

# 5 REMUNERATION

REMUNERATION  
REPORT **108**

Remuneration policy 111  
Implementation report 116

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

These principles are reflected in one of the core components of Transaction Capital's strategy, which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that there is a normal distribution of talent in every field of endeavour, and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply, the better Transaction Capital's people, the better the company. This is all the more relevant in the current environment, where the entrepreneurial flair of the group is augmented by the depth and quality of management teams across the organisation.

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

## Governance of compensation

Principle 14 of King IV states:

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

To provide stakeholders with insight into Transaction Capital's remuneration policies and structures, the group continues to refine the remuneration report in line with King IV and the JSE Listings Requirements, and in consultation with shareholders (as detailed in the shareholder engagement section on page 110). The board approved this remuneration report and believes that the performance criteria used to determine and measure short- and long-term incentive awards are fair and align appropriately with Transaction Capital's goals, strategies and outcomes, taking the requirements of all stakeholders into account.

## Remuneration committee composition and mandate

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

- ▷ **KUBEN PILLAY**  
Chairperson of the committee; independent non-executive director.
- ▷ **IAN KIRK**  
Independent non-executive director (appointed 1 November 2020).
- ▷ **ROBERTO ROSSI**  
Non-executive director (appointed 12 March 2020).
- ▷ **CHRISTOPHER SEABROOKE**  
Chairman of the board; independent non-executive director.

The remuneration committee was augmented by the appointment of Ian Kirk as a member in 2020. Ian brings a wealth of experience to this critical committee.

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

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

Within this mandate, the remuneration committee believes that a well-designed remuneration policy maintains appropriate alignment between the interests of shareholders and executives, and the principles of good governance. The remuneration committee assesses the mix of fixed remuneration, variable remuneration and LTIs to meet the group's needs and strategic objectives, in addition to reviewing the robustness of LTI schemes in ensuring continued contribution to shareholder value.

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

## Principles of remuneration

The following overarching principles are applied to remuneration:

- ▷ Transaction Capital's remuneration policies are approved by the remuneration committee and the board.
- ▷ Remuneration policies are designed to eliminate differential compensation related to gender, race and location, and apply the principle of equal pay for equal work.
- ▷ Compensation is defined on a cost-to-company (CTC) 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.
- ▷ Remuneration policies are designed to achieve the group's requirements to retain identified employees, while aligning the interests of employees with those of shareholders and other stakeholders.
- ▷ Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance and ensure alignment with the group's sustainability and transformation objectives. In this regard, transformation targets are included as qualitative measures in the STI structures of key executives.
- ▷ Performance incentives are designed to promote an entrepreneurial culture in which individual and collective performance, above and beyond a designated role, is rewarded and encouraged within the group.
- ▷ Incentives and bonuses at executive level are aligned to profit growth and relevant return metrics, key non-financial measures, as well as additional key operational outputs and individual performance. In certain instances, a portion of these incentives may be deferred or delivered in the form of a share plan award to support both the retention of identified executives and decision-making based on long-term value creation.
- ▷ In instances where an executive's decisions have a direct impact on shareholder value, an element of their compensation is aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined LTI schemes.
- ▷ The remuneration committee continually assesses whether those executives charged with setting and implementing group strategy are meaningfully invested in Transaction Capital, by way of direct investment and/or through an LTI scheme. In this regard, Transaction Capital introduced a policy of a minimum investment in the group for key executives.
- ▷ Following the approval of the malus and clawback policy at the AGM, the remuneration committee adopted this policy during the financial year. The policy will be applied prospectively for variable remuneration (both short-term and long-term incentives) awarded from the 2020 financial year. It will allow the business to adjust variable remuneration awarded to participants before the vesting of an award (malus) and, in the case of participants who are members of executive committees, to recover variable pay after vesting or even payment (clawback), under appropriate circumstances. In this way, the business can recover value from key executives and thereby align risk and individual reward.
- ▷ Any change to the compensation of any individual at every level of the group must be approved by their second-level manager, with the remuneration committee approving the compensation of all executive directors, including the CEO and his direct reports, and certain functional specialists.
- ▷ Subject to the remuneration committee's approval, 'good leavers' will receive a pro rata benefit due to them in terms of LTIs, subject to meeting the performance requirements of each tranche.

## Shareholder engagement

At the 2019 AGM on 11 March 2020, 83.08% of shareholders voted in favour of the group's remuneration policy, with 83.92% voting in favour of the remuneration implementation report.

Following engagements with shareholders after the 2019 AGM, several enhancements have been implemented to the remuneration policy in the 2020 financial year, as outlined below.

### ENHANCEMENTS TO THE REMUNERATION POLICY

**Sustainability targets** included as a measure in the qualitative component of STIs for key executives as the newly adopted ESE framework is operationalised in the 2021 financial year.



Short-term incentives – see page 112.

