



PSG GROUP LIMITED

ANNUAL  
REPORT  
2020

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# OUR GROUP STRUCTURE

as at 29 February 2020



PSG GROUP LIMITED

MARKET CAPITALISATION:

**R41bn**



PSG FINANCIAL SERVICES

MARKET VALUE OF JSE-LISTED PERPETUAL PREFERENCE SHARES IN ISSUE:

**R1,5bn**

JSE-LISTED INVESTMENTS INCLUDE			
30,7%	60,5%	43,8%	55,4%
 <b>CAPITEC BANK</b>	 <b>PSG Konsult</b>	 <b>ZEDER INVESTMENTS LIMITED</b>	<b>CURRO</b>
INDUSTRY: BANKING	INDUSTRY: WEALTH MANAGEMENT, ASSET MANAGEMENT AND INSURANCE	INDUSTRY: INVESTMENTS IN FOOD AND RELATED BUSINESS	INDUSTRY: PRIVATE BASIC EDUCATION
MARKET CAPITALISATION:	MARKET CAPITALISATION:	MARKET CAPITALISATION:	MARKET CAPITALISATION:
<b>R150bn</b>	<b>R11bn</b>	<b>R7bn</b>	<b>R5bn</b>
UNLISTED INVESTMENTS INCLUDE			
98,1%	49%	100%	100%
 <b>PSG alpha</b>	 <b>DIPEO CAPITAL</b>	 <b>PSG CAPITAL</b>	 <b>PSG CORPORATE SERVICES</b>
INDUSTRY: PORTFOLIO OF MAINLY EARLY-STAGE INVESTMENTS IN SELECT GROWTH SECTORS	INDUSTRY: BLACK ECONOMIC EMPOWERMENT INVESTMENT HOLDING COMPANY	INDUSTRY: CORPORATE FINANCE	INDUSTRY: INVESTMENT MANAGEMENT AND TREASURY SERVICES
SUM-OF-THE-PARTS VALUE:			
<b>R4bn</b>			

## OUR LEADERSHIP

The board of directors is the ultimate custodian of shareholder funds, with a responsibility to invest it wisely to deliver on PSG Group's stated objective of long-term value creation for shareholders.

The boards of directors of PSG Group and PSG Financial Services are identical and contain the appropriate mix of knowledge, skills, experience and independence.

## EXECUTIVES

### PJ (Piet) Mouton (43)<sup>1,2</sup>

BCom (Mathematics)

PSG Group CEO

Appointed 16 February 2009

### WL (Wynand) Greeff (50)<sup>1</sup>

BCompt (Hons), CA(SA)

PSG Group CFO

Appointed 13 October 2008

### JA (Johan) Holtzhausen (49)<sup>1</sup>

Bluris, LLB, HDip Tax

PSG Capital CEO

Appointed 13 May 2010

## NON-EXECUTIVES

### FJ (Francois) Gouws (55)

BAcc, CA(SA)

PSG Konsult CEO

Appointed 25 February 2013

### JJ (Jan) Mouton (45)

BAcc (Hons), CA(SA),

MPhil (Cantab)

Investment professional

Appointed 18 April 2005

## OUR DIRECTORS IN CONTEXT

### EDUCATIONAL EXPERTISE



ACCOUNTING
LAW
MATHEMATICS
PUBLIC RELATIONS

### DIRECTOR CAPACITY



EXECUTIVE
NON-EXECUTIVE
INDEPENDENT NON-EXECUTIVE

### LENGTH OF SERVICE



< 5 YEARS
5-10 YEARS
> 10 YEARS

## INDEPENDENT NON-EXECUTIVES

### PE (Patrick) Burton (67)<sup>2,3,4,5,6</sup>

BCom (Hons), PG Dip Tax

Director of companies

Appointed 19 March 2001

### ZL (KK) Combi (68)<sup>2,4,5</sup>

Diploma in Public Relations

Director of companies and

PSG Group Chairman

Appointed 14 July 2008

### AM (Modi) Hlobo (44)<sup>3</sup>

BCompt (Hons), CA(SA),

MCom (Finance)

Senior lecturer and

director of companies

Appointed 11 April 2019

### B (Bridgitte) Mathews (50)<sup>3</sup>

BCom (Hons), CA(SA), HDip Tax

Consultant and director

of companies

Appointed 3 May 2016

### CA (Chris) Otto (70)<sup>3,4,5</sup>

BCom LLB

Director of companies

Appointed 25 November 1995

<sup>1</sup> Member of executive committee

<sup>2</sup> Member of social and ethics committee

<sup>3</sup> Member of audit and risk committee

<sup>4</sup> Member of remuneration committee

<sup>5</sup> Member of nomination committee

<sup>6</sup> Lead independent director

## LETTER TO SHAREHOLDERS

Dear Shareholder,

In 1995, after the first democratic elections, we set out to build a company that would create wealth for our shareholders while making a meaningful contribution to society – assisting in our own way to build a better South Africa.

We are proud of what we have achieved over the past 25 years. Today, PSG Group Ltd (“PSG” or “the company”) is a leading South African investment company with a portfolio that span various industries, including an array of early-stage investments in select growth sectors.

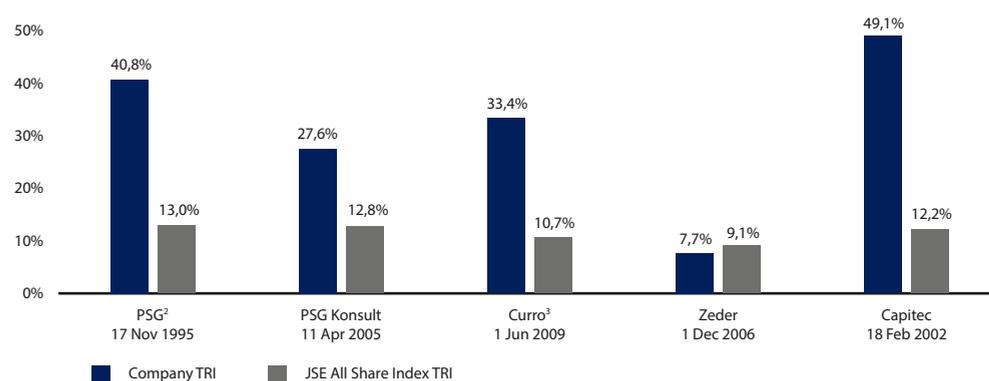
We have always supported and believed in government’s promise: one of a better life for all South Africans. Our obligation as a JSE-listed company primarily invested in South Africa, is to make good on the capital that our shareholders entrust us with and thereby benefitting all stakeholders.

In delivering on this responsibility, it is important that we reflect on how our success is measured as a group, how we continue to build resilience and deliver returns amidst global and local market pressures, and what you, as a shareholder, can look forward to.

### OUR PERFORMANCE

Looking back, it has arguably been 25 very good years for PSG. The majority of our investments have outperformed the market as is evident from the *Total Return Index (“TRI”)* graph below whereby the TRI of PSG and each of its core investee companies have been measured against that of the JSE All Share Index over their respective measurement periods. PSG achieved a compound return of 40,8% p.a. since its establishment in 1995, compared to the JSE All Share Index which yielded 13% p.a. over this period.

#### PSG Group companies’ TRI vs JSE All Share Index TRI<sup>1</sup>



<sup>1</sup> Measured since the respective dates set out above until 29 February 2020.

<sup>2</sup> Capitec unbundling in November 2003 treated as a dividend.

<sup>3</sup> Stadio unbundling in October 2017 treated on the assumption that Curro shareholders retained their Stadio shares.

The TRI assumes that on the date a dividend is paid by a company, it is reinvested into that company’s share at the ex-dividend price. The measurement attempts to better compare the returns of non- or low-dividend-paying companies with that of high-dividend-paying companies. The measure is certainly not perfect but is one of the best benchmarks of performance, nonetheless.

PSG’s current executive management team has effectively been at the helm for the past 10 years, during which period PSG’s *sum-of-the-parts (“SOTP”) value* per share increased by 26% p.a. One could argue that PSG’s investment returns in recent years have not been as attractive as historically. However, when examined holistically it is still highly commendable – the company is significantly bigger than what it was in earlier years and had to adapt and grow despite what has become known as the “Lost Decade” in the South African economy – characterised by stagnation or decline following runaway corruption and mismanagement at government level. By comparison, the JSE All Share Index only yielded approximately 7% p.a. during this period – however, with Naspers (Tencent) and some of the other Rand-hedge companies stripped out, the share price performance of locally-focused JSE-listed companies was generally dismal.

#### PSG SOTP value

Asset/(liability)	28 Feb 2010 Rm	29 Feb 2020 Rm
Capitec <sup>1</sup>	2 367	46 130
PSG Konsult <sup>1</sup>	948	6 399
PSG Alpha	834	3 618
Stadio <sup>1</sup>		649
Other investments <sup>2</sup>	834	2 969
Zeder <sup>1</sup>	742	3 173
Curro <sup>1</sup>		2 604
Dipeo <sup>2</sup>		
Other assets	761	879
Cash <sup>4</sup>	(23)	187
Pref investments and loans receivable <sup>4</sup>	284	542
PSG Corporate <sup>3</sup>	361	
Other <sup>4</sup>	139	150
<b>Total assets</b>	5 652	62 803
Perpetual pref funding <sup>1</sup>	(541)	(1 463)
Other debt <sup>4</sup>	(539)	(1 020)
<b>Total SOTP value</b>	4 572	60 320
<b>Shares in issue (net of treasury shares) (m)</b>	171,9	218,2
<b>SOTP value per share (R)</b>	26,60	276,43
<b>Share price (R)</b>	22,05	186,60

<sup>1</sup> Listed on the JSE Ltd

<sup>2</sup> SOTP value

<sup>3</sup> Valuation

<sup>4</sup> Carrying value

Note: PSG’s live SOTP value calculation containing further information is available at [www.psggroup.co.za](http://www.psggroup.co.za)

## LETTER TO SHAREHOLDERS *(continued)*

Numerous market commentators have claimed that PSG is merely a proxy for Capitec and that Capitec was the only contributor to our growth. It is indeed true that Capitec is a phenomenal success. However, just like asset managers, we as an investment holding company are constantly confronted with three options: buy, hold or sell. But unlike asset managers, we are not bound by prudential limits insofar our investment portfolio weighting is concerned. Hence, by holding onto our investment in Capitec and increasing our stake over the last 10 years, we clearly made the right decision – and all PSG shareholders benefited accordingly.

We have used a simplified approach to analyse the performance of our investment in Capitec versus that of the other investments in our portfolio as a collective (“Other Investments”) over the last 10 years, and to compare our companies’ performance to that of the JSE All Share Index. For this purpose, equity and debt capital raised by PSG during such time for further investment into Capitec have been allocated as such, with all other capital raised allocated to Other Investments. The compound annual returns on a *per share* basis over the last 10 years compared as follows:

- PSG SOTP value: 26%
- Capitec: 34%
- Other Investments: 16%
- JSE All Share Index: 7%

The return of 16% p.a. achieved by the Other Investments, albeit less than that of Capitec, still significantly outperformed the JSE All Share Index’s performance. One also needs to take into account that the Other Investments include PSG’s surplus cash, loans advanced to and preference share investments in investee companies, which typically yield lower returns. In addition, the absolute amount of the ordinary dividend paid by PSG was higher than the dividend we received from Capitec, which further reduced the returns of the Other Investments.

### OUR INVESTMENT PHILOSOPHY

Going back to the beginning in 1995, PSG initially set out to build businesses primarily in the financial services sector. After the A2 banking crisis in the early 2000s, circumstances necessitated PSG to adapt and change focus to evolve into what it is today – an investment holding company. Our strategy was initially more arbitrage focused, a prime example being our investment in rights in the JSE before its demutualisation and listing in 2005/6. This remains one of PSG’s best transactions to date. The buying of stakes in agri-businesses (which later became Zeder) was also done with an arbitrage mindset. PSG remains committed to its core philosophy of simple, good and ethical business.

- We prefer to invest in companies that are in the early stages of their growth trajectory whereby PSG can help build such businesses alongside entrepreneurs from the development stage, resulting in high returns if successful and relatively small losses if not.
- We primarily invest in:
  - Enterprises with uncomplicated business models, operating in large markets;
  - Industries that exhibit either a fragmented market dynamic or one with large inefficient incumbents; and
  - Honest, focused, talented, hard-working and passionate management whom we believe are the best in their respective fields.
- We are long-term investors with no predetermined exit strategy.
- Sound corporate governance is non-negotiable – we believe in accurate, transparent and succinct information.
- A key tenet of success is trust – without trust, companies lose clients and leaders lose their teams. We advocate trust through our philosophy of ultimate empowerment. We employ honest, smart, competent individuals, and empower them through trust.
- We believe in co-investing with management. Management as co-owners are aligned with other shareholders and generally more focused and dedicated to growing their businesses. This also applies to PSG – the board of directors owns 6% of the company.
- We provide our early-stage investments with the necessary capital to enable management to focus relentlessly on growing their business rather than on meeting funding requirements. Once these businesses mature, they will be able to leverage their balance sheets when needed. Besides capital, we provide these companies with the necessary support and guidance in terms of strategic thinking, decision-making, implementation and corporate governance whenever necessary.

As PSG is not an operational company, we spend most of our time strategising, both at a PSG and an investee company level. We operate on the basis that the world is forever changing, and therefore do our level best to remain flexible, adaptable and curious – always seeking and leveraging opportunities throughout economic cycles.

