GOVERNANCE

GOVERNANCE REPORT

THE BOARD OF DIRECTORS (THE BOARD) OF TRANSACTION CAPITAL (THE GROUP) IS THE FOCAL POINT AND CUSTODIAN 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

Transaction Capital has set out its governance structures in line with the principles set out in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). 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:

- An ethical culture.
- Good performance.
- Effective control.
- Legitimacy.

The Transaction Capital 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 a dynamic process, and it endeavours to continually improve governance structures within the group. The board assessed the group's alignment to King IV, as reported in the 2017 integrated annual report.

In line with this review, the following actions have been implemented in the current financial period:

- The composition of the remuneration committee and social and ethics committee was enhanced by including non-executive director representation.
- Remuneration policies and reporting were aligned to the King IV principles. The remuneration policy and the remuneration implementation report presented to shareholders at the 2017 annual general meeting (AGM) held on 8 March 2018 received the required support from shareholders.
- The board charter and terms of reference for the board sub-committees were updated to align with King IV.
- A diversity policy that includes voluntary targets on gender and race diversity at board level was adopted.

- IT policies aligned to King IV were rolled out within each of the divisions.
- As part of refreshing the group sustainability policy and embedding the shared-values approach to sustainability and stakeholder issues, the following matters are in the process of being implemented:
  - The group ethics charter is being updated to align with current best practice, and to ensure that it is practical and addresses the key ethical risks of the group. A new value of 'accountability' has been added as a core value.
  - The adoption of a transformation and Broad-Based Black Economic Empowerment (B-BBEE) policy as a sub-policy of the sustainability policy, to specifically address the group's commitment to transformation and the spirit of B-BBEE.

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 recommended practices have been adopted and reported as necessary, taking into account Transaction Capital's business operations and its governance structure.

Transaction Capital's report on the application and disclosure of the 17 King IV principles can be accessed on the group website at http://www.transactioncapital.co.za/about.php

OVERSIGHT

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 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.

The group's values can be accessed on the group's website at http://www.transactioncapital.co.za/about.php

ETHICS

Based on an ethical foundation, the board provides effective and responsible leadership 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.

Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence, accountability and innovation. In addition, it describes Transaction Capital's guiding business principles that direct all business dealings within the group and with other stakeholders. As an ethical roadmap for the group, the ethics charter requires all group operations and employees to conduct business with honesty and integrity, and in accordance with the highest legal and ethical standards.

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The Risk report sets out details on the key concerns of stakeholders.

The group chief executive officer (CEO) and divisional CEOs are the custodians of the charter, assisted by the group's ethics officer. The board reviews the charter regularly.

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. Each incident is investigated independently, with reports provided to the group ethics officer or executive management on the results of the investigation and actions taken. 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 in the social and ethics committee meetings (and audit, risk and compliance (ARC) committee meetings where relevant) as well as the relevant board meetings.

Sustainability framework

The sustainability policy has been approved by the board and adopted by the group. Each division's social relevance is core to achieving the group's strategic objectives. In addition, the ARC committee oversees the preparation of the integrated annual report, with certain sections being reviewed by the external and internal auditors where appropriate.

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders forms an integral part of Transaction Capital' strategy. The sustainability policy governs the relationship and interaction with stakeholders, with the board and social and ethics committee assuming responsibility for stakeholder engagement.

Stakeholder engagement takes place at all levels, across subsidiaries and the group. At a shareholder and investor level, engagement takes place on a continuous basis through site visits, roadshows, meetings and ongoing interactions by the investor relations team. A stakeholder engagement report is submitted to the board bi-annually.

Engagement with employees and other key stakeholders is reported at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings.

The divisions each have their own tailored stakeholder engagement plans in place, which are reported, considered and discussed at their respective board meetings.

RESPONSIBLE CORPORATE CITIZENSHIP

Ultimate responsibility for corporate citizenship lies with the board, with oversight vested in the social and ethics committee and the ARC committee. The principles of responsible corporate citizenship underpin all key aspects of the business.

The social and ethics committee monitors 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.

Governance framework and structures

THE ROLE OF THE BOARD OF DIRECTORS

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

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

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees, set out on page 88. The ARC committee and the social and ethics committee fulfil the statutory governance requirements on behalf of Transaction Capital, its divisions and group subsidiaries.

STRATEGY AND REPORTING FUNCTIONS OF THE BOARD

The board has set out its mission (page 10), strategy (pages 14 to 23) and associated risks (pages 91 to 101) in this integrated annual report. The board considers the risks and opportunities related to the context in which the group operates in directing strategy, assessing its business model and enhancing sustainability to create value for all stakeholders.

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The group's key stakeholder propositions and interaction with stakeholders are depicted in the group business model.

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For further details on the social relevance of Transaction Capital's divisions, refer to SA Taxi and TCRS.

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Details of risk categories managed by the board sub-committees are included in the Risk report.

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 its implementation. An authority framework is in place for the group that governs the authority delegated to group management and matters reserved for approval by the board.