**Performance vesting criteria for the CSP awards extended** to include both an income statement (earnings) and balance sheet return measure.



Conditional share plan – see page 114.

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

### ENHANCEMENTS TO REMUNERATION DISCLOSURE

**Weightings provided for the qualitative, quantitative and discretionary components** of the executives' STI awards.



Short-term incentives – see page 112.

**Disclosure of the performance targets set for STI awards** to enable stakeholders to better evaluate executive performance.



Short-term incentives – see page 112.

The group's remuneration policy and implementation report are presented to shareholders annually for consideration and approval under the terms of separate non-binding advisory votes at the AGM, as recommended by King IV and prescribed by the JSE Listings Requirements.

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

## PART 1: Remuneration policy

The success of Transaction Capital and its divisions relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific divisions, departments or organisational levels.

The entrepreneurial spirit of the group requires that the remuneration policy remains competitive and flexible, while encouraging positive outcomes and promoting an ethical culture and good corporate citizenship.

### General employees

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 structured according to, divisional or departmental requirements within the remuneration principles described previously.

### Leadership

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

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, particularly in light of the specialised skillset required in the industries in which the group operates. In addition, executive remuneration strives to align executives with stakeholder priorities.

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

REMUNERATION COMPONENT	REMUNERATION POLICY	Reference
<b>Basic salary</b>	Total CTC measured against the 60th percentile of the market.	Page 112.
<b>Benefits</b>	Group life, provident fund, medical cover and disability cover.	Page 112.
<b>Short-term incentives</b>	Variable annual incentives based on achieving divisional/group quantitative objectives, plus a qualitative portion awarded based on non-financial measures and individual performance.	Page 112.
<b>Long-term incentives</b>	Executives participate in LTI schemes where their decisions are likely to have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.	Page 113.
<b>TOTAL REWARD</b>	Providing competitive and attractive total compensation with a portion paid over the medium to long term.	

## Basic salary and benefits

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

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

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

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

## Short-term incentives

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

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

SHORT-TERM INCENTIVES	QUANTITATIVE COMPONENT	QUALITATIVE COMPONENT
<b>Amount</b>	<ul style="list-style-type: none"> <li>▷ Group/divisional CEO – up to nine months. (Maximum weighting: 75% of STI award)</li> <li>▷ Other executives – up to six months. (Maximum weighting: 67% of STI award)</li> </ul>	Up to three months. (Maximum weighting: 25% to 33% of STI award)
<b>Determinant</b>	<p>A combination of factors is considered in setting quantitative STI targets, depending on the role of the executive and the division in which they are employed (as pre-approved by the remuneration committee):</p> <ul style="list-style-type: none"> <li>▷ Growth in headline earnings per share (HEPS) above consumer price inflation (CPI).</li> <li>▷ Return on equity or invested capital.</li> <li>▷ New business origination or growth in revenue.</li> <li>▷ Unfettered access to debt capital or the reduction in the cost of capital.</li> </ul>	<p>The remuneration committee considers individual performance in meeting strategic imperatives, which include:</p> <ul style="list-style-type: none"> <li>▷ Strategy implementation.</li> <li>▷ Meeting employment equity targets.</li> <li>▷ Transformation strategy implementation.</li> <li>▷ Sustainability performance targets.</li> <li>▷ Efficient capital management.</li> <li>▷ Identification, successful implementation and integration of acquisitions.</li> <li>▷ Implementation of operational, technology and risk management projects.</li> <li>▷ Other non-financial key performance indicators (KPIs).</li> </ul>
<b>Discretionary</b>	In instances where – in the opinion of the remuneration committee – an individual executive has outperformed set KPIs, a discretionary STI may be awarded. A portion of this award may be deferred or delivered in the form of share plan awards.	

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

## Long-term incentives

Executives participate in LTI schemes where their decisions have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.

### EXECUTIVE INVESTMENT POLICY

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

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

- ▷ The value of LTI allocations, subject to the fulfilment of vesting conditions, awarded in terms of the CSP.
- ▷ The value of direct shareholding in Transaction Capital. These positions may be historic or due to the vesting of LTIs.
- ▷ The value of direct shareholding in a subsidiary of Transaction Capital.

 A detailed breakdown of equity value per executive can be found later in this report. See page 122.

### CONDITIONAL SHARE PLAN

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

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

The remuneration committee believes that the CSP is a superior LTI for Transaction Capital's objectives, which has superseded the share appreciation rights (SAR) plan (discussed in greater detail on page 115). The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have value.

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

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

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

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

- ▷ Executive performance delivered.
- ▷ Potential and tenure.
- ▷ STIs relative to market benchmarks.
- ▷ An executive's equity value assessed against the group's executive investment policy.