### COVID-19

We had a clear vision of the key initiatives we wanted to implement in 2020, after a few challenging years, and were confident it would be a year in which we would see accelerated growth. By the end of February, most of our investee companies had compiled their 5-year strategic plans and even though the economy remained constrained, we were confident that our initiatives would help steer our group in the right direction. Zeder concluded the disposal of its investment in Pioneer Foods to PepsiCo in early March, announcing the payment of a special dividend which provided PSG with a significant cash injection of R1,7bn – putting us in a strong position from a liquidity perspective to implement our various strategies.

The business environment, however, changed dramatically in the space of only a few weeks. Like so many, we were caught off-guard by the realities of the COVID-19 pandemic and the subsequent national lockdown. It resulted in an unprecedented shock to our economy, which rendered our plans for 2020 obsolete as we had to immediately adopt a much more defensive strategy to help protect our businesses, where needed. We are confronted with new challenges daily as uncertainty about the consequences of this pandemic prevails. There is unfortunately no textbook or experience to fall back on as the whole world finds itself in uncharted waters. That said, we are learning fast as we go along and believe that our collective experience, passion, resilience and focus will help PSG weather this storm. We have a clear long-term strategy and are well capitalised – our house stands on a solid foundation, for which we are grateful.

### UNBUNDLING OF CAPITEC

During April 2020, we announced the potential unbundling of up to PSG’s entire 30,7% shareholding in Capitec to PSG shareholders.

The biggest question on everyone’s mind considering the uncertain times we currently find ourselves in must be: why unbundle Capitec now? Surely bigger must be better for now – why not rather consider this profoundly altering move once there is more certainty about South Africa’s economy and the likely impact on our businesses’ future prospects? Are we putting PSG under undue pressure, especially in the context of the current uncertain trading environment? These are all valid and obvious questions to answer.

### RATIONALE FOR THE CAPITEC UNBUNDLING

COVID-19 is not happening in a vacuum – challenges facing the world prior to this pandemic have not simply disappeared.

#### Regulatory challenges

For some time now the Prudential Authority has been working on prudential standards for the regulation and supervision of so-called “financial conglomerates” in South Africa (currently in a consultation phase before implementation in 2020/1). Due to our interests in both a bank (through Capitec) and an insurance company (through PSG Konsult), the Prudential Authority has indicated that PSG will most probably in future be classified as part of, and accordingly regulated as a financial conglomerate despite numerous engagements with and submissions made to the relevant regulatory bodies. Although there is still a degree of uncertainty to what extent PSG will be regulated, it has become clear that PSG and its shareholders will most likely be severely prejudiced. Herewith a couple of our major concerns:

- Reservation of capital at a PSG level: any surplus capital that PSG needs to reserve against its balance sheet will materially affect future returns. We are also not able to raise such required capital now due to the significant discount at which PSG trades to its underlying value as depicted in the *SOTP value*.
- Regulatory submissions: as we do not have the necessary manpower with the required regulatory compliance expertise at PSG, we will need to appoint the appropriate resources to deal with this, which will lead to a significant increase in the head office cost base.

## LETTER TO SHAREHOLDERS *(continued)*

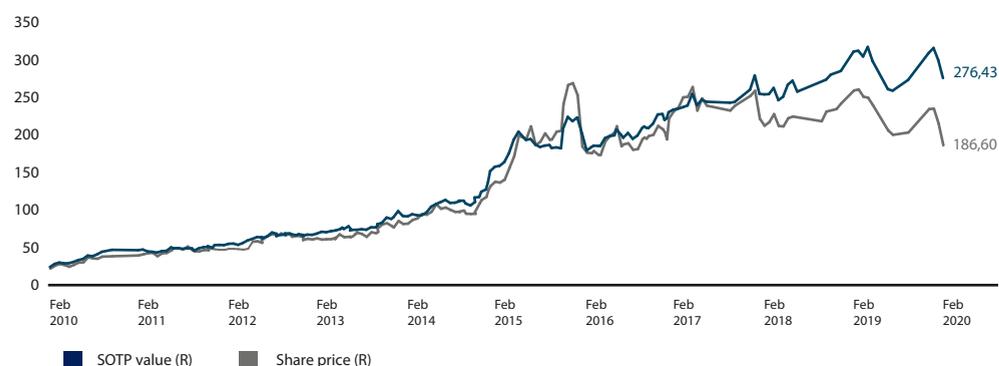
- Prior regulatory approval required for any major transaction, even if such transaction at an investee level has nothing to do with the regulated financial services entities: could cause delays and see the opportunity go lost as timing is usually crucial. We have always viewed our ability to act quickly and decisively to capitalise on opportunities as a competitive advantage – introducing regulatory approval and potential associated delays into the decision-making process will effectively render PSG and its investee companies uncompetitive.

There are several other concerns too, but clearly the aforementioned will be detrimental to PSG, its investee companies and all their shareholders. The likely outcome will be an even further increase in the discount at which PSG currently trades to its *SOTP value*. Our only solution is to unbundle Capitec.

Still – why now? The Prudential Authority will require mock regulatory reporting of PSG commencing early next year (2021). During this process, we will work closely with the Regulator to ensure that we are fully compliant and ready when the new regulations take effect in 2022. This means any process we embark on to avoid this re-classification for said reasons, needs to be completed by the end of 2020 latest. Had this not been the case, we may well have reconsidered the timing of the unbundling; however, we believe it is the most appropriate course of action considering the bigger picture. We also believe that Capitec remains well capitalised and can continue to operate completely independent of us.

### The discount predicament

#### PSG Group share price vs SOTP value per share over the past 10 years



The graph above illustrates that the discount of PSG's share price to its *SOTP value* per share started to open up in 2017 and has continued to widen since. There are numerous potential reasons for the discount widening:

- Holding companies worldwide seem to have fallen out of favour with investors and most currently trade at significant discounts.
- Apart from Capitec, the majority of our companies in the group has found the economic conditions challenging for a number of years running. As a consequence, Capitec's share price significantly outperformed that of the other investee companies over the last two to three years, with Capitec dominating PSG's *SOTP value*, representing approximately 70% of total assets. Given the significant discount of 30% to 35% at which PSG was trading to its *SOTP value* net of debt, our stake in Capitec was worth more than PSG's entire market capitalisation. Strangely enough, the significant success of one company in our portfolio had ironically become a challenge. As we were indeed fortunate to have such a great company in our group, we've previously referred to this particular challenge as a "champagne issue".
- PSG has too many entry points with most of our core investments being listed on the JSE – shareholders can basically construct their own "PSG portfolio" by excluding the companies they do not favour and weighting the portfolio differently.
- PSG has to date struggled to get meaningful traction with several of its early-stage PSG Alpha investments. Although the economy has been tough with customers less likely to try something new, we have unfortunately also scored a few own goals. We will endeavour to execute with greater success going forward.

As management we work primarily for you as our shareholders, for our employees and for our other stakeholders at large. The executive management team are also substantial PSG shareholders and the discount frustrates us just as much, if not more, as it does other shareholders. Strategically the discount adds further complexities as we are unable to access the equity markets. We have brainstormed various ways to address the discount. Some proposed strategies would likely be better than others – we would to a certain extent have benefitted from improved profitability and market re-ratings of our non-Capitec companies, but we already knew it was unlikely in the current economic environment. With the pending regulatory requirements and PSG's discount to *SOTP value* predicament in mind, it became clear that the only viable solution would be to unbundle Capitec.

Ultimately this was one of the hardest decisions to make in the history of PSG. Capitec is arguably the best company established in South Africa over the last two decades. It bolstered our balance sheet and the dividend flow from this investment has been substantial. As PSG will distribute its largest asset to shareholders, it will leave us with a smaller but more nimble company.

### FINAL UNBUNDLING RATIOS

The PSG board has consequently resolved to unbundle 28,1% out of PSG's 30,7% interest in Capitec to PSG shareholders, representing 14 Capitec shares for every 100 PSG shares held – thereby effectively retaining a 4,3% interest in Capitec (i.e. 2,6% interest not unbundled plus 1,7% interest received in terms of the unbundling pursuant to the 13,9m PSG treasury shares held by PSG Financial Services Ltd ("PSG Financial Services"), a wholly-owned subsidiary of PSG). The objective for the retention of such 4,3% interest comprising 4,9m Capitec shares is to help bolster PSG's balance sheet.

### OUR IMMEDIATE STRATEGY IN A WORLD WITHOUT CAPITEC

PSG's immediate strategy post the unbundling of Capitec is as follows:

- Firstly, to reduce debt and ensure a healthy liquidity position, assuming that investment holding companies may continue to trade at a discount and that equity markets may accordingly be less accessible for capital raisings in the foreseeable future. In this regard –
  - PSG early-settled its only remaining term debt comprising redeemable preference shares amounting to R1bn on 29 May 2020. Following the redemption, PSG's only ongoing funding obligation comprises the bi-annual preference dividend payable in respect of the perpetual (i.e. non-redeemable) preference shares issued by PSG Financial Services.
  - Subsequent to announcing the final terms of the Capitec unbundling to the market, PSG disposed of 1,7m of the aforementioned Capitec shares not forming part of the unbundling, thereby reducing PSG's 30,7% interest in Capitec to 29,2% and adding a further R1,2bn in cash net of tax to PSG's balance sheet, with PSG's retained interest in Capitec following the proposed unbundling being 2,8%;
- Secondly, to secure adequate liquidity for PSG in order to support its key investments where necessary. In this regard, PSG has revisited the strategic objectives of its investee companies and assessed how they may possibly be affected by the severe downturn in the economy following the COVID-19 lockdown. Although it is not possible to accurately predict the extent of the damage to the economy, PSG has performed various scenario analyses to stress test its investee companies' resilience. Such analyses included assessing the capital needs of its investee companies, while assuming that access to debt funding may be limited in the short to medium term;
- Thirdly, to have sufficient resources available to support investee companies when attractive bolt-on acquisition opportunities become available (this part of the strategy is aligned to the second part above); and
- Finally, PSG aims to proactively seek new investments which fit its investment philosophy and show promise to flourish in the emerging new economy post COVID-19.

### PROSPECTS

As mentioned, PSG will have a strong balance sheet with ample liquidity and limited debt post the Capitec unbundling and associated restructurings. PSG's remaining core investee companies such as PSG Konsult and Curro are market leaders in their respective industries and suitably positioned to capitalise on any economic recovery. PSG Alpha's early-stage investments provide meaningful optionality, particularly so in the context of a "smaller" PSG ex-Capitec. We therefore remain optimistic about PSG's long-term growth prospects and value creation for shareholders, albeit cautiously so as much will depend on the state of the South African economy going forward.

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## LETTER TO SHAREHOLDERS *(continued)*

### A WORD OF THANKS AND TRIBUTE

As we celebrate PSG's quarter century anniversary, we pay tribute to Jannie Mouton and his team who founded PSG 25 years ago. Your vision and entrepreneurship have shaped PSG into one of South Africa's leading companies. We have learned much from you and our investment philosophy continues to include your principles. Not only have you provided PSG shareholders with superior returns, you have also touched and enriched the lives of many South Africans by making a measurable impact on our greater economy.

We have tremendous gratitude towards the Capitec team for the many years of being part of your groundbreaking journey. A special word of thanks to Gerrie Fourie, André du Plessis, Michiel le Roux, Riaan Stassen, and many other managers – what a team you are. We are privileged to not only call you colleagues, but also friends. We as PSG shareholders look forward to now becoming direct shareholders in Capitec.

We thank the management teams and all employees throughout the wider PSG group. We appreciate the efforts you always put in, but especially so in the last couple of months. All of you have demonstrated monumental resilience and passion for your various industries amidst trying times. From the Evergreen staff who look after the elderly to Curro setting the pace with online learning during lockdown, you are all walking the extra mile. PSG looks forward to continue being part of your journey and to support you.

We thank our loyal shareholders. This company after all exists for you and we are always humbled by and grateful for the trust you continue to place in us.

Thank you to the PSG board of directors for your support, guidance and wisdom.

It is our hope that government will put potential political agendas aside and make timely and appropriate decisions for the future of all in South Africa – our country and its people are simply too precious not to. May we all have the courage, wisdom and resilience to do whatever we can to help rebuild this country – to rise truly stronger together.



**KK Combi**  
Chairman



**Piet Mouton**  
CEO



**Wynand Greeff**  
CFO



**Johan Holtzhausen**  
Executive

Stellenbosch  
10 June 2020



## REVIEW OF OPERATIONS

### WHO WE ARE

PSG Group Ltd ("PSG" or "the company" or "the group") is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors. PSG's market capitalisation (net of treasury shares) was approximately R41bn as at 29 February 2020.

There are seven main business units on which we report, namely:

- Capitec (banking);
- PSG Konsult (wealth management, asset management and insurance);
- PSG Alpha (early-stage investments in select growth sectors);
- Zeder (investments in food and related business);
- Curro (private basic education);
- Dipeo (BEE investment holding company); and
- PSG Corporate (investment management and treasury services), including PSG Capital (corporate finance).

### OUR OBJECTIVE

Our economic objective remains to create long-term wealth for our shareholders through a combination of share price appreciation, cash dividends and other distributions, as circumstances may dictate. To achieve this, we have invested in a diversified portfolio of businesses with attractive growth potential that should yield above-market returns over time, while contributing positively to society.