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

The integrated annual report enables stakeholders to make an informed decision about the group's strategic direction and prospects. 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.

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.

BOARD COMPOSITION

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 of the board bring independent judgement and experience to the board's deliberations and decisions. No one individual or group of individuals has unfettered powers of decision-making.

The board charter and nominations committee terms of reference prescribe that the selection of non-executive directors should be 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 academic qualifications, technical expertise, industry knowledge, experience, business acumen and diversity when board appointments are considered. In addition, the board considers the integrity and leadership skills as well as other directorships and commitments of all directors to ensure that they have sufficient time available to fulfil their responsibilities.

The 2018 annual board review determined that the board was satisfied with the composition of the board and its sub-committees.

DIVERSITY

Transaction Capital supports the principles and aims of diversity at board level. Accordingly, the group has adopted a diversity policy to address gender and racial diversity. The voluntary target of employing at least three female directors and three black directors at board level was met in the reporting period. Going forward, the nominations committee will assess diversity targets and progress in meeting targets annually.

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 group on all matters presented to the board. Directors do not participate on matters in which they may be conflicted.

Based on its most recent assessment performed in November 2018, the board, together with the nominations committee, is satisfied that the board's overall composition reflects an appropriate combination of knowledge, skills, experience, diversity and independence.

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 annual report and/or at the AGM).

APPOINTMENT OF DIRECTORS

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 the directors appointed during the reporting period.

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The curricula vitae of group directors are provided in the Directorate section.

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 group 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
- Diane Radley (appointed 15 July 2018)
- Buhle Hanise (appointed 1 January 2019)

Olufunke Ighodaro resigned as an independent non-executive director on 30 November 2018.

* *Assessed as independent as part of the 2018 annual board review process.*

NON-EXECUTIVE DIRECTORS

- Roberto Rossi
- Paul Miller

EXECUTIVE DIRECTORS

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

This year, Kuben Pillay, Roberto Rossi and Michael Mendelowitz 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, Diane Radley and Buhle Hanise, who were appointed in the 2018 and 2019 financial years respectively, will also be nominated for election as directors.

ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD, ITS COMMITTEES AND THE COMPANY SECRETARY

Formal performance evaluations of the board, its committees and the company secretary are conducted annually by means of an evaluation questionnaire. The evaluations assess the combination 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 enhancements of the board and its committees for the following year.

The nominations committee workplan includes discussions on board performance as well as that of committees, the chair and members.

Based on the annual evaluations undertaken during November 2018, 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 (as detailed below).

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 annual board review, the result of which showed that the chairman leads effectively and ethically.

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 has a delegation of authority framework in place, in terms of which the CEO clearly leads the implementation and execution of approved strategy, policy and operational planning, 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.

During November each year, the chairman and company secretary facilitate a formal performance appraisal of the CEO, which comprises an evaluation by each director. In addition, the CEO's employment contract is assessed for adequacy on an annual basis. The annual review concluded that the CEO is effective and ethical in leading and managing the group.

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 financial period.

Company secretary

Theresa Palos is the company secretary of Transaction Capital. The board is satisfied with the qualifications, experience and competence of the company secretary.

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, and together with the group ethics officer and legal executive, is responsible for 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 between the board and the company secretary.

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.

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		**5**	**3**	**2**	**2**	**2**	**4**
Board member	Status						
Christopher Seabrooke	Independent non-executive	5	3	2	2	–	3
Phumzile Langeni	Independent non-executive	5	3	–	–	2	–
Kuben Pillay[1]	Independent non-executive	5	–	2	2	2	–
Olufunke Ighodaro[2]	Independent non-executive	4	3	–	–	–	4
Diane Radley[3]	Independent non-executive	3	1	–	–	–	1
Roberto Rossi	Non-executive	5	–	2	2*	–	–
Paul Miller[1]	Non-executive	5	–	–	2	–	–
David Hurwitz	Executive	5	3*	2*	2*	2	4
Ronen Goldstein	Executive	5	3*	2*	2*	–	4*
Mark Herskovits	Executive	5	–	–	–	–	4
Jonathan Jawno	Executive	4	3*	2*	2*	–	3
Michael Mendelowitz	Executive	5	–	2*	2*	–	–

* *Invitee.*

1. *Kuben Pillay was appointed as member of the social and ethics committee and Paul Miller was appointed as member of the remuneration committee on 1 November 2017.*
2. *Olufunke Ighodaro resigned as an independent non-executive director and as chairperson of the ARC committee on 30 November 2018. Diane Radley was appointed as chairperson of the ARC committee on this date.*
3. *Diane Radley was appointed as an independent non-executive director and a member of the ARC and asset and liability committee on 15 July 2018.*

BOARD SUB-COMMITTEES

Terms of reference for board sub-committees are reviewed annually. The governance function of the board sub-committees is outlined in the respective committee terms of reference approved by the board.