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

DETAIL	GROUP EXECUTIVES	DIVISIONAL EXECUTIVES																					
<b>Grant price</b>	10-day volume weighted average price (VWAP) of Transaction Capital share on date of issue.	Divisional notional value per share on date of issue.																					
<b>Number of CSPs granted</b>	Equal to the monetary value of the LTI award, as approved by the remuneration committee, divided by the approved share price of the relevant member group to which the LTI award relates.																						
<b>Exercise price</b>	10-day VWAP of Transaction Capital share on date of exercise.	Divisional notional value per share on date of exercise.																					
<b>Valuation</b>	Transaction Capital share price. A valuation of each division is performed by an independent expert on the date of the CSP award and exercise. Among others, the following key metrics are considered in determining divisional valuations: <ul style="list-style-type: none"> <li>▷ Level of revenue and earnings.</li> <li>▷ Growth in revenue, cost-to-income ratios and HEPS.</li> <li>▷ ROE, return on assets and net asset value.</li> <li>▷ Credit performance.</li> <li>▷ Assessment of quality of earnings and expected future performance.</li> <li>▷ Dividend pay-out rates and cash conversion levels.</li> <li>▷ A "sum of the parts" of the divisions is compared to the group market capitalisation for reasonability.</li> </ul>																						
<b>Cost</b>	Executives receive CSP awards for zero cost.																						
<b>Vesting period</b>	The CSP vesting period was amended in 2019 to vest in years three, four and five after the award, in equal proportions of 33.33% per annum.																						
<b>Performance criteria</b>	Performance criteria are pre-set by the remuneration committee for each vesting period. The most recent performance criteria have been set as follows (per division for divisional executives, and on a consolidated basis for group executives): <table border="1" data-bbox="311 1024 1320 1276"> <thead> <tr> <th>Thresholds</th> <th>Continuing core HEPS growth over vesting period</th> <th>ROE target</th> <th>% of CSP to be awarded*</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Minimum vesting</td> <td>CPI (South Africa)</td> <td>≥ 15%</td> <td>25%</td> </tr> <tr> <td>CPI (Australia)</td> <td>≥ 9%</td> <td>25%</td> </tr> <tr> <td rowspan="3">On-target performance</td> <td>CPI + 9% (South Africa – Group and SA Taxi)</td> <td>≥ 16%</td> <td>100%</td> </tr> <tr> <td>CPI + 7% (South Africa – TCRS)</td> <td>≥ 16%</td> <td>100%</td> </tr> <tr> <td>CPI + 5% (Australia)</td> <td>≥ 10%</td> <td>100%</td> </tr> </tbody> </table> <p>* Growth levels between bands will be vested on a proportionate basis.</p> <p>Note that the valuation, and thus the benefit received by executives on vesting, is determined on the share price of Transaction Capital for group executives and on the divisional valuations for divisional executives. This provides direct alignment with shareholders and takes into account the performance and valuation of the group and divisions as a whole. As such, executives are exposed to all performance metrics of the group on which the valuation of the group is determined, and not simply the metrics of growth in core HEPS and ROE over the vesting period.</p> <p>Commencing from the May/June 2019 CSP awards and in line with the revised remuneration policy, no further awards based only on continued employment of an executive have been issued.</p>		Thresholds	Continuing core HEPS growth over vesting period	ROE target	% of CSP to be awarded*	Minimum vesting	CPI (South Africa)	≥ 15%	25%	CPI (Australia)	≥ 9%	25%	On-target performance	CPI + 9% (South Africa – Group and SA Taxi)	≥ 16%	100%	CPI + 7% (South Africa – TCRS)	≥ 16%	100%	CPI + 5% (Australia)	≥ 10%	100%
Thresholds	Continuing core HEPS growth over vesting period	ROE target	% of CSP to be awarded*																				
Minimum vesting	CPI (South Africa)	≥ 15%	25%																				
	CPI (Australia)	≥ 9%	25%																				
On-target performance	CPI + 9% (South Africa – Group and SA Taxi)	≥ 16%	100%																				
	CPI + 7% (South Africa – TCRS)	≥ 16%	100%																				
	CPI + 5% (Australia)	≥ 10%	100%																				
<b>Stretch-performance</b>	Stretch-performance is to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component equal to 25% of their CSP settlement value, should predetermined stretch-performance criteria be met. Stretch-performance criteria will be set annually by the remuneration committee with reference to CPI, the operating environment and budgets and can include growth in core HEPS (as tabled below) and ROE above 20%. <table border="1" data-bbox="311 1654 1003 1801"> <thead> <tr> <th></th> <th>Continuing core HEPS growth</th> </tr> </thead> <tbody> <tr> <td>Group</td> <td>&gt; 20%</td> </tr> <tr> <td>SA Taxi</td> <td>&gt; 20%</td> </tr> <tr> <td>TCRS</td> <td>&gt; 15%</td> </tr> </tbody> </table> <p>If minimum targets are not achieved, there will be no additional settlement.</p>			Continuing core HEPS growth	Group	> 20%	SA Taxi	> 20%	TCRS	> 15%													
	Continuing core HEPS growth																						
Group	> 20%																						
SA Taxi	> 20%																						
TCRS	> 15%																						
<b>Delivery</b>	Once the vesting period has passed and performance criteria are met, the participant receives shares in Transaction Capital to the value of the notional CSP awards on date of vesting.																						
<b>Continued employment</b>	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). However, no portion of the CSP award is based on continued employment alone, and all are subject to the performance criteria detailed above.																						

