period*	% of CSP to be awarded
CPI	20%
CPI + 5% (South Africa)	100%
CPI + 2% (Australia)	100%

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

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 a full share (as opposed to an increase in the value of a share, as per the SAR plan discussed below).
- The CSP directly aligns the interests of the participants with those of shareholders.

The remuneration committee approved a policy stipulating that the number of Transaction Capital shares issued in terms of the CSP awards will not exceed more than 5% of the issued ordinary shares of Transaction Capital at the time of approval of the CSP by shareholders. The CSP was approved by shareholders at a general meeting held on 20 October 2016.

SHARE APPRECIATION RIGHTS PLAN

Through the SAR plan, executives and senior managers 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 the awarded SARs equity-settled after being exercised. The SAR plan awards a conditional right to a participant to receive a 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 grant date until the date on which the conditional rights are exercised.

The share price growth over the SAR plan period is settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR plan grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

Subject to the specific performance criteria of achieving continuous growth in group core HEPS of 5% above CPI, the SAR plan vests in full after four years of the award date and are exercisable for a 12-month period thereafter.

While the SAR plan has been a successful mechanism to retain select employees since listing, the group favours the CSP (discussed previously) as a more appropriate tool. This is in line with international trends towards less volatile and lower geared LTIs, which have proved to provide better alignment of performance with shareholder interests, as well as being less likely to result in extreme payouts. As such, no new SAR plan awards have been granted since November 2015, with the last SARs awarded vesting in May 2020.

The remuneration committee will assess the future use of SARs on a periodic basis, as required. Those SAR plan awards already in issue will continue to vest as per the SAR plan.

DIRECT INVESTMENT

Under 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), which incentivises and aligns 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.

As the founding directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi continue to be actively involved in supporting executive line management in various aspects of the group's businesses. This involvement includes strategy, operations, acquisitions, disposals, capital raising, capital management, regulatory matters and participation in group and divisional management where appropriate. The board believes that the founding directors' participation in this manner adds considerable value for shareholders on an ongoing basis.

The individual family trusts of two of the founders, being the Rutland Trust (the family trust of Michael Mendelowitz) and the Sugar Tube Trust (the family trust of Roberto Rossi), together with Pilatucom Holdings Limited (all the shares of which are held by trusts in which Jonathan Jawno is a contingent discretionary beneficiary), collectively continue to be the group's largest shareholders of reference.

Due to circumstances and history, the remuneration and fee arrangements of the founding directors are not conventionally structured. As the group's largest shareholders of reference, none of the founding directors participate in any of the group's LTI plans. The base packages of the executive founding directors are well below market-related fees for directors of their calibre. The non-executive directors' fees and consulting services of the non-executive founding director are also below market. At the end of each financial year, the independent non-executive members of the remuneration committee, in consultation with the CEO, consider the founding directors' inputs and successes during the year. The remuneration committee then awards incentive bonuses and contract adjustments relative to quantitative and qualitative performance to determine an appropriate total remuneration award with reference to market benchmarks for comparable listed companies 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 AGM.

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 provides a breakdown of the annual remuneration (excluding LTIs) of directors and prescribed officers for the year ended 30 September:

	2019				2018			
	Salary R	Short-term employee benefits R	Annual incentive bonus R	Total R	Salary R	Short-term employee benefits R	Annual incentive bonus R	Total R
EXECUTIVE DIRECTORS								
Sean Doherty*	**944 338**	**153 119**	**833 333**	**1 930 790**	–	–	–	–
Ronen Goldstein**	**1 576 575**	**184 857**	**700 000**	**2 461 432**	1 719 900	201 663	1 102 500	3 024 063
Mark Herskovits	**2 478 398**	**424 734**	**3 194 745**	**6 097 877**	2 320 484	412 310	2 530 628	5 263 422
David Hurwitz	**3 687 729**	**584 627**	**3 501 816**	**7 774 172**	3 320 046	563 914	3 501 816	7 385 776
Jonathan Jawno	**1 311 813**	**213 237**	**4 500 000**	**6 025 050**	1 327 341	197 709	4 500 000	6 025 050
Michael Mendelowitz	**1 311 813**	**213 237**	**4 500 000**	**6 025 050**	1 292 885	232 165	4 500 000	6 025 050
PRESCRIBED OFFICERS								
Terry Kier	**3 229 775**	**2 209 440**	**3 152 470**	**8 591 685**	3 012 417	2 223 361	3 244 395	8 480 173
David McAlpin	**3 319 126**	**328 099**	**2 626 190**	**6 273 415**	3 049 257	309 719	2 477 538	5 836 514
TOTAL	**17 859 567**	**4 311 350**	**23 008 554**	**45 179 471**	16 042 330	4 140 841	21 856 877	42 040 048