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 chairperson of each committee at each board meeting. Copies of the minutes of committee meetings are included in the board documentation.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	AUDIT, RISK AND COMPLIANCE	NOMINATIONS	REMUNERATION	SOCIAL AND ETHICS	ASSET AND LIABILITY
Chairperson	Diane Radley[1]	Christopher Seabrooke[1]	Kuben Pillay[1]	Phumzile Langeni[1]	David Hurwitz[2]
Members	Phumzile Langeni[1] Christopher Seabrooke[1] Buhle Hanise[1]	Roberto Rossi[3] Kuben Pillay[1]	Christopher Seabrooke[1] Paul Miller[3]	Kuben Pillay[1] David Hurwitz[2]	Christopher Seabrooke[1] Mark Herskovits[2] Jonathan Jawno[2] Diane Radley[1] Buhle Hanise[1]
Functions managed	■ Accounting, tax and compliance ■ Information and technology ■ Internal audit ■ Risk ■ Credit	■ Directors ■ People ■ Succession	■ People ■ Remuneration ■ Retention	■ Stakeholders (in particular employees) ■ Transformation ■ Sustainability ■ Ethics	■ Funding ■ Liquidity ■ Capital
Number of meetings per year	At least three	At least two	At least two	At least two	At least four
Composition	Independent non-executive directors.	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	All members are non-executive, the majority of whom are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Includes independent non-executive directors as necessary.

1. *Independent non-executive director.*
2. *Executive director.*
3. *Non-executive director.*

SUBSIDIARY BOARDS

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 levels of authority to individuals and committees throughout the group structure.

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 board decisions.

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.

Combined assurance framework

AUDIT, RISK AND COMPLIANCE

The ARC committee oversees the external audit function and the internal audit function, and is responsible for overseeing the combined assurance model and objectives, which include:

- Enabling an effective internal control environment.
- Supporting the integrity of information used for internal decision-making by management, the board and its committees.
- Supporting the integrity of external reports.

Internal audit, risk management and compliance collaborate on combined assurance to support the board, and to effectively cover the group's significant risks and material matters.

EXTERNAL AUDIT

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 to the requirements of the International Standards for the Professional Practice of Internal Auditing.

The group internal audit executive reports administratively to the CEO and functionally to the chairperson of the ARC committee. 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 group and its businesses. 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.

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Further detail is available in the Risk report.

RISKS AND OPPORTUNITIES

Transaction Capital has a board-approved risk framework, which sets the policy, risk appetite and tolerance levels of the group, identifies the top risks, and ensures ongoing risk oversight and monitoring for the group.

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See strategic objective 3 that sets out Transaction Capital's strategy around data, technology and analytics.

INFORMATION AND TECHNOLOGY

The board has delegated the governance of information and technology (IT) to the ARC committee, which also ensures that an IT governance reporting framework is in place. Chief information officers are appointed at each division, with the appointments ratified by the group CEO. IT expenditure is reported on and governed under the group's authority framework. In the current financial year, the group implemented an updated IT policy that addresses the governance of IT in line with the recommended practices of King IV.

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

In summary, IT governance ensures that IT goals are met and IT risks are mitigated so that IT delivers value to sustain and grow the divisions. IT forms an integral part of the business.

Compliance framework

COMPLIANCE STRUCTURES

The ARC committee and social and ethics committee are responsible 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 within the divisions.

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. The roles of the compliance officers are to:

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

Quarterly compliance reports are submitted by the divisions to the ARC committee and board for consideration.

The divisions actively engage with legal counsel where necessary for advice on the application and implementation of any proposed new legislation, as well as potential effects on their respective businesses.

As per the requirements of the JSE Debt Listings Requirements, adherence to the governance framework and King IV principles in relation to TransCapital Investment Limited have been overseen by Transaction Capital's board and ARC committee.

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.
- Debt Collectors Act.
- Financial Sector Regulation Act.
- Insurance-related legislation including the Financial Advisory and Intermediary Services Act, the Insurance Act, the Short-term Insurance Act and Long-term Insurance Act.
- Financial Intelligence Centre Act.
- Consumer Protection Act.
- Competition Act.
- Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act, 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.

REMUNERATION GOVERNANCE

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Details of the remuneration policy and its implementation are set out in the Remuneration report.

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

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. The remuneration policy and its implementation are put forward for separate non-binding advisory votes at the AGM. Shareholder approval is required for non-executive directors' fees.

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

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 the 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 the group's divisions and approved and monitored by the ARC committee.

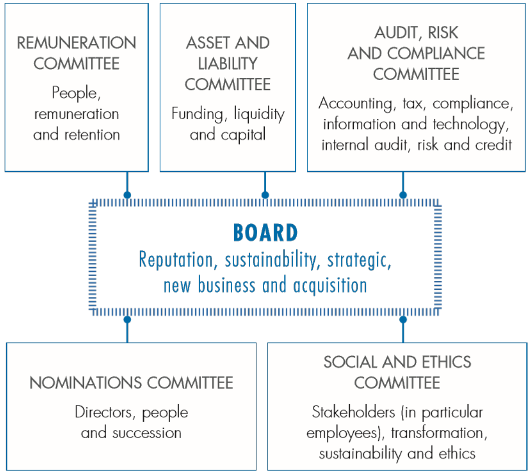
RISK FRAMEWORK AND THE GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk 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 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 mitigations reviewed by the ARC committee and board, where appropriate.