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.
- ▷ It directly aligns the interests of the participants with those of shareholders.

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

### SHARE APPRECIATION RIGHTS PLAN

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

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

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

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

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

The remuneration committee will assess the future use of SARs on a periodic basis, as required.

### DIRECT INVESTMENT

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

## Founders

Jonathan Jawno and Michael Mendelowitz are executive directors of the group, while Roberto Rossi is a non-executive director with a consulting and project contract.

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

Due to circumstances and history, the remuneration and fee arrangements of the founding directors are not conventionally structured. As founders of Transaction Capital, none of the founding directors participate in any of the group's LTI plans. The base packages of the executive founding directors have historically been set well below market-related fees for directors of their calibre. During the 2020 financial year, the packages of the founders were rebased to reflect market-related remuneration as approved by the remuneration committee. Roberto Rossi's fees earned as a non-executive director and for consulting services were also historically below market and have been rebased to reflect a market-related fee during the 2020 financial year.

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 relative to quantitative and qualitative performance to determine an appropriate total remuneration award with reference to market benchmarks for comparable listed companies in size and industry.

Michael Mendelowitz, Roberto Rossi and Pilatucom Holdings Limited (the shares of which are held in trusts in which Jonathan Jawno is a contingent discretionary beneficiary) collectively continue to be a significant shareholder of the group.

## 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 sub-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 group'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

This implementation report details the remuneration committee's application of the group's remuneration policy and principles in the year under review.

### Executive compensation

The founders and executive team were on track to deliver on both quantitative and qualitative outcomes for the first six months of the 2020 financial year, with COVID-19 materially impacting the second half of the financial year.

The executive team, led by David Hurwitz, showed strong leadership in guiding the business through the COVID-19 crisis, quickly implementing measures necessary to protect the group's balance sheet and facilitate agile responses to first stabilise the group and then take advantage of opportunities as they arose.

### COST TO COMPANY

The remuneration committee believes that the CTC is fair in light of the outcomes of the benchmarking undertaken as well as relative market norms. Despite the strong leadership displayed by the executive team in guiding the business through the COVID-19 pandemic, in light of the 65% decline in core headline earnings from continuing operations attributable to the group for the 2020 financial year, the board, through the remuneration committee, has resolved that there will be no annual increases awarded to executive directors and prescribed officers for the 2021 financial year.

### SHORT-TERM INCENTIVES

In light of the 65% decline in core headline earnings from continuing operations attributable to the group for the 2020 financial year, the quantitative targets set for the year were not achieved. As a result, the remuneration committee resolved that no quantitative or qualitative STIs be awarded for the 2020 financial year.

### LONG-TERM INCENTIVES

The COVID-19 pandemic and the resulting domestic and worldwide shutdowns increased volatility and severely impacted economies globally. Despite the agility with which the group and its divisions responded to the crisis, the resultant conditions impacted Transaction Capital's earnings for the 2020 financial year and have resulted in the 2020 LTIs not vesting.

The remuneration committee believes that due to the unprecedented nature of the COVID-19 pandemic, the principle of aligning shareholder value with employee awards needs to be balanced with the long-term sustainability of the business and the critical need to retain key talent. The group's executives performed well to protect shareholder value and position the business for future value creation.

The remuneration committee has therefore resolved that the LTIs that were to have vested in 2020 be deferred until November 2021, at which point performance conditions will be reassessed in accordance with clause 7.2.3 of Transaction Capital's CSP rules.

### SOLIDARITY FUND CONTRIBUTIONS

In response to the COVID-19 pandemic, all executive and non-executive directors of Transaction Capital waived up to 30% of their salaries, benefits and fees over a three-month period. The amounts foregone were donated to the Solidarity Fund to assist the collective efforts of South Africa in combating the pandemic. The 2020 executive compensation and non-executive directors' fees in this implementation report are presented net of these salary waivers.