### BENCHMARKING OUR PERFORMANCE

We believe that performance should be measured in terms of the return that an investor receives over time, with a focus on *per share* wealth creation. When evaluating PSG's performance over the long term, one should focus on the *Total Return Index ("TRI")* as a measurement tool. The *TRI* is the *compound annual growth rate ("CAGR")* of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG's *TRI* as at 29 February 2020 was 41% p.a. over the approximately 24-year period since establishment. Had you purchased R100 000 worth of PSG shares in November 1995 and reinvested all your distributions (including cash and in specie dividends), your investment would be worth around R406m as at 29 February 2020. The same investment in the JSE All Share Index over this period would be worth only R1,9m. We are proud of the wealth we have created for our shareholders.

### OUR PERFORMANCE OVER THE PAST FINANCIAL YEAR

The two key benchmarks used by PSG to measure performance are *sum-of-the-parts ("SOTP") value* and *recurring earnings* per share, as long-term growth in PSG's *SOTP value* and *share price* should depend on, inter alia, sustained growth in the *recurring earnings* per share of our underlying investments.

The calculation of PSG's *SOTP value* is simple and requires limited subjectivity as more than 95% of the value is calculated using JSE-listed share prices, while other investments are included at internal valuations. At 29 February 2020, the *SOTP value* per PSG share was R276,43 (2019: R311,45). The five-year *CAGR* of PSG's *SOTP value* per share and *share price* at 29 February 2020 was 11% and 6%, respectively, whereas the JSE All Share Index showed a decline of 1% p.a. over the same period.

Asset/(liability)	28 Feb 2018 Rm	28 Feb 2019 Rm	29 Feb 2020 Rm	Share of total	Five-year CAGR <sup>4</sup>
Capitec <sup>1</sup>	29 540	46 351	<b>46 130</b>	73%	26%
PSG Konsult <sup>1</sup>	7 048	8 700	<b>6 399</b>	10%	2%
PSG Alpha	5 201	4 712	<b>3 618</b>	6%	12%
Stadio <sup>1</sup>	2 379	1 253	<b>649</b>		
Other investments <sup>2</sup>	2 822	3 459	<b>2 969</b>		
Zeder <sup>1</sup>	4 823	3 166	<b>3 173</b>	5%	(11%)
Curro <sup>1</sup>	7 987	5 714	<b>2 604</b>	4%	(19%)
Dipeo <sup>2</sup>	535				n/a
Other assets	2 603	1 702	<b>879</b>	2%	
Cash <sup>3</sup>	1 000	323	<b>187</b>		
Pref investments and loans receivable <sup>3</sup>	1 558	1 297	<b>542</b>		
Other <sup>3</sup>	45	82	<b>150</b>		
<b>Total assets</b>	<b>57 737</b>	<b>70 345</b>	<b>62 803</b>	<b>100%</b>	
Perpetual pref funding <sup>1</sup>	(1 278)	(1 367)	<b>(1 463)</b>		
Other debt <sup>3</sup>	(949)	(1 020)	<b>(1 020)</b>		
<b>Total SOTP value</b>	<b>55 510</b>	<b>67 958</b>	<b>60 320</b>		
<b>Shares in issue (net of treasury shares) (m)</b>	<b>217,5</b>	<b>218,2</b>	<b>218,2</b>		
<b>SOTP value per share (R)</b>	<b>255,17</b>	<b>311,45</b>	<b>276,43</b>		11%
<b>Share price (R)</b>	<b>217,50</b>	<b>259,78</b>	<b>186,60</b>		6%

<sup>1</sup> Listed on the JSE Ltd

<sup>2</sup> SOTP value

<sup>3</sup> Carrying value

<sup>4</sup> Based on share price/SOTP value per share as at 29 February 2020

Note: PSG's live SOTP value calculation containing further information is available at [www.psggroup.co.za](http://www.psggroup.co.za)

## REVIEW OF OPERATIONS *(continued)*

PSG's *recurring earnings* per share for the year under review increased by 18% to R12,81 (2019: R10,86) following commendable performance from Capitec (up 19%), PSG Konsult (up 8%), PSG Alpha (up 20%) and Zeder (up 18%), offset by Curro (down 15%). Curro's financial performance was adversely impacted by increased finance costs associated with debt used for greenfield developments, increased bad debts with the consumer under pressure and higher than anticipated property rates and taxes.

	28 Feb 2018 Rm	28 Feb 2019 Rm	Change %	29 Feb 2020 Rm
Capitec	1 369	1 625		<b>1 927</b>
PSG Konsult	348	361		<b>389</b>
PSG Alpha	172	216		<b>270</b>
Zeder	205	207		<b>246</b>
Curro	110	137		<b>117</b>
Dipeo	(56)	(29)		<b>(36)</b>
PSG Corporate	(7)	(45)		<b>(29)</b>
Other ( <i>mainly pref div income</i> )	136	84		<b>126</b>
<b>Recurring earnings before funding</b>	<b>2 277</b>	<b>2 556</b>	<b>18</b>	<b>3 010</b>
Funding ( <i>net of interest income</i> )	(135)	(199)		<b>(216)</b>
<b>Recurring earnings</b>	<b>2 142</b>	<b>2 357</b>	<b>19</b>	<b>2 794</b>
Non-recurring items	(186)	(163)		<b>(211)</b>
<b>Headline earnings</b>	<b>1 956</b>	<b>2 194</b>	<b>18</b>	<b>2 583</b>
Non-headline items	(42)	(268)		<b>(121)</b>
<b>Attributable earnings</b>	<b>1 914</b>	<b>1 926</b>	<b>28</b>	<b>2 462</b>
<b>Non-recurring items comprise:</b>				
– Fair value losses on Dipeo's investment portfolio	(131)	(246)		<b>(1)</b>
– Fair value gains on Evergreen investment property added back (being <i>non-headline</i> for accounting purposes)	(12)	(50)		<b>(100)</b>
– Fair value gain on Zeder's investment in Joy Wing Mau prior to its disposal		171		
– Other (incl. stock and loan impairments i.r.o. businesses discontinued)	(43)	(38)		<b>(110)</b>
	(186)	(163)		<b>(211)</b>
<b>Weighted average number of shares in issue (net of treasury shares) (m)</b>	<b>215,5</b>	<b>217,0</b>	<b>1</b>	<b>218,1</b>
<b>Earnings per share (R)</b>				
– Recurring	9,94	10,86	18	<b>12,81</b>
– Headline	9,08	10,11	17	<b>11,84</b>
– Attributable	8,88	8,88	27	<b>11,29</b>
<b>Dividend per share (R)</b>	<b>4,15</b>	<b>4,56</b>	<b>(48)</b>	<b>2,39</b>

*Attributable earnings* per share increased by a higher margin than *recurring earnings* and *headline earnings* per share mainly due to Zeder's *non-headline* reversal of an impairment loss recognised in respect of its investment in Pioneer Foods as at 28 February 2019.

The South African Reserve Bank ("SARB") published Guidance Note 4/2020 on 6 April 2020 directing banks to act prudently in preserving capital in the absence of appropriate factual information to determine the full impact of the COVID-19 pandemic on the South African economy. The Guidance Note communicated a clear expectation that banks should not declare ordinary dividends for the time being. Although Capitec's capital base and liquidity ratios remain strong, the Capitec board in support of the SARB's guidance decided against the declaration of a final ordinary dividend for the financial year ended 29 February 2020. In the absence of the Capitec dividend, PSG's available free cash flow to pay as an ordinary dividend was much lower, resulting in a 48% decrease in PSG's *dividend* per share for the financial year under review.

### MAJOR CORPORATE ACTION SUBSEQUENT TO YEAR-END

#### Capitec unbundling

Subsequent to year-end, the PSG board resolved to unbundle 28,1% out of PSG's 30,7% interest in Capitec to PSG shareholders, representing 14 Capitec shares for every 100 PSG shares held (refer to the *Letter to Shareholders* on page 6 for the rationale for the unbundling) – thereby effectively retaining a 4,3% interest in Capitec (i.e. 2,6% interest not unbundled plus 1,7% interest received in terms of the unbundling pursuant to the 13,9m PSG treasury shares held by PSG Financial Services Ltd ("PSG Financial Services"), a wholly-owned subsidiary of PSG). The objective for the retention of such 4,3% interest comprising 4,9m Capitec shares is to help bolster PSG's balance sheet.

As noted in the *Letter to Shareholders* on page 6, part of PSG's immediate strategy post the unbundling of Capitec is to reduce PSG's debt and ensure a healthy liquidity position, assuming that investment holding companies may continue to trade at a discount and that equity markets may accordingly be less accessible for capital raisings in the foreseeable future. In this regard –

- PSG early-settled its only remaining term debt comprising redeemable preference shares amounting to R1bn on 29 May 2020. Following the redemption, PSG's only ongoing funding obligation comprises the bi-annual preference dividend payable in respect of the perpetual (i.e. non-redeemable) preference shares issued by PSG Financial Services;
- Subsequent to announcing the final terms of the Capitec unbundling to the market, PSG disposed of 1,7m of the aforementioned Capitec shares not forming part of the unbundling, thereby reducing PSG's 30,7% interest in Capitec to 29,2% and adding a further R1,2bn in cash net of tax to PSG's balance sheet, with PSG's retained interest in Capitec following the proposed unbundling being 2,8%.

The unbundling of Capitec is anticipated to be implemented towards the end of August 2020.

#### Disposal of Pioneer Foods

PepsiCo's offer to acquire all of the ordinary share capital in Pioneer Foods in terms of a scheme of arrangement at R110 per Pioneer Foods share became unconditional, and was therefore concluded, on 23 March 2020. On this date, Zeder accordingly disposed of its largest investment comprising a 28,6% interest in Pioneer Foods to PepsiCo for R6,4bn in cash. Pursuant to such disposal, Zeder declared and paid a R2,30 per share special dividend to shareholders on 28 April 2020 – PSG consequently received R1,7bn in cash.

Furthermore, this transaction allowed Zeder to settle its only remaining term debt of R1,5bn subsequent to year-end, and to retain R1bn in cash for liquidity purposes.

## REVIEW OF OPERATIONS *(continued)*

### OUR INVESTMENTS AS AT 29 FEBRUARY 2020

#### CAPITEC (30,7%)

- *Simple and focused business model*
  - lending and transactional banking
- *High barriers to entry*
  - regulatory requirements and funding
- *High growth potential*
  - increase in transactional banking clients and growth in credit book (including credit card)
  - new products (funeral insurance) and markets (business banking)
  - significant growth potential given its current market share:
    - approximately 4% of credit card market
    - approximately 4% of the total South African consumer credit book
    - approximately 8% of the retail deposit market

Capitec is a South African bank and is arguably the most successful business established in South Africa in the past 20 years.

Its *TRI* since listing on the JSE was 49% as at 29 February 2020, versus that of the JSE All Share Index of 12% over the same period. Capitec is currently the third largest bank in South Africa based on market capitalisation.

From the outset, Capitec has put the client's needs first through a relentless focus on the simplicity and affordability of its banking products. Management has consistently stayed ahead of the banking curve through innovation and the use of technology. Today, Capitec has approximately 13,9m active clients with a product offering that includes the extension of credit, retail and business banking solutions and funeral insurance cover across its widespread branch and digital distribution platforms.

Capitec continues to offer attractive long-term growth prospects while being conservatively managed. Its credit granting criteria and bad debt provisioning policy remain prudent, while management continues to increasingly target middle to higher income clients. With a 31% capital adequacy ratio, it has sufficient capital to meet its growth requirements.

Capitec's comprehensive results are available at [www.capitecbank.co.za](http://www.capitecbank.co.za).



#### PSG KONSULT (60,5%)

- *Simple and focused business model*
  - the provision of wealth management, asset management and insurance solutions
- *High barriers to entry*
  - regulatory requirements
- *Key competitive advantage*
  - extensive distribution platform
  - trusted brand
- *High growth potential*
  - relatively low market share:
    - less than 5% of wealth management
    - less than 2% of asset management
    - less than 3% of short-term insurance

PSG Konsult is a financial services company, focused on providing wealth management, asset management and insurance solutions to clients. It has the largest independent financial advisor distribution network in southern Africa with 935 advisors.

With the legal and regulatory environment within the industry having become increasingly onerous, PSG Konsult continues to attract quality advisors. It provides them with support through its well-established systems and its risk and regulatory compliance platform, allowing the advisors to focus on servicing their clients.

PSG Konsult's results for the year ended 29 February 2020 need to be considered against its equity market dependence, with the JSE All Share Index having suffered a 9% decline during the year under review. Despite this, PSG Konsult managed to increase its assets under management by 3% to R230bn, while its assets under administration decreased by 6% to R397bn. PSG Insure's gross written premium increased by 22% to R5,5bn.

PSG Konsult has proven its resilience in a tough market and is suitably positioned to capitalise on any economic recovery. PSG remains optimistic about its growth prospects.

PSG Konsult has its primary listing on the JSE, with secondary listings on the Namibian Stock Exchange and Mauritian Stock Exchange, and its comprehensive results are available at [www.psg.co.za](http://www.psg.co.za).



#### PSG ALPHA (98,1%)



PSG Alpha serves as an incubator to identify and help build the businesses of tomorrow. PSG has always excelled at early-stage investing by building businesses alongside entrepreneurs from the development stage. PSG Alpha's focus is therefore predominantly on early-stage investing.

The PSG Alpha portfolio currently comprises 11 investments, the majority of which being in their development phase. We continue to support these investments not only through providing capital when necessary and deemed appropriate, but also working alongside management in building these businesses – be it to help determine strategy, acting as a soundboard, assisting with problem solving, complementary deal-making, stakeholder relationships, promoting good corporate governance, establishing appropriate remuneration structures, and the like. Members of the PSG Alpha Exco as a rule serve as directors on its investees' boards and on numerous sub-committees, including the finance/audit and risk committees.