* *Sean Doherty was appointed as an executive director with effect from 1 June 2019.*
** *Ronen Goldstein resigned as an executive director with effect from 31 May 2019.*

COST TO COMPANY

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

SHORT-TERM INCENTIVES

All quantitative performance metrics set for the group and the divisions were achieved in the 2019 financial year. In addition, the following qualitative initiatives were achieved:

- Although progress against transformation objectives was made, including maintaining Broad-Based Black Economic Empowerment (B-BBEE) scorecard levels, the pace of this change was not sufficient.
- Successfully implementing strategy in a challenging environment.
- The following additional strategic initiatives were achieved in the current year:
  - Overall improvement in the state of the group during 2019.
  - Specific corporate transactions completed, in particular the equity transaction in which the South African National Taxi Council (SANTACO) subscribed for 25% of SA Taxi.
  - Establishing new divisions/business initiatives, including SA Taxi Auto Parts in SA Taxi, and TC Global Finance and TC Specialised Finance in TCRS.
  - The finalisation of the integration of the acquisitions completed in 2017.
  - The ongoing management of risk.
  - Meeting capital management requirements, including:
    - › Diversifying the group's funding sources.
    - › Managing the group's cost of funding.

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

CHIEF EXECUTIVE OFFICER
David Hurwitz

David Hurwitz's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R2 801 453 (8 months)	Growth of the group's core HEPS and core return on equity achieved.
QUALITATIVE	R700 363 (2 months)	■ Overall improvement in the state of the group during 2019. ■ The finalisation of the integration of the acquisitions completed in 2017. ■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO. ■ Progress achieved in implementing the group's strategic objectives, including stringent capital management in a challenging trading environment, and establishing TC Global Finance and TC Specialised Finance.
DISCRETIONARY	Nil	
TOTAL	**R3 501 816**	

CHIEF FINANCIAL OFFICER
Sean Doherty

Sean Doherty's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R666 667 (8 months apportioned for period of employment)	Growth of the group's core HEPS and core return on equity achieved.
QUALITATIVE	R166 666 (2 months apportioned for period of employment)	Improvement in the state of the financial, risk and reporting structures of the group.
DISCRETIONARY	Nil	
TOTAL	**R833 333**	

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark Herskovits

Mark Herskovits's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R1 950 884 (8 months)	Growth of SA Taxi's core HEPS and core return on equity achieved.
QUALITATIVE	R243 861 (1 month)	■ Progress achieved in implementing the group's strategic objectives, including stringent capital management in a challenging trading environment and supporting SA Taxi's strategic initiatives.
DISCRETIONARY	R1 000 000 (4.1 months)	■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO.
TOTAL	**R3 194 745**	

PRESCRIBED OFFICERS

Terry Kier

Terry Kier's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R2 865 882 (10 months)	Growth of SA Taxi's core headline earnings and return on equity achieved.
QUALITATIVE	R286 588 (1 month)	■ Overall improvement in the state of SA Taxi during 2019. ■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO. ■ Progress achieved in implementing SA Taxi's strategic objectives.
DISCRETIONARY	Nil	
TOTAL	**R3 152 470**	

David McAlpin

David McAlpin's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R1 313 095 (4.5 months)	Growth of TCRS's core headline earnings.
QUALITATIVE	R1 313 095 (4.5 months)	■ Overall improvement in the state of TCRS during 2019. ■ The finalisation of the integration of the acquisitions completed in 2017. ■ Progress achieved in implementing TCRS's strategic objectives, including the growth in purchased book debt acquisitions and establishing TC Global Finance and TC Specialised Finance. ■ Maintaining Transaction Capital Recoveries' B-BBEE rating at Level 2*.
DISCRETIONARY	Nil	
TOTAL	**R2 626 190**	

** Note that TCRS achieved a B-BBEE Level 1 rating subsequent to year-end.*

FOUNDERS

Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 500 000 for 2019 comprised:

- A quantitative bonus for the growth of the group's core HEPS.
- A qualitative bonus for his specific role in the management of risk and capital.

Michael Mendelowitz

Michael Mendelowitz's incentive bonus of R4 500 000 for 2019 comprised:

- A quantitative bonus for the growth of the group's core HEPS.
- A qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities, in particular:
  - The execution and finalisation of the SA Taxi ownership transaction with SANTACO.
  - Establishing TC Global Finance and TC Specialised Finance.