Executive directors' and prescribed officers' remuneration and specific considerations by the remuneration committee during the year are detailed below:

#### EXECUTIVE DIRECTORS

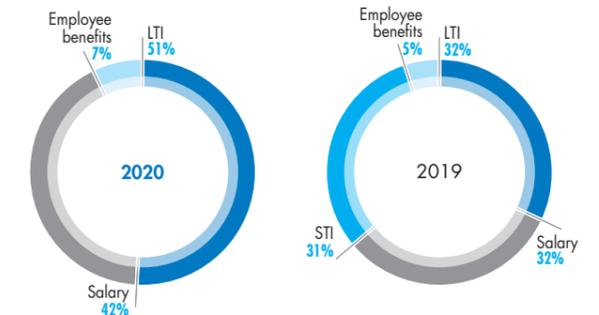
##### David Hurwitz (CEO)

In addition to leading the business through the crisis, David:

- ▷ Increased stakeholder engagement, particularly with employees, shareholders and debt investors, to ensure constant and transparent communication through the crisis.
- ▷ Protected the balance sheet through concluding the accelerated bookbuild in June 2020, restructuring debt arrangements, raising liquidity facilities at group level, and introducing Royal Bafokeng Holdings into the capital structure.
- ▷ Guided credit management and provisioning policies.
- ▷ Provided support and guidance on the WeBuyCars transaction.
- ▷ Augmented the independence and skills of the board through the appointment of three independent non-executive directors.
- ▷ Led the implementation of the revised ethics and internal audit structures.

David's total reward comprised:

	2020	2019
Salary	<b>R3 862 323</b>	R3 687 729
Short-term employee benefits	<b>R599 835</b>	R584 627
STI	–	R3 501 816
LTI (face value of award)	<b>R4 635 135</b>	R3 632 316
<b>TOTAL</b>	<b>R9 097 293</b>	R11 406 488



##### Sean Doherty (CFO)

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

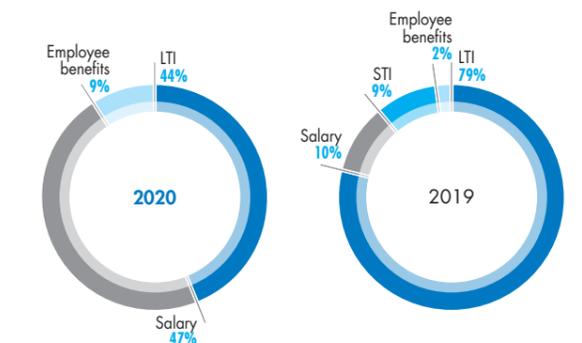
In addition to providing leadership through the crisis, Sean:

- ▷ Protected the balance sheet by providing support on the accelerated bookbuild and group debt facilities.
- ▷ Guided credit management and provisioning policies.
- ▷ Provided support on the WeBuyCars transaction.
- ▷ Implemented a new ethics and internal audit structure as well as developing and implementing the ESE framework.

Sean's total reward comprised:

	2020	2019
Salary	<b>R2 371 092</b>	R944 338
Short-term employee benefits	<b>R454 409</b>	R153 119
STI	–	R833 333
LTI (face value of award)*	<b>R2 267 200</b>	R7 202 726
<b>TOTAL</b>	<b>R5 092 701</b>	R9 133 516

\* Sean was awarded a once-off LTI to the value of R5.6 million on appointment in 2019.



## EXECUTIVE DIRECTORS continued

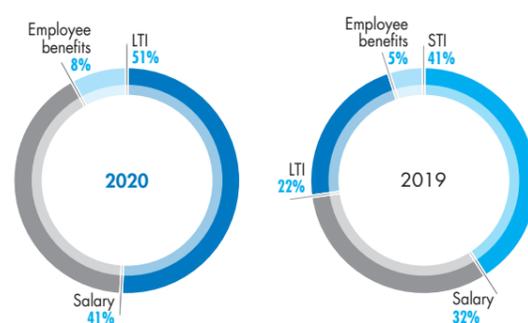
## Mark Herskovits (chief investment officer)

In addition to providing leadership through the crisis, Mark:

- ▷ Protected the balance sheet through leading the debt restructure, which included arranging the liquidity facility at group level, the restructuring of debt arrangements at SA Taxi, arranging group facilities following the WeBuyCars transaction, and providing support on the accelerated bookbuild.
- ▷ Was involved in the negotiation and led the execution of the WeBuyCars transaction, under tight deadlines and in a difficult environment.

Mark's total reward comprised:

	2020	2019
Salary	<b>R2 409 396</b>	R2 478 398
Short-term employee benefits	<b>R488 010</b>	R424 734
STI	–	R3 194 745
LTI (face value of award)	<b>R3 013 986</b>	R1 688 093
<b>TOTAL</b>	<b>R5 911 392</b>	R7 785 970



## PRESCRIBED OFFICERS

## Terry Kier

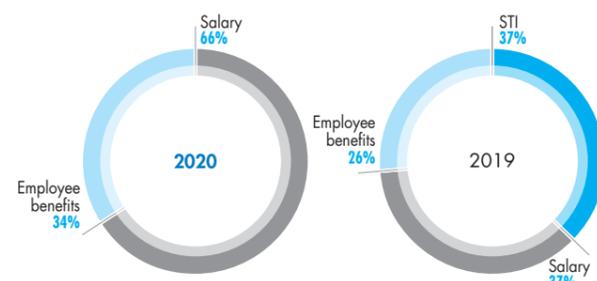
In addition to leading SA Taxi through the crisis, Terry:

- ▷ Provided support and leadership to the taxi industry, including payment relief to SA Taxi operators to support the longer-term survival of the industry.
- ▷ Oversaw the recovery in collections after the payment relief provided to taxi operators, and guided credit and collection policy.
- ▷ Led the reopening of operations in a safe and effective manner once regulations permitted.
- ▷ Was instrumental in sourcing the WeBuyCars opportunity.

