

2021

INVESTOR UPDATE

ENVIRONMENTAL, SOCIAL,
ECONOMIC AND GOVERNANCE

June 2021

VALUE CREATION FOR STAKEHOLDERS BY GENERATING GOOD COMMERCIAL RETURNS & POSITIVE SOCIAL IMPACT

PROGRESS ON SUSTAINABILITY FRAMEWORK

- Transaction Capital's **business model operationalises our commitment to sustainable & inclusive growth** of the industries we serve through positive social impact
- Embedded **economic, social & environmental (ESE) framework** in our divisions
 - › Clear societal purpose cascades into defined impact areas & supporting metrics, developed through extensive stakeholder engagement
 - › Informs strategic & operational initiatives to ensure the group's impacts are appropriately managed to enhance value creation for TC & its stakeholders
 - › Sustainability targets included as a qualitative component of short-term incentives for key executives
- Commitment to **enhanced reporting** over time
 - › **First sustainability report** issued in January 2021
 - Sets out detailed data-led ESE disclosures
 - › **Human rights policy** adopted in FY2021
 - › **Environmental policy & climate change statement** adopted in FY2021
 - Sustainability report & policies available on Transaction Capital's website



Our societal purpose is to enable mobility access for millions of minibus taxi commuters through tailored developmental financing & support services for SMEs



Our societal purpose is to promote stable, functioning credit markets, facilitate financial rehabilitation & enable efficient payment systems

By targeting only the following Sustainable Development Goals (SDGs) that are aligned to our core operations & strategy, we are able to focus our efforts to make a significant impact. **SDG 17 Partnerships for the goals** newly introduced in FY2021



INVESTMENT IN WeBuyCars



In addition to the six SDGs set out above, TC will consider WeBuyCars' sustainability performance against SDGs 9 & 12



- Investment matched all applicable acquisition criteria & aligned to TC's long-standing proposition to deliver good commercial returns & meaning social impact
- WeBuyCars is a trusted & reputable brand in an industry where trust & customer satisfaction have traditionally been low
- TC stands to bring greater transparency & accountability to this market through enhanced governance

Transaction Capital acquired a 49.9% shareholding in WeBuyCars in September 2020 and has recently concluded agreements to increase its shareholding to 74.9%, subject to regulatory approval

NON-EXECUTIVE DIRECTORS



CHRISTOPHER SEABROOKE (67)

Chairman
Appointed: June 2009



BUHLE HANISE (38)

Independent
Appointed: January 2019



SURESH KANA (65)

Lead Independent
Appointed: November 2020



IAN KIRK (62)

Independent
Appointed: November 2020



ALBERTINAH KEKANA (47)

Independent
Appointed: April 2021



PHUMZILE LANGENI (46)

Independent
Appointed: June 2009



KUBEN PILLAY (60)

Independent
Appointed: January 2019



DIANE RADLEY (54)

Independent
Appointed: July 2018



SHARON WAPNICK (57)

Independent
Appointed: March 2020



ROBERTO ROSSI (58)

Founder
Appointed: September 2003

EXECUTIVE DIRECTORS



DAVID HURWITZ (49)

Chief Executive Officer
Appointed: April 2012



SEAN DOHERTY (43)

Chief Financial Officer
Appointed: June 2019



MARK HERSKOVITS (46)

Chief Investment Officer
Appointed: January 2014



JONATHAN JAWNO (54)

Founder
Appointed: March 2003



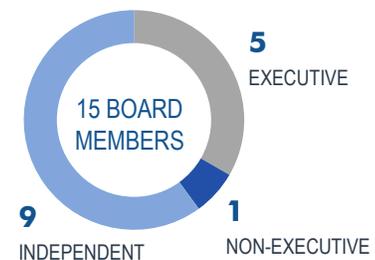
MICHAEL MENDELOWITZ (55)

Founder
Appointed: March 2003

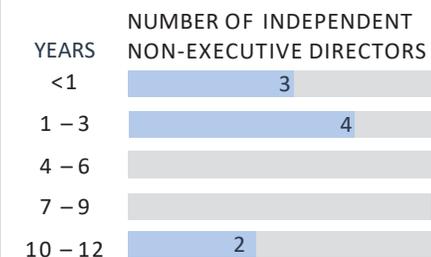
BOARD UPDATES

- Ms Phumzile Langeni will **resign** as independent non-executive director effective 30 September 2021
- Ms Albertinah Kekana **appointed** 1 April 2021 as independent non-executive director
- Mr Paul Miller **resigned** 1 April 2021 as alternate non-executive director to Roberto Rossi