Future focus areas, which will inform STIs for executive directors in the next financial year, are as follows:

- Continued headline earnings and HEPS growth.
- Achieving employment equity performance targets.
- Improving B-BBEE scorecards.
- Enhanced risk management.
- Operationalisation of the new ethics structures.
- Specific focus areas for SA Taxi:
  - Continued exploration of alternative growth vectors.
  - Restructure of the business into more discreet focus pillars.
  - System implementation across multiple areas and technology integration.
  - Achieving specific human capital goals, including:
    - Improving retention rates of key employees.
    - Development of staff in succession plans.
- Specific focus areas for TCRS:
  - Continued investment in technology and system optimisation to retain its competitive advantage.
  - New client acquisition.
  - Achieving specific human capital goals, including:
    - Improving retention rates of key employees.
    - Development of staff in succession plans.
    - Skills transfer and mentorship.

LONG-TERM INCENTIVES

CONDITIONAL SHARE PLAN

The remuneration committee approved the following criteria for all CSP awards that commenced in June 2019:

VESTING PERIOD

- 100% of the CSP award is based on meeting the performance criteria (as determined below) to vest as follows:
  - Year three: 33.3%.
  - Year four: 33.3%.
  - Year five: 33.3%.
- No portion of the CSP award is based on continued employment alone, and all are subject to the performance criteria detailed below.

PERFORMANCE CRITERIA

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

Continuing core HEPS growth over vesting period*	% of CSP to be awarded
CPI	20%
CPI + 5% (South Africa)	100%
CPI + 2% (Australia)	100%

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

As detailed previously, super-performance is to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component equal to 25% of their CSP settlement value, should predetermined stretch performance criteria be met, as set out in the table below:

	Target (annualised core HEPS growth)*
Group	>17.5%
SA Taxi	>20.0%
TCRS	>15.0%

** If minimum targets are not achieved, there will be no additional settlement.*

It is the view of the remuneration committee that LTI awards promote long-term equity value creation for employees and shareholders alike, while STI awards serve to reward superior financial and operational performance for the past financial year. As the value of the CSP on vesting is based on the equity valuation of each division (and Transaction Capital group for group employees), employees are rewarded for the quality and sustainability of earnings over the long term, thus aligning their interests with the group's shareholders. As a result, the growth hurdle of the CSP is viewed to be appropriate.

The following table shows the CSP position of executive directors and prescribed officers at 30 September 2019:

	Component	Present value of CSP awards	CSP awards	Vesting period	CSP awards exercised during the year	Gains on CSP awards exercised during the year
EXECUTIVE DIRECTORS						
DAVID HURWITZ	Group					
Granted on 22 November 2016		1 280 512	101 063	2 to 4	30 758	554 259
Granted on 22 November 2017		1 665 106	132 186	2 to 5	–	–
Granted on 20 November 2018		2 990 230	183 554	2 to 5	–	–
Granted on 26 November 2019		3 632 316	191 007	3 to 5		
SEAN DOHERTY	Group					
Granted on 19 June 2019		5 568 168	323 668	3 to 5	–	–
Granted on 26 November 2019		1 634 558	85 954	3 to 5		
MARK HERSKOVITS	SA Taxi					
Granted on 22 November 2016		953 889	122 649	2 to 4	37 328	408 099
Granted on 29 May 2017		1 267 210	164 824	2 to 4	50 164	557 483
Granted on 22 November 2017		839 072	94 480	2 to 5	–	–
Granted on 20 November 2018		1 286 537	130 059	2 to 5	–	–
Granted on 26 November 2019		1 688 093	120 492	3 to 5		
PRESCRIBED OFFICERS						
DAVID McALPIN	TCRS					
Granted on 22 November 2016		5 550 636	1 231 535	2 to 4	72 282	457 276
Granted on 22 November 2017		5 689 807	1 181 474	2 to 5	–	–
Granted on 25 March 2019		11 460 166	2 196 837	2 to 4	–	–

Ronen Goldstein (who resigned as an executive director effective 31 May 2019) gained R3 035 082 from the exercise of CSPs in the 2019 financial year.

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

Refer to note 24.2 in the group's 2019 consolidated annual financial statements for further details on the CSP.