PSG Alpha's early-stage investments provide meaningful optionality, particularly so in the context of a "smaller" PSG ex-Capitec.

## REVIEW OF OPERATIONS *(continued)*

### Overview of select PSG Alpha investees

#### Evergreen (50%)

- Simple and focused business model
  - o retirement lifestyle villages
- High barriers to entry
  - o capital intensive and need for specialist services
- High growth potential
  - o ageing population and large, fragmented market

PSG, through PSG Alpha, is co-invested in Evergreen with property expert, Amdec. Evergreen develops, owns and operates retirement lifestyle villages on a life-right model. Although this model is well established in other parts of the world, especially in the United States, Australia and New Zealand, it is still a fairly new concept in South Africa.

Evergreen offers significant benefits to its residents – i) state-of-the-art lifestyle centres, typically including a bistro, lounge, salon, bar, library, gym, games room and entertainment area; ii) health and frail care; iii) excellent security; and iv) a sense of community among fellow retirees.

At the reporting date:

- Evergreen owned 947 completed units across seven villages;
- It had 148 units under construction across two existing villages; and
- It had secured land (which has mostly been paid for) representing an additional 4 487 retirement unit opportunities for a total of 5 582 secured opportunities.

Before COVID-19, the expectation was to reach 2 492 completed units by February 2025. Evergreen's stated ambition is to be the pre-eminent retirement provider in South Africa reaching 10 000 units over time. COVID-19 and the recovery in the South African economy and residential property market will however impact the rate of expansion.

More information about Evergreen's service offering is available at [www.evergreenlifestyle.co.za](http://www.evergreenlifestyle.co.za).



#### Stadio (44%)

- Simple and focused business model
  - o private higher education
- High barriers to entry
  - o capital intensive
  - o accredited qualifications
- High growth potential
  - o growing number of students
  - o limited capacity in traditional higher education institutions
  - o distance learning offering

Stadio is a private higher education provider in its development phase and is listed on the JSE. It currently comprises six private higher education institutions offering more than 90 accredited programmes to ±32 000 students, ranging from higher certificates to doctorates through contact and distance learning. Key to future growth will be Stadio's pipeline of 45 new programmes currently being accredited. This should increase as, among other, new faculties are established.

Stadio is busy amalgamating its six institutions into one comprehensive private higher education institution by August 2020 including various faculties across the 14 existing campuses. Stadio will continue to develop and expand its product offering as part of its journey to reach 56 000 students by 2026. PSG Alpha is actively assisting Stadio management in achieving their stated objectives.

More information about Stadio is available at [www.stadio.co.za](http://www.stadio.co.za).



#### Optimi (84,4%)

- Simple and focused business model
  - o accessible learning solutions
- High barriers to entry
  - o proprietary technology platforms and learning content
- High growth potential
  - o demand for quality learning at affordable prices

Effective 1 April 2019, Optimi (previously FutureLearn) and ITSJ, both being existing investees of PSG Alpha, merged their businesses to enable cross-selling to their respective clients and to unlock further synergies.

Optimi provides accessible learning and support to learners and tutors using technology and centralised assistance to reduce the cost of and to improve the quality of education. Services are rendered to the following distinct segments:

Channel	Customers
Home (home education and after-school tutoring)	More than 22 000 learners More than 1 500 tutors
Classroom (schools and tertiary institutions)	More than 1 500 schools 2 tertiary institutions
Workplace (corporate and public sector training)	More than 200 businesses More than 100 000 learners
College (accredited and short courses)	More than 5 300 learners

More information about Optimi is available at [www.optimi.co.za](http://www.optimi.co.za).



#### Energy Partners (54,1%)

- Simple and focused business model
  - o private energy utility provider
- High barriers to entry
  - o capital intensive
  - o skilled expertise
- High growth potential
  - o size of the energy market
  - o attractive economies of on-site generation
  - o trend towards outsourcing utilities
  - o reliability concerns over South Africa's largest electricity provider

PSG Alpha originally invested in Energy Partners when it was an engineering consulting business focused on providing energy-efficient solutions to its clients in return for a consultancy fee. Energy Partners has since become a turnkey developer, owner and operator of energy-producing assets (which include solar, steam and refrigeration) with integrated construction and maintenance capabilities.

Although owning and operating the energy-producing assets are less profitable than selling the assets for cash in the short term, it is significantly more profitable over the long term and provides the business with valuable annuity income. Accordingly, Energy Partners' focus remains on significantly expanding its current investment book of ±R300m.

More information about Energy Partners is available at [www.energypartners.co.za](http://www.energypartners.co.za).



## REVIEW OF OPERATIONS *(continued)*

### Other investees

A complete list of PSG Alpha's investees is set out below:

Investment	Description	Interest (%)	
		2019	2020
Alaris	Global radio frequency technology group specialising in defence and other antennas	25,4	<b>Sold</b>
Carter	Redefine new car sales experience	71,1	<b>76,0</b>
CA Sales	Route-to-market services for fast-moving consumer goods in Sub-Saharan Africa	47,7	<b>47,7</b>
CSG	Diversified outsourced services (personnel, security, mining, cleaning and catering services)	12,4	<b>12,4</b>
Educartis	Education listing website with Africa focus	20,0	<b>20,0</b>
Energy Partners	Private energy utility	54,1	<b>54,1</b>
Evergreen	Retirement lifestyle villages	50,0	<b>50,0</b>
Optimi	Innovative and accessible education solutions to schools, tutors, parents and learners	88,4*	<b>84,4</b>
ProVest	Diversified mining services	42,3	<b>42,3</b>
SNC	Scalable, high-throughput nanofiber production	55,8	<b>61,1</b>
Spirit Capital	Investment holding company focused on leveraged transactions	49,3	<b>49,3</b>
Stadio	Private higher education	44,0	<b>44,0</b>

\* Following the merger with ITSI effective 1 April 2019.

### ZEDER (43,8%)

- *Simple and focused business model*
  - investment in food and related business
- *Focused management throughout the underlying investments*

Zeder is an investor in the broad agribusiness and related industries, with a historical focus on the food and beverage sectors.

As mentioned earlier, Zeder concluded the disposal of its largest investment comprising a 28,6% interest in Pioneer Foods to PepsiCo for R6,4bn in cash during March 2020. Pursuant thereto, it subsequently declared and paid a R2,30 per share special dividend to Zeder shareholders, settled its remaining R1,5bn term debt in full, and retained R1bn in cash for liquidity purposes.

Zeder actively drives and assists with portfolio and investee strategies, while monitoring and overseeing optimal capital allocations to ensure sustainable investment returns. Its portfolio consists of strategic interests in leading companies that provide it with a diversified exposure across the agribusiness spectrum, ranging from strategic agri-inputs to fast-moving consumer goods while incorporating related logistical and enabling services.

Zeder is listed on the JSE and its comprehensive results are available at [www.zeder.co.za](http://www.zeder.co.za).



## CURRO

### CURRO (55,4%)

- *Simple and focused business model*
  - private school education
- *High barriers to entry*
  - capital intensive
- *High growth potential*
  - Curro has 13% of the private school market and 0,5% of the total school market in South Africa
  - global trends for developing countries indicate private schools represent approximately 13% of total schools – considering that private school learners represent only 4% of the total school-going population in South Africa at present, the local private school market should grow substantially in the next 10 years

Curro is the largest provider of private school education in southern Africa with more than 62 000 learners across 76 campuses as at 31 January 2020.

PSG remains excited about Curro's growth prospects.

Curro is listed on the JSE and its comprehensive results are available at [www.curro.co.za](http://www.curro.co.za).



### DIPEO (49%)

Dipeo, a BEE investment holding company, is 51%-owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. The trust will use its share of any value created in Dipeo to fund black students' education.

Dipeo's most significant investments include shareholdings in Curro (5,2%), Stadio (3,4%), Kaap Agri (20%) and Energy Partners (15,7%). The investment in Energy Partners remains subject to a BEE lock-in period.

Following a decline in the value of its listed investments, Dipeo's *SOTP value* decreased to the extent that, for purposes of PSG's *SOTP value*, its equity investment in Dipeo was valued at zero and its pref investment in Dipeo impaired to the extent required.

## KEY STATISTICS

### STOCK EXCHANGE PERFORMANCE

Year ended February	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Market price on the JSE (R)											
High for the year	<b>276,87</b>	259,98	297,03	252,12	284,91	146,75	91,50	73,32	53,65	44,00	27,49
Low for the year	<b>185,36</b>	204,71	194,89	172,00	134,19	88,00	58,80	44,70	37,99	22,15	13,02
Closing	<b>186,60</b>	259,78	217,50	251,43	173,69	136,81	89,02	61,26	47,00	43,20	22,05
Volume-weighted average	<b>232,68</b>	226,69	241,11	200,79	202,95	109,87	71,31	60,76	46,19	32,74	21,00
Closing price per share/HEPS (times)	<b>15,8</b>	25,7	24,0	25,1	26,1	16,7	16,1	12,8	14,4	14,1	8,8
Closing price per share/recurring EPS (times)	<b>14,6</b>	23,9	21,9	27,1	22,0	23,0	19,8	15,6	15,2	17,9	10,6
Volume of shares traded ('000)	<b>106 749</b>	102 668	148 287	64 300	102 855	32 198	17 963	24 272	13 210	20 127	21 326
Value of shares traded (Rm)	<b>24 838</b>	23 274	35 753	12 911	20 875	3 538	1 281	1 475	610	659	448
Volume-traded/weighted-average shares (%)	<b>48,9</b>	47,3	68,8	30,0	50,0	16,7	9,8	13,3	7,6	12,0	12,3

### TRACK RECORD

Year ended February	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Headline earnings (Rm)	<b>2 583</b>	2 194	1 956	2 145	1 370	1 574	1 012	875	567	512	431
HEPS (R)	<b>11,84</b>	10,11	9,08	10,01	6,66	8,19	5,53	4,80	3,26	3,07	2,49
Recurring earnings (Rm)	<b>2 794</b>	2 357	2 142	1 985	1 620	1 142	821	715	536	404	359
Recurring EPS (R)	<b>12,81</b>	10,86	9,94	9,27	7,88	5,94	4,49	3,92	3,09	2,42	2,07
Distribution per share (cents)											
Normal	<b>239,0</b>	456,0	415,0	375,0	300,0	200,0	133,0	111,0	82,0	67,0	42,0
Special											
Ordinary shareholders' equity (Rm)	<b>19 083</b>	18 115	17 143	15 900	13 634	9 999	6 862	5 990	4 760	3 585	2 947
Net asset value per share (R)	<b>87,49</b>	83,06	79,39	73,81	63,64	49,39	37,51	32,62	26,50	21,56	17,65
Total assets (Rm)	<b>105 853</b>	96 819	90 421	82 061	71 748	45 607	33 700	25 857	20 961	17 410	14 686
Sum-of-the-parts value (Rm)	<b>60 320</b>	67 958	55 510	52 397	40 383	33 395	18 040	13 844	10 315	8 018	4 572
Sum-of-the-parts value per share (R)	<b>276,43</b>	311,45	255,17	240,87	186,67	163,28	95,01	72,67	55,92	46,81	26,60
Market capitalisation (Rm)											
Gross of treasury shares	<b>43 322</b>	60 297	50 340	58 193	40 084	30 157	18 480	12 747	9 528	8 219	4 211
Net of treasury shares	<b>40 699</b>	56 658	46 967	54 166	37 211	27 694	16 284	11 250	8 442	7 182	3 682
Number of shares ('000)											
Issued	<b>232 163</b>	232 108	231 449	231 449	230 779	220 432	207 589	208 082	202 724	190 262	190 953
Treasury shares	<b>(14 054)</b>	(14 009)	(15 508)	(16 018)	(16 543)	(18 004)	(24 666)	(24 440)	(23 111)	(24 001)	(23 959)
Net	<b>218 109</b>	218 099	215 941	215 431	214 236	202 428	182 923	183 642	179 613	166 261	166 994
Weighted average ('000)	<b>218 131</b>	217 028	215 468	214 247	205 669	192 328	182 994	182 224	173 872	167 055	173 113
Return on equity (based on headline earnings) (%)	<b>13,9</b>	12,4	11,8	14,5	11,6	18,7	15,8	16,3	13,6	15,7	15,1
Return on equity (based on recurring earnings and excluding non-recurring items from equity) (%)	<b>15,5</b>	13,9	13,7	14,3	14,9	15,1	14,0	14,3	13,8	13,2	13,2

## KEY STATISTICS *(continued)*

### STOCK EXCHANGE PERFORMANCE

Year ended February	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Market price on the JSE (R)														
High for the year	21,00	30,50	29,25	23,00	7,05	5,20	6,50	8,85	9,86	15,85	19,00	15,50	5,10	3,00
Low for the year	12,15	19,00	15,70	6,20	2,53	2,55	3,75	4,40	5,27	8,00	4,95	4,45	2,10	0,20
Closing	14,56	20,85	27,20	22,66	7,00	3,85	5,20	4,76	6,60	10,00	11,70	15,30	4,70	2,25
Volume-weighted average	16,92	27,14	22,57	10,60	4,28	4,60	5,12	6,75	6,85	11,14	11,72	9,66	4,01	0,78
Closing price per share/HEPS (times)	22,3	7,1	5,2	6,4	7,8	5,0	7,4	3,4	4,4	8,3	13,6	32,3	17,9	16,4
Closing price per share/recurring EPS (times)	8,4	16,1												
Volume of shares traded ('000)	18 290	43 409	37 787	13 933	48 528	56 204	42 636	47 775	49 009	45 265	30 219	23 443	14 120	22 210
Value of shares traded (Rm)	309	1 178	853	148	208	258	218	322	336	504	354	227	57	17
Volume-traded/weighted-average shares (%)	10,9	26,5	30,1	13,7	45,1	50,3	35,5	38,5	36,8	33,1	31,7	32,2	35,7	101,8