INDEPENDENCE



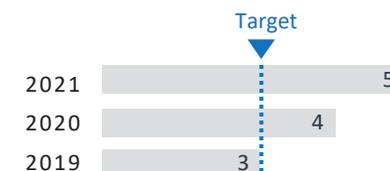
TENURE



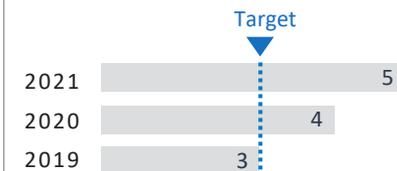
Average tenure of independent non-executive directors: **3.9 YEARS**

DIVERSITY

NUMBER OF FEMALE DIRECTORS
Board representation



NUMBER OF BLACK DIRECTORS
Board representation



ENHANCEMENTS TO THE REMUNERATION POLICY IN 2020

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 – page 112 of FY20 IAR**

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

Conditional share plan – page 114 of FY20 IAR

ENHANCEMENTS TO THE REMUNERATION DISCLOSURE IN 2020

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

Short-term incentives – page 112 of FY20 IAR

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

Short-term incentives – page 112 of FY20 IAR

2021 AGM CONSIDERATIONS

SALARY INCREASES OF EXECUTIVE DIRECTORS

- During the 2020 financial year, the packages of the founders were rebased to reflect market-related remuneration as approved by the remuneration committee.
- The new arrangement does not result in a salary increase, but rather a more market related allocation between base package and STI.

DISCRETIONARY BONUS TO MICHAEL MENDELOWITZ

- TC remuneration policy: "In instances where 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."

EXTENSION OF THE 2020 LONG TERM INCENTIVE (LTI) VESTING PERIOD

- The remuneration committee has resolved that as (1) COVID-19 was outside of management's control, (2) the response by management to the pandemic was excellent and (3) there is a need to retain key executives to ensure that the company recovers quickly, the 2020 LTI vesting would be deferred a year.

FOCUS AREAS FOR EXECUTIVE DIRECTOR STIs IN 2021

- 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.

APPENDIX

FACILITATING ECONOMIC DEVELOPMENT

Transaction Capital's focus on traditionally under-served market segments where it can make a meaningful social impact supports economic growth & development



We empower SMEs through financial inclusion

We promote financial inclusion by providing sustainable & responsible loans to SMEs who might otherwise be denied access to credit

R28.6 billion

Loans originated since 2008, creating **87 264 SMEs**

~80%

Proportion of SA Taxi's clients classified as previously under-banked or financially excluded

~580

Average credit score for loans granted by SA Taxi *versus*

11 250

Direct jobs created by SA Taxi's financed fleet in FY2020

18 750

Indirect jobs created by SA Taxi's financed fleet in FY2020

~640

Average credit score for loans granted by banks

We invest in previously excluded groups & under-served demographics

100%

Loans provided to black-owned SMEs

26%

Loans provided to female-owned SMEs

18%

Loans provided to SME owners under the age of 35

We provide support services to SMEs across the value chain

26 399

Financed SME clients

29 630 & 11 228

Insurance policies for financed clients & open market clients

34 547

SA Taxi Rewards customers



We drive economic growth by promoting credit market stability

We support a sustainable supply of credit by unlocking value from our clients' non-performing loans

R2.6 billion in South Africa | **R5.3 billion** in Australia

Value recovered for clients through contingency & fee-for-service collections in FY2020

Selling their non-performing loan portfolios frees up operational capacity & capital within TCRS's client base, enabling them to resume lending. **Our support for financial institutions:**

R32.3 billion

Original face value

R22.9 billion

Remaining face value

R3.5 billion

Capital outlay

~R14 billion

Provision release

~R7 billion

Risk-weighted asset release

~R0.8 billion

Regulatory capital release

TCRS's non-performing loan portfolios acquired to collect as principal in FY2020 related to 85 181 consumers, with an average outstanding balance of R25 344, which, according to our estimates, resulted in an average consumer credit provision & risk-weighted release of R13 594 & R11 710 respectively.

We do not service clients who participate in reckless lending

SUPPORTING SOCIAL INCLUSION

SA Taxi promotes social inclusion by helping millions of commuters to access services & economic opportunities



We support a critical public transport service

1.9 billion kilometres Distance travelled by SA Taxi's financed fleet in FY2020	2 million Commuter trips per day provided by SA Taxi's financed fleet	75% Proportion of work & educational public transport trips made via minibus taxi
---	---	---

We are a trusted & respected partner

28% Proportion of repeat customers (indicating financed operator satisfaction levels)

TCRS rehabilitates debtors ethically & responsibly



We focus on the rehabilitation & education of debtors to enable expedited re-entry into the credit markets