Terry's total reward comprised:

	2020	2019
Salary	<b>R3 429 954</b>	R3 229 775
Short-term employee benefits	<b>R1 781 232</b>	R2 209 440
STI	–	R3 152 470
<b>TOTAL</b>	<b>R5 211 186</b>	R8 591 685

Terry does not participate in the LTI schemes.



## PRESCRIBED OFFICERS continued

## David McAlpin

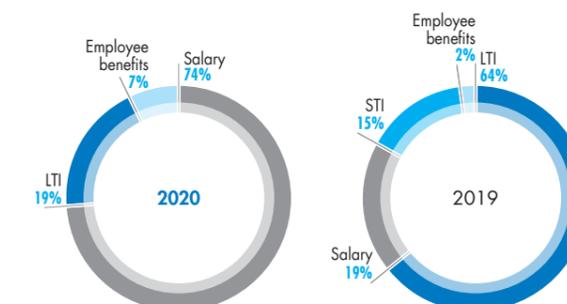
In addition to leading TCRS through the crisis, David:

- ▷ Fundamentally changed the TCRS operating model to allow call centre agents to work from home. The demonstrated feasibility of this approach during COVID-19 has resulted in TCRS continuing to pursue the work-from-home model as a sustainable means of achieving cost savings in the future.
- ▷ Oversaw the recovery in collections.
- ▷ Led the reopening of operations in a safe and effective manner once regulations permitted.
- ▷ Supported the Australian business in reaching its earnings target in the 2020 financial year despite the impact of expansive bushfires and COVID-19 in Australia.

David's total reward comprised:

	2020	2019
Salary	<b>R3 129 757</b>	R3 319 126
Short-term employee benefits	<b>R303 548</b>	R328 099
STI	–	R2 626 190
LTI (face value of award)*	<b>R785 824</b>	R11 460 166
<b>TOTAL</b>	<b>R4 219 129</b>	R17 733 581

\* David was awarded a once-off LTI to the value of R11.5 million in 2019.



## FOUNDERS

## Jonathan Jawno

In addition to providing leadership through the crisis, Jonathan:

- ▷ Protected the balance sheet by providing support on the accelerated bookbuild in June 2020, restructuring debt arrangements, raising liquidity facilities at group level, and introducing Royal Bafokeng Holdings into the capital structure.
- ▷ Assisted David, Sean and Mark in managing capital, credit and provisioning related risks.

Jonathan's total reward comprised:

	2020	2019
Salary	<b>R3 679 630</b>	R1 311 813
Short-term employee benefits	<b>R233 070</b>	R213 237
STI	–	R4 500 000
<b>TOTAL</b>	<b>R3 912 700</b>	R6 025 050

## Michael Mendelowitz

At a time when other businesses were focused on managing risk at the expense of growth, Transaction Capital was able to complete the acquisition of a non-controlling 49.9% interest in WeBuyCars, to establish the group's third adjacent market vertical.

Michael was instrumental in this transaction, identifying, facilitating and negotiating the successful conclusion of this investment. Michael's discretionary incentive bonus of R15 000 000 was awarded in this regard.

Michael's total reward comprised:

	2020	2019
Salary	<b>R3 667 820</b>	R1 311 813
Short-term employee benefits	<b>R244 880</b>	R213 237
STI	<b>R15 000 000</b>	R4 500 000
<b>TOTAL</b>	<b>R18 912 700</b>	R6 025 050

The founders do not participate in the LTI schemes.

## FUTURE FOCUS AREAS FOR DETERMINING EXECUTIVE STIs

Focus areas that will inform STIs for executive directors in the next financial year are as follows:

- ▷ Continued headline earnings and HEPS growth above 2019 levels.
- ▷ Achieving the ROE performance target.
- ▷ Achieving and improving on employment equity performance targets.
- ▷ Improving and maintaining B-BBEE scorecards levels.
- ▷ Enhanced risk management.
- ▷ Implementation of the ESE framework across the group.
- ▷ SA Taxi:
  - ▶ Continued exploration of alternative growth vectors.
  - ▶ System implementation across multiple areas and technology integration.
  - ▶ Achieving specific human capital goals, including:
    - Improving retention rates of key employees.
    - Development of employees in line with succession plans.
- ▷ TCRS:
  - ▶ Continued exploration of alternative growth vectors such as consumer-related services.
  - ▶ Expansion of Transaction Capital Transactional Services.
  - ▶ Exploration of partnerships in Euro-based NPL Portfolios and specialty credit.
  - ▶ Continued investment in technology and system optimisation to retain its competitive advantage.
  - ▶ New client acquisition.