### TRACK RECORD

Year ended February	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Headline earnings (Rm)	110	483	651	358	97	85	85	175	200	165	82	35	10	3
HEPS (R)	0,65	2,95	5,19	3,52	0,90	0,76	0,71	1,41	1,50	1,21	0,86	0,47	0,26	0,14
Recurring earnings (Rm)	293	212												
Recurring EPS (R)	1,74	1,30												
Distribution per share (cents)														
Normal	57,0	112,5	90,0	67,5	45,0	30,0	20,0	50,0	45,0	36,0	25,0			
Special	200,0					70,0	200,0							
Ordinary shareholders' equity (Rm)	2 755	3 295	2 373	719	362	336	993	1 218	1 141	1 085	638	535	78	7
Net asset value per share (R)	16,40	19,48	15,85	7,04	3,56	3,20	8,28	10,15	8,99	7,78	6,69	6,17	1,47	0,34
Total assets (Rm)	14 127	14 206	5 501	1 833	2 794	2 384	2 594	4 477	3 416	3 474	2 543	1 258	233	25
Sum-of-the-parts value (Rm)	2 610	4 447												
Sum-of-the-parts value per share (R)	15,31	25,99												
Market capitalisation (Rm)														
Gross of treasury shares	2 760	3 953	4 621	2 701	834	443	624	571	838	1 395	1 117	1 325	249	49
Net of treasury shares	2 446	3 528	4 073	2 315	711	404	624	571	838	1 395	1 117	1 325	249	49
Number of shares ('000)														
Issued	189 579	189 579	169 885	119 195	119 195	115 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
Treasury shares	(21 559)	(20 386)	(20 133)	(17 015)	(17 619)	(10 000)								
Net	168 020	169 193	149 752	102 180	101 576	105 000	120 000	120 000	126 900	139 500	95 445	86 611	52 930	21 818
Weighted average ('000)	168 352	163 505	125 446	101 888	107 519	111 700	120 000	124 204	133 200	136 613	95 445	72 869	39 588	21 818
Return on equity (based on headline earnings) (%)	3,6	17,0	42,1	66,3	27,7	12,8	7,7	14,9	18,0	19,1	14,0	11,3	23,8	88,6
Return on equity (based on recurring earnings and excluding non-recurring items from equity) (%)	10,3	7,9												

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. BACKGROUND

PSG Group Ltd ("PSG Group" or "the company") is invested in various subsidiaries, joint ventures and associates that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors.

PSG Group remains committed to:

- Investing in companies that act responsibly in respect of environmental, social and governance matters.
- Exercising ethical and effective leadership to achieve the four governance outcomes: ethical culture, good performance, effective control and legitimacy, as advocated in the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™"). A detailed analysis of PSG Group's compliance with King IV™ is available at [www.psggroup.co.za](http://www.psggroup.co.za).

More than 95% of PSG Group's total assets comprise investees that are separately listed on the JSE and independently managed. These companies are similarly committed to act responsibly in respect of environmental, social and governance matters, and to report thereon to stakeholders in terms of King IV™. Whether listed or not, PSG Group expects all its underlying investees to act responsibly in respect of environmental, social and governance matters and our representatives on the respective companies' boards of directors and finance/audit and risk committees have been tasked to ensure same.

## 2. ENVIRONMENTAL AND SOCIAL MATTERS

PSG Group believes in conducting its business in a responsible manner, with due regard for the potential impact thereof on the environment in which it operates and on society at large. All its investees are similarly committed.

With this notion in mind, PSG Group has intentionally not invested in businesses engaged in the production of harmful products or whose operations are detrimental to the environment, but has instead invested in companies providing banking, financial services, education, sustainable energy, and food and related business offerings. Furthermore, we contribute to the development and upliftment of South Africans by creating jobs and contributing financially by way of paying taxes, donations and sponsorships.

As a good corporate citizen with the best interest of our country and its people at heart, PSG Group contributes significantly to society. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society and South Africa. PSG Group, as an investment holding company, has therefore directed its corporate social investment ("CSI") efforts at supporting education on various levels. PSG Group also subscribes to and support social upliftment through broad-based black economic empowerment ("B-BBEE"), having established, funded and invested in various B-BBEE initiatives throughout the years, through which significant value was created for B-BBEE participants.

Below are some of the CSI initiatives undertaken by PSG Group and its investees. Although this is not a comprehensive list, it illustrates our dedication to making South Africa a better place.

### PSG GROUP

A significant theme throughout the group is our contribution to all levels of education – from early-childhood development, all the way through to higher and adult education. We firmly believe in the multiplier effect that education brings, not only to the individual, but to society at large.

#### The PSG Group/Jannie Mouton Foundation Bursary/Loan Scheme at the University of Stellenbosch

We started this initiative in 2007, when PSG Group and Jannie Mouton each donated 100 000 PSG Group shares, currently worth approximately R37m, to provide financial support to gifted, but needy students to study at the University of Stellenbosch. To date, 93 students have received financial support through this scheme with over R5,6m granted in bursaries and loans. Their fields of study include medicine, law, actuarial science, accounting and investment management.

### Akkerdoppies

PSG Group and the PSG Group BEE Education Trust has provided this pre-primary school with ongoing financial support since its establishment in 2008. Akkerdoppies is committed to early-childhood development providing essential education and skills to children from the disadvantaged communities of Stellenbosch. The school has 160 children and employs 19 people. We remain committed to a long-term relationship with this initiative and appreciate their significant positive contribution to the community.

### PSG Group BEE Education Trust

This trust owns approximately 2,5m unencumbered PSG Group shares worth more than R467m. PSG Group dividends received from these shares are used to grant bursaries to black learners. Following PSG Group's prospective unbundling of Capitec (refer to the *Letter to Shareholders* on page 6), the PSG Group BEE Education Trust will hold approximately 350 000 shares in Capitec directly.

### Ruta Sechaba Foundation

The foundation was established in 2016 and provides academic and sport-related scholarships, bursaries and awards to qualifying black learners at Curro and Curro-managed schools. The PSG Group BEE Education Trust and Dipeo BEE Education Trust were the initial donors to the foundation, which is now open to all corporates and individuals who wish to contribute to education in South Africa in a structured form.

The PSG Group BEE Education Trust and Dipeo BEE Education Trust committed approximately R14m in aggregate to the foundation for the 2020 academic year, which has been used to provide over 400 scholarships, bursaries and awards. Some of these learners are from South Africa's poorest townships – we aim to give them an opportunity to graduate with a grade 12 certificate from a high-quality educational institution. We are proud of the academic and sporting achievements of the 2019 beneficiaries – five of our grade 12 learners passed with an A-average, and one learner on a sports scholarship was selected as a member of the junior South African national football team that participated in the 2019 COSAFA tournament in Malawi.

### Amicus Trust

The PSG Group BEE Education Trust continues to provide this initiative with financial support to assist with its training and skill-based programmes in Stellenbosch, which include –

- Bergzicht Training, which provides frail care, childcare and hospitality training. 155 individuals completed their training during the past year, of whom approximately 80% were successfully placed in positions of employment.
- Stellemploy, which provides training in artisan skills, including plumbing, painting and carpentry. 92 individuals completed their training during the past year, of whom approximately 90% were successfully placed in positions of employment.
- Pinotage Youth Development Academy, which provides training in occupations related to the wine, fruit and related industries. 47 individuals completed their training during the past year, of whom approximately 90% were successfully placed in positions of employment.

### INVESTEES COMPANIES

It is evident from the aforementioned that PSG Group makes a significant direct contribution to society. However, as an investment holding company, with our underlying investments also having various CSI initiatives, PSG Group also makes a substantial indirect contribution to society. Below, in no particular order and by no means exhaustive, are some of the CSI projects undertaken by investee companies:

### Capitec

Capitec's primary CSI focus is on improving financial literacy and education through the Capitec Foundation, an independent non-profit organisation. Below are some of Capitec's initiatives:

- Maths tutor programme: the Capitec Foundation recruits and offers training to university students doing their postgraduate degrees in education to provide them with experience to become mathematics teachers. In the past year four schools, 34 tutors, three mentors and 330 high school learners from the Western Cape benefited from this programme.
- School management development programme by the University of Cape Town ("UCT") and the Graduate School of Business ("GSB"): the programme aims to upskill individuals in leadership roles at schools to improve such schools' performance. During the past year, in excess of 50 school principals participated in this programme.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

- Teacher development programme: the teacher development programme is aimed at in-service teachers and to train them towards improving their teaching skills. During the past year, more than 60 teachers participated in this programme. Furthermore, teacher training workshops were held for approximately 200 teachers across KwaZulu-Natal.
- Employee volunteer projects: Capitec launched an employee volunteer programme to support and encourage employees to give back to their respective communities. Employees were previously allocated one CSI leave day p.a.; however, this has been increased to three days p.a. due to the uptake and success of the programme. Over and above the leave given, Capitec supports these initiatives by matching funds raised by employees on a rand-for-rand basis.
- Incubator Support Programme in partnership with the Nelson Mandela University Govan Mbeki Maths Development Centre: the centre in Port Elizabeth has partnered with the Capitec Foundation to implement a series of innovative mathematics and physical sciences development and support initiatives for secondary school teachers and learners in the Nelson Mandela Bay, Komani and Mthatha districts in the Eastern Cape. During the 2019 calendar year, the programme reached in excess of 300 grade 10 to 12 learners.
- Donations: the Capitec Foundation donated R3m in aggregate during the past year to 50 organisations that shelter abused women and children.
- Ikamva Youth: Capitec sponsors Ikamva Youth's maths and science camps, aimed at equipping high school learners to do well in their examinations, with over 5 000 high school learners having benefited.
- GRAD MAG: Capitec sponsored the printing and distribution of 170 000 copies of this magazine aimed at first-generation first-year students.

## PSG Konsult

PSG Konsult invests in educational and social programmes that create future employment and economic empowerment prospects. Below are a few of their CSI projects:

- Adopt-a-School Project: a programme that supports and enhances the learning and teaching environment in disadvantaged schools, with the aim of addressing inequalities and inadequacies in rural areas. PSG Konsult has adopted four such schools with more than 2 300 learners in total. These schools are in close proximity to the economic hubs, thereby enabling PSG Konsult employees to provide hands-on support.
- Childcare and children's homes are provided with monthly food parcels and funding.
- PSG Konsult has invested in excess of R27m in the ASISA Enterprise Development Fund since February 2015. This initiative invests in the sustainability of small and medium-sized enterprises ("SMEs") in South Africa. It also supports government's drive for job creation and economic growth.
- Graduate and bursary programme that currently has 39 graduates enrolled in the programme and nine students supported through bursaries.

## Curro

PSG Group has to date invested approximately R2,4bn cash in Curro, the largest private school group in southern Africa. Curro plays an important part in educating the youth. Its business model assists government by carrying part of the significant capital burden of building new schools. To date, Curro has saved government more than R10bn in this regard. Its running costs to educate approximately 62 700 learners save the country well over R2bn annually. Curro employs approximately 6 400 people.

## Optimi (previously FutureLearn)

Optimi provides accessible learning at scale to learners in any environment using a unique "Guided Learning" model and ecosystem, empowering learners to realise their full potential. It focuses on education innovation that ultimately ensures quality and affordable learning. Optimi currently serves approximately 1 500 schools, more than 22 000 home education and after-school learners (through approximately 1 500 tutors), and more than 100 000 learners in approximately 200 corporate and government institutions. With our investment in Optimi, we look to further contribute to education in South Africa, while also creating business opportunities for entrepreneurs and educators who can embrace their passion for education while building a profitable business.

## Energy Partners

Energy Partners supports the Pearl Project Community Development initiative in the Helderberg area. The initiative focuses on early-childhood development and has established three crèches that serve the local community. Energy Partners donated renewable energy solar panels and battery back-up systems that allow for cost savings and a continuous supply of power. Energy Partners also funds the AmazingBrainz programme used at these crèches. Besides a curriculum that is focused on childhood development, the programme also provides coaching and mentorship to crèche employees to ensure they are equipped and qualified to implement the curriculum. Furthermore, Energy Partners employees also volunteer their time to assist in the maintenance and renovation of the school premises. The goal is to create a haven for children where effective preparation for primary school can take place. In total, approximately 100 kids attend these crèches.

## ProVest

ProVest's initiatives are focused on education support, skills development, healthcare and job creation in the communities they operate in. Like many of the group's investees, ProVest believes in education as being the key to addressing some of these challenges, with the majority of its CSI budget directed towards education initiatives. Some of these CSI initiatives include:

- ProVest donated desks and chairs to Grade R learners of the Mafenya Primary School in Rustenburg. The donation will assist in making teaching and learning more conducive for the beneficiaries.
- ProVest donated medical equipment and office furniture to the Chaneng Clinic, which services four villages in the Rustenburg area.