280 000 Average number of rehabilitated debtors in FY2020, to the value of R325 million	Our monthly payment plans balance rehabilitation with affordability:
R986 Average payment amount before defaulting	R720 Promise to pay
R378 Amount finally agreed	

We rehabilitate debtors ethically & collect responsibly

R109 TCRS average fees per account versus **R1 176** Maximum permitted per Debt Collection Act

We are a trusted & respected partner

In South Africa, we are ranked **1st (69%)** or **2nd (18%)** in **87%** of **191** mandates on client panels where TCRS is represented

BETTERING THE INDUSTRIES WE SERVE

SA Taxi works to better the public transport industry for all stakeholders



We form partnerships that promote inclusivity & safety of the industry

R68.5 million Total value of SANTACO dividend to date	35 547 Number of SA Taxi Rewards cards	R1.8 million Rewards earned by the industry through SA Taxi's reward programmes
39 298 Bridgestone tyres sold to the industry at a reduced rate	3.4 million Investments in taxi infrastructure	

We promote formalisation of the industry

R1.7 billion Value of SA Taxi's VAT contribution	R181.6 million Tax contributed to fuel levies by SA Taxi's fleet
--	--

TCRS works to better financial intermediation for all stakeholders



We provide a range of services that support financial intermediation, which facilitates payment & salary flows

100% Percentage of claims paid by RoadCover to its clients through the road accident benefits scheme	R37.1 billion Value of electronic transactions processed by Transaction Capital Payment Solutions
--	---

WE HIRE INCLUSIVELY

Our employment practices contribute to socioeconomic transformation

The **Transaction Capital board** comprises 15 directors, of whom 10 are non-executive directors & five are executive directors. Of the non-executive directors, nine are independent

Five	Five	
Number of female directors	Number of black directors	

Transaction Capital is **committed to job creation & driving transformation in its workforce**, including increasing the representation of previously under-represented groups & contributing to youth employment

3 965	59%	88%
Total number of employees	Female employees	Black employees (South Africa)
52%	48%	61%
Employees under the age of 35	Female employees as a % of total promotions	Low-skilled employees (South Africa)

We empower our people

We value our employees & invest in our staff's potential

16%	17	
Voluntary employee turnover rate	Average training hours per employee per year	Implemented occupational health & safety (OH&S) management system as per clear OH&S policy

WE UNDERSTAND OUR IMPORTANT ROLE IN PROMOTING CLIMATE RESILIENCE

We understand our important role in promoting climate resilience

Consolidated group consumption & waste (South Africa)

Electricity consumption	12 065 946 kilowatt hours
Water consumption	32 056 kilolitres
Weight of waste disposal	203.6 tonnes

We improve the environmental impact of the industry

763 392 tCO ₂ e	9.9%
Emissions of SA Taxi's financed fleet	GHG emissions abatement

The different approaches to reducing carbon emissions is set out in the four mitigation cases below:

Mitigation case	Emissions abatement FY2020 (tCO ₂ e)
1 Improved fuel efficiency due to SA Taxi financed new vehicles replacing old vehicles	38 114
2 Improved fuel efficiency due to replacement of 14 seaters with 16 seaters	26 654
3 Improved fuel efficiency due to replacement of petrol vehicles with diesel vehicles	17 746
4 Improved fuel efficiency due to vehicle refurbishments	771

SHORT-TERM INCENTIVES	QUANTITATIVE COMPONENT	QUALITATIVE COMPONENT
AMOUNT	<ul style="list-style-type: none"> • Group/divisional CEO– up to nine months. (Maximum weighting: 75% of STI award) • Other executives – up to six months. (Maximum weighting: 67% of STI award) 	<p>Up to three months. (Maximum weighting: 25% to 33% of STI award)</p>
DETERMINANT	<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"> • Growth in headline earnings per share (HEPS) above consumer price inflation (CPI). • Return on equity or invested capital. • New business origination or growth in revenue. • Unfettered access to debt capital or the reduction in the cost of capital. 	<p>The remuneration committee considers individual performance in meeting strategic imperatives, which include:</p> <ul style="list-style-type: none"> • Strategy implementation. • Meeting employment equity targets. • Transformation strategy implementation. • Sustainability performance targets. • Efficient capital management. • Identification, successful implementation and integration of acquisitions. • Implementation of operational, technology and risk management projects. • Other non-financial key performance indicators (KPIs).
DISCRETIONARY	<p>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.</p>	

PERFORMANCE CRITERIA

Performance criteria are pre-set by the remuneration committee for each vesting period.

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

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%

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

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.

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.

STRETCH PERFORMANCE

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%.

	Continuing core HEPS growth
Group	> 20%
SA Taxi	> 20%
TCRS	> 15%

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