SHARE APPRECIATION RIGHTS PLAN

All SAR plan awards were approved by the remuneration committee. No SARs have been awarded since 25 November 2015. 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 at 30 September 2019:

	Present value of SARs	SARs	Vesting period	SARs vested during the year and not exercised	SARs exercised during the year	Gains on SARs exercised during the year
	R	**Number**	**Years**	**Number**	**Number**	**R**
EXECUTIVE DIRECTORS						
DAVID HURWITZ						
Granted on 25 November 2014	–	–	4	–	300 000	3 775 524
Granted on 26 November 2015	830 000	250 000	4	–	–	–
MARK HERSKOVITS						
Granted on 25 November 2014	–	–	4	–	250 000	3 146 270
Granted on 26 November 2015	498 000	150 000	4	–	–	–
PRESCRIBED OFFICERS						
DAVID McALPIN						
Granted on 25 November 2014	–	–	4	–	751 685	8 262 568
Granted on 26 November 2015	664 000	200 000	4	–	–	–

Ronen Goldstein (who resigned as an executive director effective 31 May 2019) gained R2 818 590 from the exercise of SARs in the 2019 financial year.

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

Refer to note 24.1 in the group's 2019 consolidated annual financial statements for further details on the SAR plan.

DIRECT INVESTMENT

Terry Kier (CEO of SA Taxi) holds a direct investment 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 disposed of 0.5% of his shareholding to Transaction Capital on 1 December 2018 for total proceeds of R28 million. Terry's shareholding was further diluted following SA Taxi's ownership transaction with SANTACO.

At 30 September 2019, Terry Kier held a direct investment of 1.2% (2018: 2%) in SA Taxi Holdings Proprietary Limited. This shareholding was valued at R121 million.

Terry Kier owed a wholly-owned subsidiary of Transaction Capital an amount of R25 million at 30 September 2019. The loan was granted on an interest-free basis and will be repaid 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 does not participate in the SAR or CSP plans.

SHAREHOLDING

The remuneration committee continually assesses whether those executives charged with setting and implementing group strategy are meaningfully invested in Transaction Capital, by way of direct investment and/or through the CSP. As mentioned previously, the remuneration committee has set an executive investment policy that mandates that key executives should hold a meaningful interest in Transaction Capital, with a minimum target exposure to Transaction Capital's equity value maintained at three times annual CTC (held directly or indirectly). Where the equity value of a key executive of the group is determined to be low, accelerated annual LTI awards or once-off LTI awards may be awarded.

The executive directors of the group hold the following direct or indirect equity value in Transaction Capital Limited at 30 September 2019, aligning their interests with the broader shareholder base:

	Notes	Shares held **Number**	Valuation of shares at closing share price on 30 September 2019 **R**	SAR position at 30 September 2019* **R**	CSP position at 30 September 2019* **R**	Total equity value to the group **R**	Cover of annual CTC **Times**
EXECUTIVE DIRECTORS							
Sean Doherty	1	–	–	–	7 169 246	7 169 246	<3
Mark Herskovits		1 471 444	32 592 485	1 764 000	8 238 273	42 594 758	>3
David Hurwitz	2	4 982 841	110 369 928	2 940 000	9 232 186	122 542 114	>3
PRESCRIBED OFFICERS							
Terry Kier	3	–	–	–	–	–	
David McAlpin		–	–	2 352 000	33 411 332	35 763 332	>3
FOUNDERS							
Jonathan Jawno	4	59 333 333	1 314 233 326	–	–	1 314 233 326	>3
Michael Mendelowitz	5	59 333 333	1 314 233 326	–	–	1 314 233 326	>3
TOTAL		125 120 951	2 771 429 065	7 056 000	58 051 037	2 836 536 102	

* *SAR/CSP valuations are determined on current share prices and are prior to any tax payable.*

1. *Sean Doherty joined Transaction Capital as an executive director in June 2019. The minimum target exposure to Transaction Capital's equity value will be built up over the next three to five years.*
2. *Shares are held by David Hurwitz in his personal capacity and by the Dovie Trust, in which David Hurwitz is a discretionary beneficiary. The total above includes both David Hurwitz's direct and indirect holdings.*
3. *The Empire Trust, of which Terry Kier is a discretionary beneficiary, owns 1.2% of SA Taxi Holdings (Pty) Ltd.*
4. *Pilatucom Holdings Limited owns 59 333 333 shares in Transaction Capital Limited. All the shares of Pilatucom Holdings Limited are held by trusts in which Jonathan Jawno is a discretionary contingent beneficiary.*
5. *The Rutland Trust, of which Michael Mendelowitz is a discretionary contingent beneficiary, owns 59 333 333 shares in Transaction Capital Limited.*

NON-EXECUTIVE DIRECTORS' FEES

Fees paid to non-executive directors are for directorship and membership of committees, with no additional meeting attendance fees paid. This is due to board members providing input to the company on an ongoing basis, and is thus 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 AGM. As from 1 June 2017, VAT is payable on non-executive directors' fees, where appropriate.