## Pioneer Foods

Pioneer Foods is involved in various community projects in education, the environment and food security. These projects focus on vulnerable groups, such as women and the youth in townships and rural communities. The Pioneer Foods Education and Community Trust ("PFECT") also contributed a further R11m to various initiatives. Below are some of their CSI projects:

- PFECT Bursary Programme: the bursaries support disadvantaged students in high schools and tertiary institutions, with 46 students having received bursaries during the past year.
- School Breakfast Nutrition Programme: breakfast cereals are provided daily to approximately 34 000 learners across six provinces.

## Capespan

Capespan's initiatives are aimed at improving the quality of life of farmworkers and rural communities in fruit production areas where the company operates. CSI initiatives are developed in partnership with local communities, local government and industry stakeholders. Initiatives integrate socio-economic, occupational health and education development activities based on the communities' needs. Below are some of their CSI initiatives:

- Place of Mercy Pre-school Facility: providing early-childhood development education to 150 young children and auxiliary community support services to more than 350 needy families in the Eastern Cape annually.
- Blue Hand Occupational Health Programme: in partnership with local fruit production industry stakeholders and local government, this programme benefits more than 2 000 rural farm workers across the Western and Eastern Cape.
- Community early-childhood development education literacy initiatives in rural areas located in the Northern, Western and Eastern Cape.
- Education skills development of educators and life-skills development of learners at select Department of Basic Education schools in the Western Cape.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

## Kaap Agri

Kaap Agri's CSI projects focus on training and skills development in the agriculture sector. Below are some of their CSI initiatives:

- Kaap Agri Academy: has empowered emerging farmers and farmworkers over the past 11 years through offering three learnership programmes – i) Mixed Farming Programme at NQF level 2, ii) Animal Production Programme at NQF level 3 and iii) Plant Production Programme at NQF level 3, with more than R2m having been invested in the academy during the past year.
- Young Stars Programme: provide, in partnership with the TechnoGirl Trust (an initiative by the Department of Women, Children and People with Disabilities, and supported by the United Nations Children's Fund ("UNICEF")), job shadowing opportunities, career guidance and mentorship to learners.
- Kaap Agri Bursary Programme: aims to use education to break the cycle of poverty for both learners and their families, with 44 secondary school learners having benefited from this programme during the past year.

## Zaad

Zaad's CSI projects focus on training and skills development in the agriculture sector. It includes support of the International Seed Foundation's Legacy Projects, which aim to help construct tunnels for vegetable production, including the provision of water tanks and irrigation systems in the township of Mfuleni in Cape Town.

## 3. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

### 3.1 The PSG Group board of directors ("Board")

The Board comprises 10 directors of whom three serve in an executive capacity. Five of the remaining seven non-executive directors are independent. Details of PSG Group's directors are provided on pages 4 and 5 of this annual report. The Board is satisfied with its diversity and that its composition contains the appropriate mix of knowledge, skills, experience and independence.

The Board operates in terms of a board-approved charter, the provisions of which have been complied with during the year under review.

There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board is satisfied that its current composition ensures such a balance of power and authority.

### 3.2 Key roles and responsibilities of the Board

The Board's key roles and responsibilities include, inter alia, the following:

- Promoting the interests of all stakeholders;
- Formulation and approval of strategy;
- Exercising effective control; and
- Ultimate accountability and responsibility for the performance and affairs of PSG Group.

The Board is the ultimate custodian of shareholder funds, with a responsibility to invest it wisely to deliver on PSG Group's stated objective of long-term value creation for shareholders.

### 3.3 Chairman and lead independent director

Mr ZL Combi fulfils the role of independent non-executive chairman and Mr PE Burton serves as lead independent director.

### 3.4 Chief executive officer ("CEO")

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 16 years. His employment agreement is customary for positions of this nature, and his resignation notice period is three calendar months.

The Board continuously considers succession planning for the CEO role, as well as for other key executives, and is satisfied that sufficient plans are in place. The company is in a fortunate position to retain the services of Messrs WL Greeff (chief financial officer ("CFO")) and JA Holtzhausen (PSG Capital CEO) as executive directors alongside Mr PJ Mouton. They have a wealth of experience and have respectively served within the broader group for the past 18 and 22 years. Similarly, Messrs Greeff and Holtzhausen are supported by a dynamic team of long-serving and capable employees within their respective roles.

Mr PJ Mouton serves as representative on the boards of all PSG Group's core investees, including Capitec, PSG Konsult, Curro and Zeder. He has no professional commitments other than his role as PSG Group CEO.

### 3.5 Board meetings and attendance

The Board met four times during the past year. The attendance at such meetings is detailed in the table below:

Director	24 Apr 2019	19 Jul 2019	15 Oct 2019	26 & 27 Feb 2020
PE Burton	√	√	√	√
ZL Combi (chairman)	√	√	√	√
FJ Gouws	√	√	√	√
WL Greeff	√	√	√	√
AM Hlobo	√	√	√	√
JA Holtzhausen	√	√	√	√
B Mathews	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√

√ Present

### 3.6 Board performance and independence evaluations

Both the effectiveness and ethical leadership of the Board are continuously considered and any areas of concern are addressed as and when they arise. The Board is assessed annually by the PSG Group Nomination Committee through a formal process that deals with individual directors, including the chairman, the Board as a whole, as well as its various subcommittees. The Board is satisfied that it functions effectively.

The independence of non-executive directors and factors that could potentially impair it are evaluated on an ongoing basis. The Board is satisfied with the independence of all the non-executive directors classified as being independent, including Messrs ZL Combi, PE Burton and CA Otto, who have served on the Board for more than nine years. These individuals have a thorough understanding and valuable knowledge of PSG Group's business and associated risks, and always act in the best interest of all stakeholders.

### 3.7 Race and gender diversity policies adopted by the Board

PSG Group believes that race and gender diversity at board level helps the company to achieve its business goals by providing the Board with an improved understanding of the diversity of South Africa and its people, including the environment in which the group operates. A truly diverse board will include and make good use of differences in age, gender, race, culture, skills, industry experience and other distinctions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

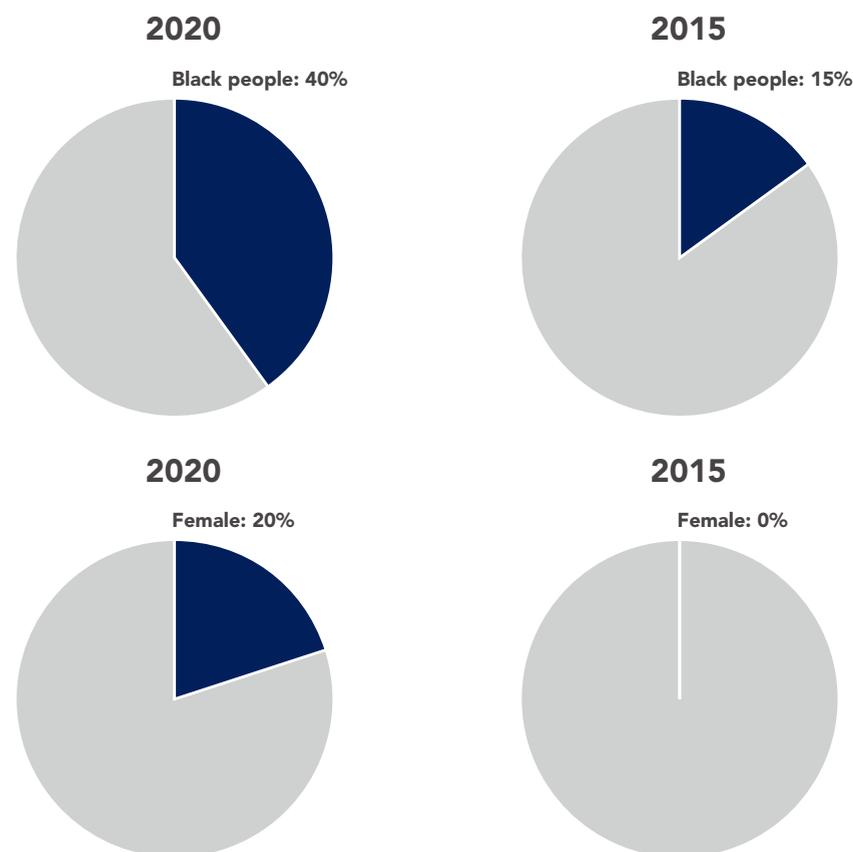
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The PSG Group Nomination Committee will consider and annually agree on measurable targets for achieving race and gender diversity at board level. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit measured against objective criteria and with due regard for the potential benefits of race and gender diversity.

PSG Group's level of compliance against its targets is as set out in the table below:

Percentage of directors	Actual	Target
Black people	40%	≥30%
Female	20%	≥10%

The Board continues to make a concerted effort to transform from both a race and gender perspective:



### 3.8 Board subcommittees

The Board has appointed the following committees to assist it in the performance of its duties:

- Executive committee;
- Remuneration committee;
- Nomination committee;
- Audit and risk committee; and
- Social and ethics committee.

### 3.8.1 Executive committee ("Exco")

The Exco is chaired by Mr PJ Mouton (CEO) and further comprises Messrs WL Greeff (CFO) and JA Holtzhausen (executive director). Mr JC Taljaard (tax advisor) attends the Exco meetings as a permanent invitee, while non-executive directors are always welcome to attend.

The Exco meets every month, or more frequently if required, and:

- Is responsible for determining and implementing strategy, as approved by the Board;
- Acts as the PSG Group investment committee;
- Oversees the management of PSG Alpha;
- Acts as PSG Group treasurer – it monitors and manages the capital requirements, gearing and liquidity of PSG Group, and it allocates and invests its resources;
- Monitors the group's performance and provides strategic input and direction to the underlying companies;
- Facilitates good corporate governance throughout the group; and
- Assumes overall responsibility for the growth and performance of PSG Group.

The Board is satisfied that the authority associated with the day-to-day running of PSG Group is adequately delegated to the executive directors and their teams to ensure the effective management of PSG Group.

### 3.8.2 Remuneration committee

The remuneration committee's composition, duties, responsibilities and focus areas are comprehensively addressed in the *Remuneration Report* on page 40 of this annual report. Messrs PJ Mouton and WL Greeff are invitees to the remuneration committee meetings. However, they do not form part of the remuneration committee's formal decision-making process and merely attend to answer any potential questions.

The remuneration committee is satisfied that it operated in accordance with its board-approved charter. Its focus areas for the ensuing year will include the ongoing evaluation and refinement of PSG Group's remuneration practices to help achieve the company's stated business objectives – always with due regard to ensure remuneration remains fair and responsible to both the employee and PSG Group shareholders.

### 3.8.3 Nomination committee

The nomination committee comprises three independent non-executive directors, namely Messrs CA Otto (chairman), ZL Combi and PE Burton. The nomination committee meets as and when required and is, among other functions, responsible for assisting the Board with the appointment of new directors by making appropriate recommendations, with due regard for, inter alia, race and gender diversity. The nomination committee is satisfied that it operated in terms of its board-approved charter during the past year.

### 3.8.4 Audit and risk committee

The audit and risk committee comprises four independent non-executive directors, namely Mr PE Burton (chairman), Ms AM Hlobo, Ms B Mathews and Mr CA Otto, who have served as members of the audit and risk committee for 13, one, three and eight years, respectively. The committee met twice during the past financial year on 23 April 2019 and 14 October 2019, as well as after financial year-end on 21 April 2020, with all members being present.

Messrs PJ Mouton, WL Greeff, select PSG Group finance employees and the external auditor, PwC, are permanent invitees to the audit and risk committee meetings. However, they do not form part of the audit and risk committee's formal decision-making process.

The members of the audit and risk committee are invited to attend an annual training course regarding any new legal, regulatory and/or financial reporting standards developments which may affect their roles and responsibilities as members of such committee.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

The audit and risk committee is satisfied that it operated in terms of its board-approved charter during the past year. A report by the audit and risk committee containing details of how the committee discharged its duties and responsibilities in the past year is on page 64 of this annual report.

Apart from its normal duties and responsibilities, the audit and risk committee's areas of focus for the ensuing financial year will include the accounting treatment of the potential Capitec unbundling detailed in the *Letter to Shareholders* on page 6 of this annual report.

### 3.8.5 Social and ethics committee

The social and ethics committee comprises two independent non-executive directors and the CEO, being Messrs PE Burton (chairman), ZL Combi and PJ Mouton. The committee met once during the past year on 19 July 2019, with all members being present.

The social and ethics committee is responsible for monitoring the company's activities, with due regard for any relevant legislation, legal requirements and prevailing codes of best practice relating to matters, which include:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Client relationships; and
- Labour and employment.

The social and ethics committee is satisfied that it operated in terms of its board-approved charter during the past year. The committee is furthermore satisfied with the social and ethical aspects pertaining to PSG Group, as detailed above.

### 3.9 Appointments to the Board

Executive directors are appointed by the Board with the assistance of the nomination committee for periods as the Board deems fit, and on such further terms as are set out in their letters of appointment.

Where appropriate, the CEOs and other executive directors of PSG Group's investees have entered into service contracts with those investees.

Newly-appointed board members are formally inducted through a programme comprising, inter alia, the reading of company-related material and one-on-one information sessions. All board members have an open invitation to attend further training courses as and when required.

PSG Group's memorandum of incorporation requires a minimum of one third of the non-executive directors of the company, as well as non-executive directors having served for three consecutive years without rotating, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting of the company. In addition, the appointment by the Board of any new director should be confirmed by shareholders at the first annual general meeting following such appointment. Hence, in accordance with the company's memorandum of incorporation, Mr PE Burton, Ms B Mathews and Mr JJ Mouton who retire by rotation and offer themselves for re-election, will be available for election by shareholders at PSG Group's annual general meeting to be held on 17 July 2020.