In addition, monthly credit committee meetings take place at SA Taxi and Transaction Capital Business Solutions, quarterly insurance advisory committee meetings take place at SA Taxi, and investment committee meetings take place at Transaction Capital Risk Services (TCRS) as required with regards to the acquisition of purchased book debts. These committees also include non-executive directors as members where relevant.

The profile of each risk details the nature of the threats faced by the group, 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, and is monitored by the asset and liability committee (ALCO).

Ongoing engagement with stakeholders ensures that external views are represented in the risk identification process. For this purpose, stakeholders are prioritised according to their influence, the time and effort the group invests in managing these relationships, 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
- Opportunity maximisation

DETERMINE ADDITIONAL CAPITAL HELD FOR RISK PURPOSES

- Risk exposure quantified
- 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 AN 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.

MITIGATION

A dedicated capital markets team manages the group's funding requirements, including a diversified fundraising strategy and a focussed strategy for 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 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 2019 financial year, and TCRS raising adequate funding facilities to fund its book buying aspirations.

In terms of the South African National Taxi Council (SANTACO) equity transaction, SA Taxi will raise net proceeds of approximately R1.2 billion from the issue of shares to SANTACO. Of this, SA Taxi will use approximately R1 billion to settle external and shareholder debt, with the remainder retained by SA Taxi to fund growth. As a result, SA Taxi's balance sheet will be strengthened, rebasing its gearing to lower levels. In addition, SA Taxi's interest expense will reduce dramatically due to the reduction of interest-bearing debt by approximately R1 billion. As a result, SA Taxi's net interest margin is expected to increase commensurately.

From a group perspective, the group executive office's balance sheet will be free of debt post the transaction, with approximately R1 billion of excess cash.

In 2019 and beyond, SA Taxi and TCRS will continue to focus on reducing their cost of borrowing further through the various fundraising strategies mentioned above.

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

76 *See the Q&A with Mark Herskovits, executive director: capital management, for further detail.*

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.

MITIGATION

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

Collectively, the board applies its 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.

20 *See strategic objective 4 for Transaction Capital's acquisition strategy and investment criteria.*

10 *See Transaction Capital's investment case.*

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.

MITIGATION

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

In particular, TCRS' recent acquisitions have reduced the group's concentration risk by further diversifying business activity across collection, transactional and value-added services, as well as across geography and product.

Group executives oversee the successful integration and implementation of acquisition strategies. Skilled employees are recruited or relocated to augment the existing staff complement. With the operational integration of the recent acquisitions substantially complete, the businesses are expected to yield an enhanced return on future revenues.

While SA Taxi's ROE is expected to reduce due to the SANTACO equity transaction, its balance sheet has been strengthened and the division is poised for growth.

Transaction Capital maintains active and appropriate representation on the boards of the acquired companies, and regular reporting to the Transaction Capital board is implemented.

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

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

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)).

Stakeholder concerns

- Inappropriate return on funds invested to acquire purchased books.

MITIGATION

Operational initiatives include:

- Substantial investment in and development of technology infrastructure to further improve collections.
- Continuous enhancement of analytics capabilities to leverage superior data and determine the appropriate pricing of NPL portfolios. Generally, the price offered for purchased NPL portfolios has reduced in line with the difficult economic environment, ensuring that the returns achieved on collections remain robust.
- 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 while providing structured solutions for clients.
- Engaging with clients to acquire portfolios earlier in the credit cycle to further enhance the quality of collections.

66 *See the Financial director's report for performance in acquiring NPL portfolios.*

RISK 06

The impact of difficult economic conditions and stringent regulatory requirements on revenue; in particular, the lower levels of consumer credit extension (applicable to TCRS).

Stakeholder concerns

- Lower growth in revenue.

MITIGATION

- TCRS' strategy is to deepen its penetration in its traditional market segments (across retailers, banks and specialist lenders) and grow revenue from adjacent sectors (across insurance, telecommunications and public sectors).
- Revenue streams continue to be developed by innovative, bespoke product offerings and solutions.
- TCRS continues to focus on its performance, being ranked either as the best or second-best recoveries agent.
- Recent acquisitions by TCRS have further enhanced the diversification of its product offering and geographic footprint.

RISK 07

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).

Stakeholder concerns

- Non-adherence to payment terms and working capital strain.

MITIGATION

Management engages regularly with relevant parties in the public sector to ensure compliance with agreement terms.

RISK 08

The ability to diversify revenue streams beyond minibus taxis into other market segments, to ensure growth over the longer term (applicable to SA Taxi).

Stakeholder concerns

- Constraints to long-term sustainable growth.

MITIGATION

SA Taxi is strategically positioned to deepen its vertical integration in 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.

38 to 51 *See SA Taxi's divisional review, which includes the Q&A with Terry Kier, for more information on how the division is expanding beyond the financing of minibus taxis.*

RISK 09

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).