The following table shows the fees paid to non-executive directors for the year ended 30 September 2019:

	C Seabrooke[1] R	P Langeni R	R Rossi[2] R	K Pillay R	O Ighodaro[3] R	P Miller R	D Radley[4] R	B Hanise[5] R	TOTAL
BOARD MEMBERS									
Board chairman (including committee attendance)	1 636 667	–	–	–	–	–	–	–	**1 636 667**
Board director	–	382 083	382 083	382 083	61 833	382 083	382 083	289 333	**2 261 581**
Audit, risk and compliance committee (chairperson)	–	–	–	–	66 250	–	342 625	–	**408 875**
Audit, risk and compliance committee (member)	–	163 667	–	–	–	–	26 500	123 917	**314 084**
Asset and liability committee (member)	–	–	–	–	21 200	–	131 167	99 367	**251 734**
Remuneration committee (chairperson)	–	–	–	273 167	–	–	–	–	**273 167**
Remuneration committee (member)	–	–	–	–	–	131 167	–	–	**131 167**
Nominations committee (member)	–	–	131 167	131 167	–	–	–	–	**262 334**
Social and ethics committee (chairperson)	–	273 167	–	–	–	–	–	–	**273 167**
Social and ethics committee (member)	–	–	–	131 167	–	–	–	–	**131 167**
TOTAL ANNUAL FEES	**1 636 667**	**818 917**	**513 250**	**917 584**	**149 283**	**513 250**	**882 375**	**512 617**	**5 943 943**

1. Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, audit, risk and compliance committee, and asset and liability committee.
2. In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R7 000 000 for corporate finance and legal services rendered to the group.
3. Resigned as a non-executive director effective 30 November 2018.
4. Appointed as chairperson of the audit, risk and compliance committee effective 1 December 2018. In addition to the fees reported above, Diane Radley received directors' fees of R323 000 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.
5. Appointed as a non-executive director effective 1 January 2019.

The following table shows the fees paid to non-executive directors for the year ended 30 September 2018:

	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R	O Ighodaro R	P Miller[5] R	D Radley[6] R	TOTAL
BOARD MEMBERS								
Board chairman (including committee attendance)	1 552 500	–	–	–	–	–	–	**1 552 500**
Board director	–	362 250	362 250	362 250	362 250	362 250	77 292	**1 888 542**
Audit, risk and compliance committee (chairperson)	–	–	–	–	388 125	–	–	**388 125**
Audit, risk and compliance committee (member)	–	155 250	–	–	–	–	33 125	**188 375**
Asset and liability committee (member)	–	–	–	–	124 200	–	26 500	**150 700**
Remuneration committee (chairperson)	–	–	–	258 750	–	–	–	**258 750**
Remuneration committee (member)	–	–	–	–	–	114 200	–	**114 200**
Nominations committee (member)	–	–	124 200	124 200	–	–	–	**248 400**
Social and ethics committee (chairperson)	–	258 750	–	–	–	–	–	**258 750**
Social and ethics committee (member)	–	–	–	114 200	–	–	–	**114 200**
TOTAL ANNUAL FEES	**1 552 500**	**776 250**	**486 450**	**859 400**	**874 575**	**476 450**	**136 917**	**5 162 542**

1. Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, audit, risk and compliance committee, and asset and liability committee.
2. In addition to the fees reported above, Phumzile Langeni received directors' fees of R117 700 for acting as an independent non-executive director of Transaction Capital Risk Services Holdings (Pty) Ltd and SA Taxi Holdings (Pty) Ltd. Phumzile resigned as a director from the Transaction Capital Risk Services Holdings (Pty) Ltd board effective 28 March 2018 and the SA Taxi Holdings (Pty) Ltd board effective 31 July 2018.
3. In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R4 500 000 for corporate finance and legal services rendered to the group.
4. Appointed as a member of the social and ethics committee effective 1 November 2017.
5. Appointed as a member of the remuneration committee effective 1 November 2017.
6. Appointed as a non-executive director effective 15 July 2018. In addition to the fees reported above, Diane Radley received directors' fees of R65 250 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.