### 3.10 Company secretary

PSG Corporate Services (Pty) Ltd ("PSGCS") is the appointed company secretary to PSG Group. It acts as conduit between the Board and the company. The company secretary is responsible for Board administration, as well as for liaising with the Companies and Intellectual Property Commission and the JSE. Board members also have access to legal and other expertise when required and at the cost of the company through the company secretary. The Board is satisfied with the availability of legal and other expertise on offer.

The company secretary maintains a professional relationship with Board members, giving direction on matters such as good corporate governance, if required. The audit and risk committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary, and concluded that it had performed all formalities and its duties

timeously and in an appropriate manner. The Board is satisfied that an arm's-length relationship exists with the company secretary.

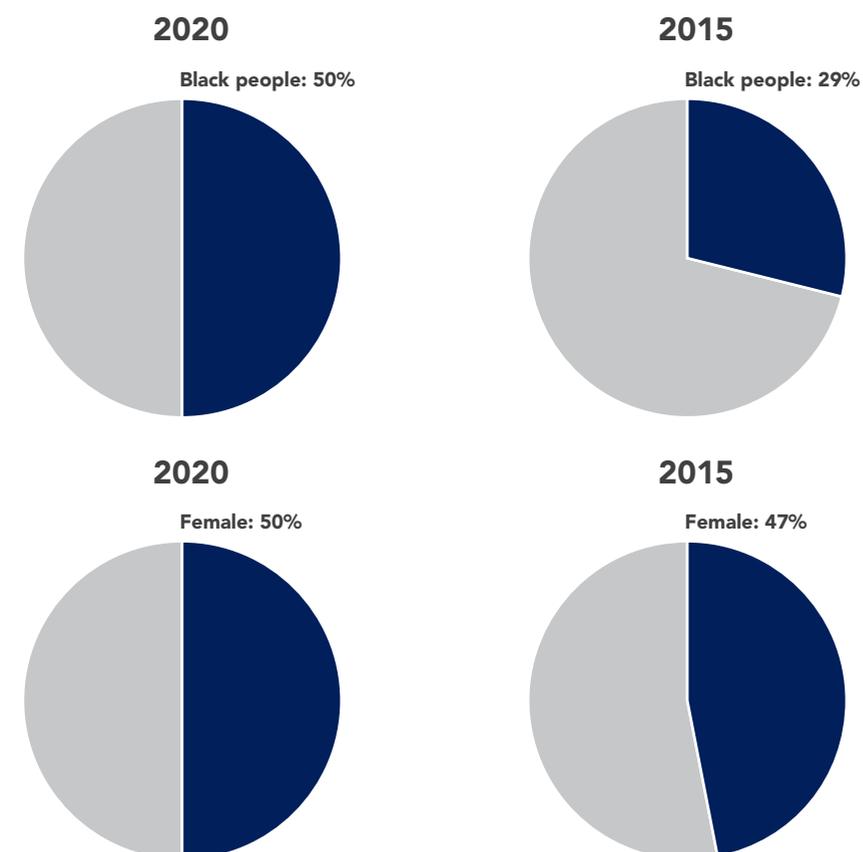
The certificate that the company secretary, herein represented by Mr A Rossouw, is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 65 of this annual report.

### 3.11 Transformation

PSG Group is committed to creating and maintaining an environment that provides equal opportunities for all its employees, with a view to promote transformation. The company recognises that there are disparities in employment, occupation, income and opportunities within the labour market, with black people, women and people with disabilities historically being disadvantaged.

The 16 employees at head office responsible for the day-to-day management of PSG Group, its wholly-owned subsidiaries and PSG Alpha, are employed by PSGCS, a wholly-owned subsidiary. To promote transformation at head office level, PSGCS has previously established a transformation committee consisting of Messrs ZL Combi (chairman), PE Burton and WL Greeff, all being directors of PSG Group, with the majority being independent non-executives. The transformation committee met once during the past year on 14 January 2020 and all members were present. At such meeting, the committee again approved an employment equity plan for PSGCS to improve equity in the workplace containing, inter alia, five-year employment equity targets.

PSGCS continues to make a concerted effort to transform from both a race and gender perspective:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

## 3.12 Other policies

Apart from policies mentioned elsewhere in this report, such as the race and gender diversity policies, PSG Group previously adopted and continues to apply, inter alia, the following policies:

- Anti-money laundering policy;
- Dealing in securities policy;
- Price sensitive information policy; and
- Whistleblowing policy.

Such policies are available for information purposes from the company secretary.

## 3.13 Compliance with laws and regulations

The PSG Group directors have confirmed that, to the best of their knowledge, PSG Group i) complied with the provisions of the Companies Act of South Africa, and ii) operated in accordance with its memorandum of incorporation, during the year under review.

## 3.14 Material risks

A description of all immediately identifiable material risks which are specific to PSG Group, its industry and/or its issued ordinary shares are available at [www.psggroup.co.za](http://www.psggroup.co.za).

## 4. STRATEGY, PERFORMANCE AND REPORTING TO STAKEHOLDERS

PSG Group has set out its strategy, as well as feedback on its performance there against, in the *Letter to Shareholders* on page 6 of this annual report.

PSG Group fully subscribes to the notion of honesty and transparency, which includes timely, clear, succinct and accurate reporting to all stakeholders. Such reporting includes the publication of PSG Group's bi-annual financial results and any other information considered appropriate and for the benefit of all stakeholders, be it voluntarily or as required by the JSE Listings Requirements.

## 5. GOVERNANCE MATTERS

### 5.1 Risk management and internal control

The Board acknowledges that it is accountable for PSG Group's process of risk management and systems of internal control. Each of PSG Group's investees similarly has its own board of directors responsible for the risk management and systems of internal control of that company and its business.

Certain of the group's investees, such as Capitec and PSG Konsult, operate in highly-regulated environments and accordingly risk management in those entities are performed by dedicated risk and compliance teams, as well as internal audit functions where appropriate.

The following risk management measures have been implemented at PSG Group and its investees:

- Detailed risk assessments, containing the identified risk(s) together with control(s) implemented to mitigate such risk(s) to the extent possible; and
- Risk control logs, containing details of the occurrence of risk events, together with management's response thereto and, where appropriate, the additional control(s) implemented to help prevent such events from re-occurring and/or reduce the impact thereof.

On the recommendation of the audit and risk committee, the Board has decided not to establish an internal audit function at PSG Group level given the nature and extent of its day-to-day activities as an investment holding company, its strong internal control environment and its limited staff complement comprising 16 employees. In addition, PSG Group's investees have, where necessary, either established or outsourced their own internal audit functions.

The Board, on recommendation from the audit and risk committee, concluded that the system of internal control and the risk management process at PSG Group level were effective for the financial year under review. The Board is satisfied that there were no material breakdown in controls at either PSG Group or its investees during the past year.

## 5.2 Technology and information governance

PSG Group's head office employs a dedicated information technology ("IT") manager responsible for IT governance, who reports to PSG Group's CFO. IT is essential to all PSG Group's investees, with IT governance continuously treated as a priority by all.

As IT does not play a significant role in the continuity of our business at a PSG Group head office level due to its nature and size, the risk associated therewith is somewhat limited. However, continued data security remains a key focus area for the IT manager.

## 5.3 Compliance function

PSG Group has not appointed a dedicated compliance officer as it has continuous access to the inhouse corporate finance and tax advisory expertise of PSG Capital and Grayston Elliot, respectively. If required, PSG Group will obtain further independent advice from reputable third-party consultants.

As mentioned earlier, certain of the group's investees operate in highly-regulated environments and therefore have appointed dedicated compliance officers and established the necessary support structures.

## 5.4 Remuneration governance

Remuneration governance is comprehensively addressed in the *Remuneration Report* contained on page 40 of this annual report.

## 5.5 Assurance

PSG Group, being an investment holding company, does not require assurance in respect of any reports other than its annual financial statements. Such assurance is provided by PwC, PSG Group's external auditor, whose report is included on page 69 of this annual report.

## 6. STAKEHOLDER RELATIONSHIPS

PSG Group subscribes to the principles of objective, honest, accurate, transparent, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders at all times. PSG Group has individuals responsible for dealing with stakeholder queries.

PSG Group acknowledges the vital role and responsibility of regulators as stakeholders. Our relationships with them are maintained in a professional manner – always frank, open and respectful.

# REMUNERATION REPORT

## REPORT FROM THE REMUNERATION COMMITTEE

### 1. REMUNERATION WITHIN AN INVESTMENT HOLDING COMPANY

PSG Group is an investment holding company with more than 95% of its total assets represented by independently managed JSE-listed investments, each with its own remuneration committee and policy designed specifically for its business and the industry in which it operates. An investment holding company is distinctly different from an operational company. It has limited day-to-day operations and its primary focus is to make and help grow investments that will procure long-term value creation for shareholders. The remuneration policy for such an investment holding company therefore needs to be conducive to driving long-term decision-making in order to achieve the company's objectives.

Accordingly, the primary responsibilities of the PSG Group Remuneration Committee ("PSG Group Remcom" or "Remcom" or "Committee") are to:

- Oversee the remuneration and incentives of PSG Group's executive directors and other employees at head office to ensure it is fair and responsible toward such individuals as well as the company (i.e. shareholders and other stakeholders);
- Review PSG Group's non-executive directors' fees and make appropriate recommendations to shareholders for approval thereof; and
- Provide guidance to the remuneration committees of unlisted companies forming part of the broader PSG Group.

The PSG Group Remcom comprises three independent non-executive directors – KK Combi, Chris Otto and me as chairman. After comprehensive prior consultation with management, the Committee held one formal meeting during the past year on 14 February 2020, and all members were present.

### 2. PSG GROUP'S REMUNERATION PHILOSOPHY

PSG Group aims to align remuneration practices with its business strategies to deliver on its stated objective of long-term value creation for all shareholders through a combination of share price appreciation, cash dividends and other distributions, as circumstances may dictate.

Remuneration practices should always be fair and responsible to both the employee and the company (i.e. shareholders and other stakeholders), whilst continuously reporting thereon in a transparent manner.

PSG Group has provided its shareholders with superior returns over the past 24 years since establishment. Long-term value creation will always depend on, amongst other, PSG Group attracting and retaining the services of talented individuals. To do so, it is imperative that PSG Group's remuneration practices are appropriate and competitive.

PSG Group's three executive directors have each served in their respective current roles for at least 10 years. Over this period, PSG Group's market capitalisation has increased from approximately R3,7bn to R40,7bn, and its share price from R22,05 at 28 February 2010 to R186,60 as at 29 February 2020. Assuming that dividends were reinvested in PSG Group shares, this represented a return of 25,6% p.a. over the period. Shareholders have accordingly benefited significantly from the value created, while executive directors have been remunerated commensurately due to their interests being materially aligned with those of shareholders.

### 3. KEY FEATURES OF PSG GROUP'S REMUNERATION POLICY

The Remcom previously introduced an appropriate remuneration policy for PSG Group's head office employees (including PSG Group's executive directors) to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of long-term value creation for shareholders.

PSG Group's most significant successes to date emanated from early-stage investing – Capitec and PSG Konsult are prime examples. As with any start-up business, it will likely take years to determine success, and it is accordingly imperative for management to maintain a long-term focus to help achieve this objective. It would be irrational to remunerate management based on meeting short-term operational targets or when making new investments while the ultimate success thereof is still unknown. PSG Group's remuneration policy has consequently been designed to suitably align the interests of its employees with those of shareholders – if PSG Group shareholders do well, the employees will do well, and importantly so, vice versa.

The table below lists some of the key features of PSG Group's remuneration policy and cross references to the relevant sections of the remuneration policy:

Key feature		Page
<b>Short-term incentives</b>		
Benchmarking of base salaries	✓	46
Portion of base salary deferred for 12 months	✓	46
Subject to malus/clawback provisions	✓	46
No bonus payments to CEO, CFO or managers	✓	47
<b>Long-term incentives (share options)</b>		
Share options awarded at ruling market price – i.e. participants only realise value if there is share price appreciation	✓	47
Vesting occurs over time	✓	48
Vesting subject to <i>non-financial</i> personal key performance measures	✓	48
Vesting subject to <i>financial</i> performance measures	✓	48
Award and vesting subject to minimum shareholding requirements for executive directors (incl. CEO and CFO)	✓	49
Subject to malus/clawback provisions	✓	49

### 4. CHANGES MADE TO PSG GROUP'S REMUNERATION POLICY DURING THE PAST YEAR AND FUTURE CONSIDERATIONS

#### 4.1 Voting at the previous annual general meeting ("AGM")

As prescribed by the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") and required by the JSE Listings Requirements, PSG Group presented its remuneration policy and the implementation report thereon to shareholders for a *non-binding advisory* vote at its previous AGM held on 26 July 2019. Shareholders representing 75,6% of the total votes exercisable were in attendance, whether in person, by proxy or authorised representative, and the results from their voting were:

Resolution	For	Against
Non-binding endorsement of remuneration policy	80,6%	19,4%
Non-binding endorsement of implementation report on the remuneration policy	82,3%	17,7%

#### 4.2 Engagement with shareholders following the previous AGM

PSG Group's largest institutional shareholder, the Public Investment Corporation ("PIC") with an 11% shareholding, supported both the remuneration policy and the implementation report thereon at the previous AGM. However, they requested that further consideration be given to whether cost of equity ("COE") would not be more appropriate than weighted average cost of capital ("WACC") as benchmark against which PSG Group's return on equity ("ROE") is measured to determine whether share options vest or not. After due consideration, the Remcom agreed to such request and the remuneration policy has been amended accordingly (refer page 48). The effect of the aforementioned adjustment is a marginal increase of approximately 0,5% to the performance hurdle benchmark, which would not have impacted the vesting of share options during any of the past five years, as set out in the table below:

## REMUNERATION REPORT *(continued)*

Vesting date	ROE actual performance %	Previous benchmark (i.e. WACC) %	New benchmark (i.e. COE) %
Feb 16	14,4	10,6	10,9
Feb 17	14,5	10,7	11,1
Feb 18	14,4	11,3	11,7
Feb 19	14,4	11,8	12,2
Feb 20	14,5	N/a	12,6

*Note:* The targets are likely to be amended given the magnitude and impact of the Capitec unbundling referred to in paragraph 4.4 below.