There were no post-employment, post-termination or other long-term benefits paid to executive directors during the year under review.

## LONG-TERM INCENTIVES

### CONDITIONAL SHARE PLAN

The policies and performance criteria for CSP awards that commenced in June 2019 are detailed earlier in this report on page 113.

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

The following table shows the CSP position of executive directors and prescribed officers at 30 September 2020:

Component		Present value	CSP	Vesting	CSP awards	Gains on
		of CSP awards	awards	period	exercised	CSP awards
		R	Number	Years	Number	R
<b>EXECUTIVE DIRECTORS</b>						
<b>David Hurwitz</b>						
Granted on 22 November 2016	Group	382 007	30 759	2 to 4	70 304	1 527 706
Granted on 22 November 2017		1 414 535	113 680	2 to 5	18 506	402 135
Granted on 20 November 2018		2 990 230	183 554	2 to 5	–	–
Granted on 26 November 2019		3 632 316	191 007	3 to 5	–	–
Granted on 24 November 2020		4 635 135	255 192	3 to 5	–	–
<b>Sean Doherty</b>						
Granted on 19 June 2019	Group	5 568 168	323 668	3 to 5	–	–
Granted on 26 November 2019		1 634 558	85 954	3 to 5	–	–
Granted on 24 November 2020		2 267 200	124 823	3 to 5	–	–
<b>Mark Herskovits</b>						
Granted on 22 November 2016	SA Taxi	286 679	37 328	2 to 4	85 321	1 367 534
Granted on 29 May 2017	SA Taxi	768 011	164 824	2 to 4	–	–
Granted on 22 November 2017	SA Taxi	715 003	81 253	2 to 5	13 227	212 020
Granted on 20 November 2018	SA Taxi	1 286 537	130 059	2 to 5	–	–
Granted on 26 November 2019	SA Taxi	1 688 093	120 492	3 to 5	–	–
Granted on 24 November 2020	Group	3 013 986	165 938	3 to 5	–	–
<b>PRESCRIBED OFFICERS</b>						
<b>David McAlpin</b>						
Granted on 22 November 2016	TCRS	310 817	72 283	2 to 4	1 159 252	8 787 851
Granted on 22 November 2017	TCRS	5 476 644	1 140 402	2 to 5	41 072	311 369
Granted on 25 March 2019	TCRSX	11 460 166	2 196 837	2 to 4	–	–
Granted on 24 November 2020	TCRS	785 824	142 102	3 to 5	–	–

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

Refer to note 31.2 in the group's 2020 consolidated annual financial statements (available at [www.transactioncapital.co.za](http://www.transactioncapital.co.za)) for further details on the CSP.

### SHARE APPRECIATION RIGHTS PLAN

All SAR plan awards were approved by the remuneration committee, with no SARs awarded since 25 November 2015. In previous years, executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and STIs relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price.

The following table shows the SAR position of executive directors and prescribed officers at 30 September 2020:

	Present	SARs	Vesting	SARs vested	SARs	Gains on
	value			exercised		
	of SARs		period	year and not	exercised	SARs
	R	Number	Years	Number	Number	exercised
<b>EXECUTIVE DIRECTORS</b>						
<b>David Hurwitz</b>						
Granted on 26 November 2015	–	–	4	–	250 000	2 061 916
<b>Mark Herskovits</b>						
Granted on 26 November 2015	–	–	4	–	150 000	1 719 895
<b>PRESCRIBED OFFICERS</b>						
<b>David McAlpin</b>						
Granted on 26 November 2015	–	–	4	–	200 000	1 649 529

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

Refer to note 31.1 in the group's 2020 consolidated annual financial statements (available at [www.transactioncapital.co.za](http://www.transactioncapital.co.za)) for further details on the SAR plan.

### DIRECT INVESTMENT

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

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

At 30 September 2020, Terry held a direct investment of 1.2% (2019: 1.2%) in SA Taxi Holdings Proprietary Limited. This shareholding was valued at R102 million.

Terry owed a wholly owned subsidiary of Transaction Capital an amount of R24 million at 30 September 2020. 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 his executive compensation table.

Terry does not participate in the SAR or CSP plans.