Stakeholder concerns

- 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.

MITIGATION

- 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, including concluding the SANTACO equity transaction.
- Focus on ensuring maximum reach on collection activity.
- The effectiveness of SA Taxi's ability to manage this risk is reflected in its credit performance.
- The development of the pre-owned market as a source for cheaper quality vehicles, which aids affordability.

98 *Further detail on SA Taxi's credit performance.*

RISK 10

Original equipment manufacturers (OEMs) as suppliers of vehicles and parts (applicable to SA Taxi).

Stakeholder concerns

- Reliance on OEMs for the supply of vehicles and parts.
- Limited monthly supply of vehicles not being sufficient to meet market demand.

MITIGATION

- Ongoing engagement with OEMs to secure a consistent supply of vehicles, product offering and parts into the market.
- Promoting pre-owned vehicles as a viable alternative for customers.
- The opening of Taxi Auto Parts (TAP) to ensure a consistent and cheaper source of parts.

KEY RISKS

Key risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks (set out on pages 93 to 97) as key risks are anticipated to be ongoing due to the strategy and business model of the group; 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 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 against expected credit losses over its lifetime 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 (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 and channels (including consideration of credit granting criteria), new business approvals, collections strategy and performance.

Credit risk is managed operationally at the time of origination and in terms of collections thereafter. While SA Taxi services the minibus taxi industry exclusively, 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. Repeat customers represent approximately 31% of origination value, which assists in appropriate credit profiling of repeat customers. In addition, loans originated through SA Taxi's dealership perform better from a credit performance perspective.

SA TAXI

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

	2018	2017
Interest income – % average gross loans and advances	**22.3**	22.7
Interest expense – % average gross loans and advances	**(11.3)**	(11.3)
Net interest income – % average gross loans and advances (net interest margin)	**11.0**	11.4
Impairment expense – % average gross loans and advances (cost of credit)	**(3.3)**	(3.2)
Risk-adjusted net interest income – % average gross loans and advances	**7.7**	8.2

In line with its credit strategies implemented during the year, SA Taxi progressed substantially in its efforts to provide finance to lower-risk grade customers, which resulted in 'interest income – % average gross loans and advances' reducing over the period. This is in line with the weighted average interest rate at origination reducing to 23.6% (2017: 24.4%). However, 'interest expense – % average gross loans and advances' remained largely consistent with the prior period, with SA Taxi's foreign-based funding contributing to interest costs remaining at similar levels to 2017, despite SA Taxi's balance sheet de-gearing slightly.

The credit loss ratio increased marginally to 3.3%. As a result the factors detailed above, the risk-adjusted net interest income margin remained robust at 7.7%.

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

		2018	2017
Non-performing loan ratio	%	**17.7**	17.1
Provision coverage	%	**4.0**	5.2
Credit loss ratio	%	**3.3**	3.2

As detailed on the previous page, the credit loss ratio increased marginally to 3.3% and remains at the bottom end of the division's risk tolerance of 3% to 4%. This increase was partly due to SA Taxi electing to dispose of a portion of repossessed vehicles via auction or salvage as opposed to refurbishment and refinance.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of the loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and with the launch of TAP in March 2018, the average cost to repair repossessed vehicles was reduced further in the year.

However, difficult economic conditions combined with high minibus vehicle prices and escalating fuel costs resulted in an increase in SA Taxi's NPL ratio to 17.7%. The marginally higher NPL ratio was offset by the reduced average cost to refurbish repossessed vehicles and higher recoveries on the resale of these vehicles, which resulted in the division reducing provision coverage to 4.0%. At this level, SA Taxi's after-tax credit loss remains covered at 1.7 times.

The business continues to rely on Toyota minibus taxis for new vehicle originations, with potential shortages of these vehicles presenting 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.

SA Taxi is 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 the division's minibus taxi vehicle market is sustainable. SA Taxi is also 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 that 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.

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See risk 5 for details on initiatives to mitigate risk in the acquisition of NPL portfolios.

76

See the Q&A with Mark Herskovits, executive director: capital management, for more detail on diversification by funding category and funding structure.

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 37 portfolios with a face value of R13.6 billion for R662 million during the year. TCRS now owns 239 principal portfolios (including 11 Australian portfolios) with a face value of R22.4 billion, valued at R1.4 billion at 30 September 2018. TCRS' strong balance sheet, which has been augmented with available debt facilities, positions it to acquire a strong pipeline of NPL portfolios coming to market. As a result, TCRS' cost of funding increased slightly to 9.8% in the period.

		2018	2017
Asset turnover ratio	%	**51.5**	52.1
Estimated remaining collections (120 months)	Rm	**2 989**	1 867

TCBS remains disciplined, being cognisant of higher risk in the small- and medium-sized enterprises (SME) lending environment. TCBS has intentionally curbed book growth to maintain risk tolerance and ensure high-quality earnings from its SME lending activities.

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 group's positive liquidity mismatch is 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.

CAPITAL RISK

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

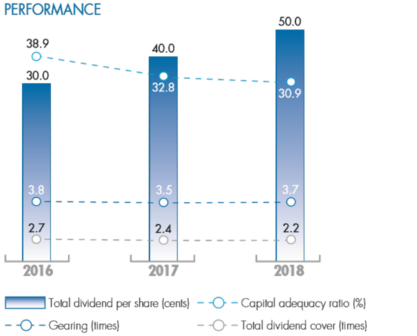
The divisions of the group are not subject to regulatory capital adequacy requirements. Capital is managed using internally generated capital adequacy models, taking into account targeted growth rates, ROE, contractual financial covenants, stress testing and targeted credit ratings.

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.

Following the equity transaction with SANTACO, the group will have excess cash of approximately R1 billion, which will provide the flexibility for immediate cash settlement of any future acquisitions. In addition, Transaction Capital's net asset value per share is estimated to increase by approximately 105 cents per share immediately after the implementation of the transaction.

The dividend policy has been maintained at a cover ratio of 2 to 2.5 times (previously 2.5 to 3 times), with the 2018 dividend cover approximating 2.2 times. This supports the strong quality of earnings as evidenced by high cash conversion rates and low balance sheet risk, the stable capital requirements of the group, and the ungeared net position of the holding company. These factors allow for a higher sustainable dividend policy going forward.

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 repricing 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 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. In addition, loans denominated in foreign currency are all fully hedged as Transaction Capital does not take exchange rate risk.

INSURANCE RISK

Insurance operations form an integral part of the group's and SA Taxi's income and profits. Insurance risks may include claims exceeding premiums and/or the insurance cover over loan security being inadequate or from an inappropriate party.

A quarterly insurance advisory committee has been established, which includes non-executive and executive directors of the group and SA Taxi, as well as independent insurance specialists. SA Taxi utilises a Guardrisk cell captive for insurance operations. In conjunction with Guardrisk, the insurance advisory committee reviews the performance of the insurance operations, its capital requirements and provisioning adequacy, the results of which are reported to the ALCO and ARC committees.

SA Taxi's insurance business is the main driver of non-interest revenue, growing faster than the vehicle financing business. SA Taxi continues to broaden its client base and product offering. More than 85% of SA Taxi's financed clients are insured by SA Taxi, with the remainder insured by other reputable insurers. In addition, SA Taxi continues to grow its base of open market insurance clients (that is, insurance clients not financed by the division). SA Taxi initiated its broker network strategy during 2018, with more than 100 brokers participating.

The insurance claims ratio is rigorously managed. Significant investments have been made into TAP and its salvage operations, and capacity in SA Taxi's combined autobody and mechanical refurbishment facility has been increased accordingly. These initiatives continue to improve insurance claims ratios.

INFORMATION AND TECHNOLOGY RISK

The group manages and maintains a significant volume of confidential personal information in its daily operations. Through the consideration of relevant International Organization for Standardization 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 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 IT security and awareness are conducted regularly.

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

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. This includes employment equity, fair remuneration, equal work for equal pay, public health and safety, and the protection of human rights.

Succession planning is performed by each division, with the nominations committee (and ultimately the board) reviewing succession plans at least annually.

48 and 60

See the Q&As with Terry Kier and David McAlpin for further details in this regard.

90

See the Governance report for applicable legislation.

102

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. The group views the principles of economic and social transformation in South Africa as an integral component of our business. The group has adopted a transformation and B-BBEE policy (as a sub-policy of its sustainability policy) to specifically address the group's commitment to transformation and the spirit of B-BBEE.

Many of the group's businesses are required to maintain minimum B-BBEE scores to retain clients. In this regard, TCR, Principa and Road Cover have appropriate ownership transactions with the iThemba Trust to augment their B-BBEE scorecards.

While it is not a specific B-BBEE transaction, the SANTACO equity transaction is transformative to SA Taxi, the taxi industry and its constituents. The transaction is expected to be beneficial to SA Taxi's B-BBEE scorecard in the future.

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 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 remains abreast of all existing and emerging regulations and similar standards applicable to that specific division.

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

FOR TRANSACTION CAPITAL, COMPENSATION IS A CRITICAL DETERMINANT OF ORGANISATIONAL PERFORMANCE AND SUSTAINABILITY.

This view is based on the belief that all factors which 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 21), 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.

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 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."

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. The board of directors approved the remuneration report and believe that the performance criteria used to measure and determine short- and long-term incentive awards are appropriately aligned with Transaction Capital's goals, strategies and outcomes, and with the requirements of all stakeholders.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

The board of directors has ultimate responsibility for the appropriateness of remuneration policies and executive remuneration. The board 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** – chairperson of the committee; independent non-executive director.
- **CHRISTOPHER SEABROOKE** – chairman of the board; independent non-executive director.
- **PAUL MILLER** – non-executive director, who replaced Jonathan Jawno on the committee on 1 November 2017.