## SHAREHOLDING

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

The executive directors and prescribed officers of the group hold the following direct or indirect equity value in Transaction Capital limited at 30 September 2020, aligning their interests with the broader shareholder base:

	Notes	Shares held	Valuation of shares at closing share price on 30 September 2020		CSP position at 30 September 2020*	Total equity value to the group	Cover of annual CTC
			Number	R	R		
<b>EXECUTIVE DIRECTORS</b>							
Sean Doherty	1	–	–	–	8 691 319	8 691 319	<3
Mark Herskovits		1 547 055	33 524 682	–	5 229 784	38 754 466	>3
David Hurwitz	2	4 876 769	105 679 584	11 012 090	–	116 691 674	>3
<b>PRESCRIBED OFFICERS</b>							
Terry Kier	3	–	–	–	–	–	–
David McAlpin		445 249	9 648 546	17 262 208	–	26 910 753	>3
<b>FOUNDERS</b>							
Jonathan Jawno	4	36 333 333	787 343 326	–	–	787 343 326	>3
Michael Mendelowitz		36 333 333	787 343 326	–	–	787 343 326	>3
<b>TOTAL</b>		79 535 739	1 723 539 464	42 195 401	–	978 391 539	

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

1. Sean Doherty joined Transaction Capital as an executive director in June 2019. The minimum target exposure to Transaction Capital's equity value will be built up over the next three to five years.
2. The Dowie Trust, of which David Hurwitz is a discretionary beneficiary, owns 4 876 769 shares in Transaction Capital Limited.
3. The Empire Trust, of which Terry Kier is a discretionary beneficiary, owns 1.2% of SA Taxi Holdings Proprietary Limited.
4. Pilatucom Holdings Limited owns 36 333 333 shares in Transaction Capital Limited. All the shares of Pilatucom Holdings Limited are held by trusts of which Jonathan Jawno is a discretionary contingent beneficiary.



## NON-EXECUTIVE DIRECTORS' FEES

Fees paid to non-executive directors are for directorship and membership of board sub-committees, with no additional meeting attendance fees paid. This is due to board members providing input to the company on an ongoing basis, which is 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. The board, through the remuneration committee, has resolved that there will be no increase in non-executive directors' fees for the 2021 financial year.

Fees paid to non-executive directors for the year ended 30 September 2020:

BOARD MEMBERS	C Seabrooke <sup>1</sup> R	P Langeni <sup>2</sup> R	R Rossi <sup>3</sup> R	K Pillay <sup>4</sup> R	P Miller <sup>5</sup> R	D Radley <sup>6</sup> R	B Hanise R	S Wapnick <sup>7</sup> R	Total R
Board chairman (including committee attendance)	1 585 417	–	–	–	–	–	–	–	1 585 417
Lead independent non-executive director	–	–	–	141 667	–	–	–	–	141 667
Director	–	370 917	370 917	370 917	175 726	370 917	370 917	196 293	2 226 602
Alternate director	–	–	–	–	146 393	–	–	–	146 393
Audit, risk and compliance committee (chairperson)	–	–	–	–	–	394 875	–	–	394 875
Audit, risk and compliance committee (member)	–	114 792	–	–	–	–	158 542	–	273 333
Asset and liability committee (member)	–	–	–	–	–	127 000	127 000	–	254 000
Remuneration committee (chairperson)	–	–	–	263 667	–	–	–	–	263 667
Remuneration committee (member)	–	–	66 651	–	60 349	–	–	–	127 000
Nominations committee (member)	–	–	127 000	127 000	–	–	–	–	254 000
Social and ethics committee (chairperson)	–	263 667	–	–	–	–	–	–	263 667
Social and ethics committee (member)	–	–	82 333	127 000	–	–	–	–	209 333
<b>TOTAL ANNUAL FEES</b>	<b>1 585 417</b>	<b>749 375</b>	<b>646 901</b>	<b>1 030 250</b>	<b>382 468</b>	<b>892 792</b>	<b>656 458</b>	<b>196 293</b>	<b>6 139 954</b>

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

2. Resigned as a member of the audit, risk and compliance committee effective 30 June 2020.

3. Appointed as a member of the social and ethics committee and the remuneration committee effective 1 February and 12 March 2020 respectively.

In addition to the fees received above, Mr Rossi received R3 353 099 for consulting services rendered to Transaction Capital Limited.

4. Appointed as lead independent non-executive director effective 15 July 2019.

5. Resigned as a non-executive director effective 12 March 2020 and appointed as an alternate director to Roberto Rossi effective the same date.

6. In addition to the fees received above, Diane Radley received directors' fees of R338 283 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.

7. Appointed as an independent non-executive director effective 12 March 2020.

Fees paid to non-executive directors for the year ended 30 September 2019:

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

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

2. In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R7 000 000 for corporate finance and legal services rendered to the group.

3. Resigned as a non-executive director effective 30 November 2018.

4. Appointed as chairperson of the audit, risk and compliance committee effective 1 December 2018. In addition to the fees reported above, Diane Radley received directors' fees of R323 000 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.

5. Appointed as a non-executive director effective 1 January 2019.