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 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:

- 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 financial and non-financial 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 and their ability to contribute as a responsible corporate citizen. Incentives and bonuses at executive level are aligned to profit growth and relevant returns metrics, key non-financial measures, and additional 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 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 executives leaving the group, and this may be considered on a case-by-case basis. Subject to the remuneration committee's approval, 'good leavers' will receive a pro rata benefit due to them in terms of long-term incentives, subject to meeting each tranche's performance requirements.

SHAREHOLDER ENGAGEMENT

At the 2017 AGM (held on 8 March 2018), 84.93% of shareholders present at the meeting voted in favour of the group's remuneration policy, with 91.14% voting in favour of the remuneration implementation report. No significant changes in the remuneration policy have occurred in the current year.

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

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 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 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 are 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 on 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 (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 below.

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Total guaranteed package (TGP) measured against the 60th 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 overdependence 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 achieving divisional/ group quantitative objectives, with a qualitative portion of the bonus awarded based on non-financial measures as well as individual performance (where appropriate). A portion of the STI may be deferred in certain circumstances. STIs are bespoke (according to the requirements of the group, division and function) and are specifically designed with individualised qualitative objectives to promote performance and/or achieve predefined performance requirements (which include financial objectives and other return metrics where appropriate). Financial objectives include profit growth and relevant returns (for example, return on invested capital in SA Taxi or return on sales in TCRS. Non-financial objectives include achieving employment equity targets (with growth in black senior and middle management), maintaining or improving B-BBEE scorecard levels, and executing strategy. Additional qualitative STIs may be awarded for superior performance.	STIs reward specific behaviour and promote retention. Executives are assessed on their performance as well as the performance of the business. In defining an individual's performance, the remuneration committee considers 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 LTI schemes 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 schemes relate to the valuation of the group or its divisions, realisable over the medium to long term. Refer to page 106 for a full description of the LTIs available to executives.	LTIs reward 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 an 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 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 predefined 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. 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 date of grant 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 headline earnings per share of 5% above consumer price inflation (CPI), the SAR plan vests in full after four years of the award date and are exercisable for a 12-month period. SAR plan awards granted up to May 2014 were awarded with a three-year vesting period, with all awards after this date vesting four years after the award date.

While the SAR plan has been a successful retention mechanism since listing, the group favours the conditional share plan (discussed below) 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 plan 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 plan 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 with a primary objective to link the scheme's performance to that of the division, which is achieved through the CSP.

The CSP 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. Its purpose is to incentivise participants to deliver on the division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. Furthermore, the CSP provides participants with an opportunity to share in the success of the division in which they are employed, and provides direct alignment between the participants and shareholders as the value of the CSP is based on the valuation of each division.

Transaction Capital group executives are incentivised based on the performance of the group as a whole.

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.

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 value.

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

- A valuation of each division is 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 in Transaction Capital for group executives) for zero cost, based on retention and/or performance criteria set by the remuneration committee.
- The CSPs awarded to executives are 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 group executives).
- An updated valuation of each division is 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 forfeit any CSP awards that have not vested.
- Once the vesting period has passed and/or performance criteria are met (where relevant), the participant receives 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 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 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.

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 founding directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi continue to be actively involved in various aspects of the group's businesses in supporting executive line management. This involvement includes strategy, operations, acquisitions, disposals, capital raising and 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. Everglen Capital Proprietary Limited (in which the respective family trusts of Michael Mendelowitz and Roberto Rossi hold equal shareholdings) and the Kimberley Investment Trust (comprising the family trust of Jonathan Jawno) continue to be the largest shareholders of reference of the group.

Due to circumstances and history, the remuneration and fee arrangements of the founding directors are not conventionally structured. None of the founding directors participate in any of the group's employee share schemes or other 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, 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 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 SAR and CSP awards) of directors and prescribed officers for the year ended 30 September:

	2018				2017			
	Salary R	Benefits R	Annual incentive bonus R	Total R	Salary R	Benefits R	Annual incentive bonus R	Total R
EXECUTIVE DIRECTORS								
David Hurwitz	**3 320 046**	**563 914**	**3 501 816**	**7 385 776**	3 150 802	548 207	2 728 688	6 427 697
Mark Herskovits	**2 320 484**	**412 310**	**2 530 628**	**5 263 422**	2 194 536	436 401	2 618 140	5 249 077
Jonathan Jawno	**1 327 341**	**197 709**	**4 500 000**	**6 025 050**	1 341 480	183 570	4 000 000	5 525 050
Michael Mendelowitz	**1 292 885**	**232 165**	**4 500 000**	**6 025 050**	1 341 480	183 570	4 000 000	5 525 050
Ronen Goldstein	**1 719 900**	**201 663**	**1 102 500**	**3 024 063**	1 592 500	186 725	1 166 667	2 945 892
PRESCRIBED OFFICERS								
Terry Kier	**3 012 417**	**2 223 361**	**3 244 395**	**8 480 173**	2 842 422	2 327 828	2 040 500	7 210 750
David McAlpin	**3 049 257**	**309 719**	**2 477 538**	**5 836 514**	2 824 393	292 007	2 337 300	5 453 700
TOTAL	**16 042 330**	**4 140 841**	**21 856 877**	**42 040 048**	15 287 613	4 158 308	18 891 295	38 337 216

TOTAL GUARANTEED PACKAGE

Executive TGP is determined against 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 influence 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 preset 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. STIs promote the achievement of strategic objectives within the organisation's risk appetite as well as positive outcomes.

Non-financial key performance indicators are also considered in the qualitative STI awards.

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

CHIEF EXECUTIVE OFFICER

David Hurwitz

David Hurwitz' incentive bonus of R3 501 816 for 2018 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 2018, the continued 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 530 628 for 2018 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 2019 financial year, diversifying the group's funding sources and managing the group's cost of funding.

EXECUTIVE DIRECTOR

Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 500 000 for 2018 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 500 000 for 2018 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 102 500 for 2018 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, risk and reporting structures of the group during 2018, and the implementation of key group projects.

PRESCRIBED OFFICER

Terry Kier

Terry Kier's incentive bonus of R3 244 395 for 2018 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 and the ongoing management of industry interaction as a key stakeholder of SA Taxi.

PRESCRIBED OFFICER

David McAlpin

David McAlpin's incentive bonus of R2 477 538 for 2018 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus relating to the continued 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 plan awards were approved by the remuneration committee. 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 2018:

	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[2]	–	–	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[2]	–	–	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[2]	–	–	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[2]	–	–	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 July 2016. SARs exercised by participants in the 2017 financial year.*
2. *Tranche vested and exercisable from November 2016. SARs exercised by participants in the 2017 financial year.*

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

Refer to note 22.1 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 they are employed, and provide alignment between the participants and shareholders.

In general terms, the remuneration committee approved the following criteria for the CSP awards:

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 between bands will be vested on a proportionate basis.*

It is the view of the remuneration committee that STI plan awards serve to reward annual earnings growth rates of the group, while the LTI awards promote long-term value creation to employees and shareholders alike. As the value of the CSP on vesting is based on the 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 performance and vesting periods of awards are 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 2018:

	Component	Present value of CSP award on issue R	Number of CSPs	Vesting period (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
Granted on 20 November 2018		2 990 230	183 554	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
Granted on 20 November 2018		1 286 537	130 059	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
Granted on 20 November 2018		1 345 616	82 600	2 to 5
PRESCRIBED OFFICERS				
David McAlpin	TCRS			
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

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

Refer to note 22.2 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:

	2018			2017		
	Number of shares R	Value of shares R	Value of funding R	Number of shares	Value of shares R	Value of funding R
EXECUTIVE DIRECTOR						
David Hurwitz	–	–	–	77 409	1 180 487	662 599
TOTAL	–	–	–	77 409	1 180 487	662 599

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

DIRECT INVESTMENT

At 30 September 2018, Terry Kier (CEO of SA Taxi) held a direct investment of 2.0% (2017: 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 owed a wholly-owned subsidiary of Transaction Capital an amount of R26 million at 30 September 2018. The loan was granted on an interest-free basis and will be repaid upon certain predetermined 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.

SHAREHOLDING

The executive directors of the group own (directly or indirectly) the following shares in Transaction Capital Limited as at 30 September, aligning their interests with the broader shareholder base:

	2018		2017	
	Number of shares '000	Shareholding %	Number of shares '000	Shareholding %
INDIRECT NON-BENEFICIAL HOLDINGS				
Dovie Trust*	**4 640**	**<1**	4 562	<1
Everglen Capital Proprietary Limited**	**178 000**	**29**	250 000	41
DIRECT NON-BENEFICIAL HOLDINGS OF DIRECTORS				
David Hurwitz	**125**	**<1**	125	<1
Mark Herskovits	**1 368**	**<1**	1 368	<1
Ronen Goldstein	**30**	**<1**	30	<1
TOTAL	**184 163**		256 885	
Percentage of issued shares	**30%**		42%	

* *David Hurwitz is a discretionary beneficiary of Dovie Trust.*

** *The trusts of Jonathan Jawno, Michael Mendelowitz and Roberto Rossi each held equal holdings in Everglen Capital Proprietary Limited (Everglen) at 30 September 2018. See the chairman's report on page 6 for details on the off-market sale and acquisition of ordinary shares by the Kimberley Investment Trust (KIT, of which Jonathan Jawno is a trustee and contingent discretionary beneficiary). The combined shareholding of Everglen and KIT remains at 29%.*

NON-EXECUTIVE DIRECTORS' FEES FOR 2018

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, 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.

BOARD MEMBERS	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 R
Chairman (including committee attendance)	1 552 500	–	–	–	–	–	–	**1 552 500**
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, ARC 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 (Pty) Ltd and SA Taxi Finance Holdings (Pty) Ltd. Phumzile resigned as a director from the Transaction Capital Risk Services (Pty) Ltd board effective 28 March 2018 and the SA Taxi Finance 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 000 000 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 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*

NON-EXECUTIVE DIRECTORS' FEES FOR 2017

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 R	O Ighodaro[7] R	P Miller[8] R	Total R
Chairman (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 chairperson 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 reported 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 reported 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.*