### 4.3 Other considerations

As communicated in last year's remuneration report and considering further engagement with stakeholders, it is evident that numerous investors do not give due consideration to the embedded performance hurdle underlying share options awarded at a strike price equal to the ruling market price ("Fully Priced Share Options") as opposed to share options awarded at zero cost ("Nil Paid Share Options").

We understand the investor community's requirement for additional performance hurdles (both financial and non-financial) as vesting conditions to share options awarded to management. However, the simple reality is that management with Nil Paid Share Options will realise value irrespective of what the share price performance is as long as predetermined performance targets (if any) are met. In contrast, management with Fully Priced Share Options (as is the case with PSG Group) will not realise any value unless there is share price growth above the strike price at which such share options were awarded, irrespective of whether they have met their financial and non-financial performance targets. It is evident that Fully Priced Share Options align management's interests with those of shareholders – management will only benefit if the share price increases substantially, in which case shareholders would have benefited accordingly.

As an example – if a participant is issued Fully Priced Share Options at a strike price equal to the ruling market price of, say R220, the participant will only realise value should the share price increase to above R220 at vesting date. Nil Paid Share Options on the other hand will provide value to the participant even if the share price had declined to below R220 at vesting date. For this reason, the vesting conditions attaching Nil Paid Share Options should be considerably more stringent than those attaching Fully Priced Share Options.

In our opinion as Remcom, the main benefit of potentially awarding Nil Paid Share Options rather than Full Price Share Options, is that it eliminates the effect of short-term share price fluctuations insofar it relates to when exactly participants join the share incentive scheme and are awarded share options for the first time. As an example, employee A joins the company and is awarded Fully Priced Share Options at a strike price equal to the ruling market price of say R220. Two months later, employee B joins the company and is awarded Fully Priced Share Options at a strike price equal to the then ruling market price of say R200, following a short-term decline due to general market sentiment. It is clear that employee A is significantly disadvantaged compared to employee B. However, had Nil Paid Share Options been awarded, both employee A and B could have been awarded a fixed exposure amount of say R1m, effectively putting them in the same position, irrespective of when they joined the company.

Taking cognisance of aforementioned embedded performance hurdle underlying Fully Priced Share Options, the investor community should demand significantly more stringent performance hurdles as vesting conditions in the case of Nil Paid Share Options. Our analysis of LTI schemes at other companies suggest that this is currently not the case.

The Remcom believes that the vesting conditions of PSG Group's share incentive scheme are sufficiently stringent, also with due regard to the embedded performance hurdle underlying the Fully Priced Share Options issued to PSG Group management.

The Remcom will continuously assess potential alternatives to PSG Group's current LTI structure, but remains committed to Fully Priced Share Options for now.

### 4.4 Capitec unbundling

During May 2020, PSG Group announced its intention to unbundle approximately 28,1% in Capitec to PSG Group shareholders, subject to various conditions being met, including regulatory and PSG Group shareholder approval, as further detailed in the *Letter to Shareholders* (page 6).

With aforementioned 28,1% in Capitec to be unbundled representing approximately 70% of PSG Group's *sum-of-the-parts* ("SOTP") value as at 29 February 2020, it is regarded as a "reorganisation of the group" in terms of the provisions of the PSG Group Supplementary Share Incentive Trust ("the SIT") trust deed governing the LTI, which provisions require such significant distribution to be accounted for by the LTI. Accordingly, the Remcom, in consultation with the trustees of the SIT, will give due consideration to what changes need to be made to the current LTI to account for the aforementioned unbundling during the ensuing financial year. Targets might also need to be amended given the magnitude and impact of the Capitec unbundling and, as a result, the portfolio will be significantly more weighted to early-stage investments. Given that early-stage investing is our primary investment strategy, it should not become a disincentive for management from an LTI perspective to focus thereon.

### 4.5 Voting at upcoming AGM

Both PSG Group's remuneration policy and its implementation report thereon will again be presented to shareholders for separate *non-binding advisory* votes at PSG Group's upcoming AGM to be held on 17 July 2020. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, PSG Group will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting PSG Group's stated business objectives while being fair and responsible toward both the employees and shareholders.

## 5. CEO VERSUS EMPLOYEE PAY

Given the nature of an investment holding company's operations, the vast majority of PSG Group head office employees are highly skilled and trained individuals, which include chartered accountants, engineers, lawyers and a mathematician. These individuals are remunerated accordingly and therefore the difference in the average annual base salary of an employee and that of PSG Group's CEO is relatively low when compared to operational companies in particular. The table below sets out the calculation hereof:

Annual base salary (STI)	2020 R'000
CEO	12 383
Average pay for employees (excluding the CEO)	1 438
<b>Times</b>	<b>8,6</b>
CEO	12 383
Average pay for employees (excluding all executive directors)	987
<b>Times</b>	<b>12,5</b>

## 6. DEVELOPMENT AND RETENTION OF TALENT

The development and retention of talent are of paramount importance to PSG Group, especially considering the small number of employees (only 16) employed at a head office level and the significance of employee continuity considering PSG Group's long-term value creation objective.

## REMUNERATION REPORT *(continued)*

In summary – the Committee believes that PSG Group’s remuneration policy is ideal for an investment holding company with a long-term value creation objective, is considerably more stringent than that of most comparable companies in nature and size and is fair and responsible to both the individual and shareholders. The Committee accordingly urges shareholders to consider PSG Group’s remuneration report in detail and in context, and to support the *non-binding advisory* votes on its remuneration policy and implementation report thereon at PSG Group’s upcoming AGM. The Committee remains committed to ongoing consultation on an individual shareholder level and welcomes any constructive input from shareholders throughout the year.



**PE Burton**  
Remuneration Committee Chairman

Stellenbosch  
10 June 2020

### REMUNERATION POLICY

#### 1. PROVIDING CONTEXT TO PSG GROUP’S OPERATIONS AT HEAD OFFICE LEVEL

- 1.1 As at 29 February 2020, the total employees at head office level, including the three PSG Group executive directors, comprised 43 individuals. However, 27 of these individuals worked in the PSG Capital corporate finance and Grayston Elliot tax advisory divisions, with only the remaining 16 employees being dedicated full-time to the day-to-day running of PSG Group and the sourcing of new investment opportunities for PSG Alpha. These 16 individuals comprise the PSG Group CEO and CFO, four managers and 10 support staff providing finance, information technology and general administrative support services. It is important to note that since PSG Group makes use of PSG Capital’s corporate finance and Grayston Elliot’s tax advisory services, it allows PSG Group to have a small staff complement.
- 1.2 The PSG Capital corporate finance and Grayston Elliot tax advisory divisions provide professional services to PSG Group, its investees and to third parties. Considering the extensive services rendered to third parties, these divisions each operate according to a revenue-sharing arrangement whereby the respective division is entitled to a percentage of fee income generated, while being responsible for carrying all its operating and employment costs. The remaining balance constitutes a bonus pool available for distribution to such division’s employees.

Johan Holtzhausen, an executive director of PSG Group, is employed as CEO of the PSG Capital corporate finance division. His total remuneration and incentives are determined by the Remcom, similarly to that of PSG Group’s CEO and CFO. PSG Group carries only 25% of his base salary p.a. for services rendered to PSG Group (including, but not limited to, his contribution as member of the PSG Group Executive Committee and the PSG Group Board), while the balance of his employment costs is borne by the PSG Capital corporate finance division – including any costs associated with his PSG Group share option awards, as well as any discretionary bonus as determined in accordance with their aforementioned revenue-sharing arrangement.

- 1.3 Accordingly, the PSG Group head office’s operating and employment costs are limited to that of the aforementioned 16 employees and 25% of Johan Holtzhausen’s base salary. For the year ended 29 February 2020, PSG Group’s total operating and employment costs amounted to approximately 0,13% (2019: 0,11%) of PSG Group’s *SOTP value* as at the reporting date – by comparison, this is significantly lower than the management fees generally charged to investors in the local asset management industry.

## REMUNERATION REPORT *(continued)*

### 2. COMPONENTS OF REMUNERATION

- 2.1 The remuneration of the aforementioned 16 PSG Group employees is reviewed annually by the Remcom, which seeks to ensure that balance is maintained between the respective remuneration components (i.e. short-term ("STI") versus long-term ("LTI"), and fixed versus variable), being:

Group	Number of employees	Focus	Strategic view	Remuneration component	Longest period of remuneration deferral
CEO and CFO	2	Formulate, drive and oversee implementation of strategy	Longest term	Base salary (STI) and share options (LTI)	Five years
Managers	4	Strategy implementation	Long term	Base salary (STI) and share options (LTI)	Five years
Other staff (group no 1)	3	Operational	Short to long term	Base salary (STI), discretionary bonus (STI) and share options (LTI)	Five years
Other staff (group no 2)	7	Support (administration)	Short term	Base salary and discretionary bonus (both STI)	One year
<b>Total</b>	<b>16</b>				

- 2.2 Total remuneration incorporates the following components:

#### Fixed remuneration

##### Base salary (STI)

- Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review and adjustments are effective 1 March of each year, coinciding with the commencement of PSG Group's financial year. Benchmarking is performed to ensure that remuneration is market-related with reference to companies comparable in nature, business complexity and the level of responsibility that the individual assumes.
- The payment of 30% of the CEO, CFO and managers' annual base salary is deferred for a period of 12 months, with such deferred payment being subject to:
  - The individual being in PSG Group's service 12 months later, thereby serving as a retention mechanism in addition to the share incentive scheme (LTI) detailed below; and
  - Malus/clawback provisions in the event of the wilful material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the individual. If triggered, such malus/clawback provisions would require repayment to PSG Group of the total deferred salary amount received by the individual during the preceding 12 months; and
  - Meeting non-financial personal key performance objectives as detailed below.
- Benefits, forming part of total cost to company, are limited to:
  - Group life cover (providing death, disability and dread disease benefits);
  - Membership to a retirement fund; and
  - Membership to a medical aid scheme.

#### Variable remuneration

##### Discretionary bonuses (STI)

- The CEO, CFO and managers do not qualify for discretionary bonuses.
- Johan Holtzhausen, an executive director of PSG Group, remains eligible for a discretionary bonus exclusively in terms of PSG Capital's aforementioned revenue-sharing arrangement as its CEO.
- PSG Group operational and support staff remains eligible for discretionary bonuses, subject to meeting both company and personal performance objectives.

##### Share incentive scheme (LTI)

- PSG Group shareholders adopted a share incentive scheme at PSG Group's AGM held on 19 June 2009, and subsequently approved amendments thereto at PSG Group's AGM held on 22 June 2018.
- In terms of the scheme, PSG Group share options are awarded to PSG Group's executive directors (being the CEO, CFO and Johan Holtzhausen), managers and other qualifying employees with the primary objectives of retaining their services and to align their interests with those of shareholders.
- A key feature of PSG Group's share incentive scheme is that participants will only benefit if there is long-term share price appreciation, driven largely by long-term growth in PSG Group's SOTP value per share. This should ultimately depend on sustained recurring earnings per share growth from PSG Group's underlying investee companies, as well as management's ability to continuously invest in and build new businesses with attractive long-term growth prospects. In line with shareholders, participants in the share incentive scheme will consequently share in the results of any good or bad business decisions.
- The share incentive scheme also ensures a rolling long-term focus for participants, considering the:
  - Annual vesting of share options in 25%-tranches on each of the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> anniversary of the award date, subject to meeting the required performance measures over a rolling five-year period; and
  - Share option award top-ups as detailed below.
- Note: the LTI and/or share options awarded in terms thereof will be subject to review in terms of the provisions of the SIT trust deed, as referred to in paragraph 4.4 on page 43.

##### Award

- Share options are awarded annually at the discretion of the Remcom, but subject to:
  - The participant meeting his/her non-financial personal key performance measures; and
  - The participant meeting the minimum shareholding requirement in the case of executive directors; and
  - Malus/clawback provisions.
- Such number of share options to be awarded is calculated using a mathematical formula based on the respective participant's base salary and a multiple (ranging between 1x and 10x depending on the participant's seniority and accordingly the level of responsibility assumed within the organisation) applied thereto. In calculating the annual share option top-up awards, the strike value of previously awarded but unvested share options are taken into account.
- All share options are awarded at a strike price equal to PSG Group's 30-day volume weighted average traded share price immediately preceding such award date (i.e. awarded at the ruling market price), thereby creating an embedded performance hurdle whereby participants will only benefit from the share incentive scheme if there is long-term share price appreciation and thus value creation for all PSG Group shareholders.

## REMUNERATION REPORT *(continued)*

### Variable remuneration *(continued)*

#### Share incentive scheme (LTI) *(continued)*

##### Vesting

Share options vest over a five-year period in 25%-tranches on each of the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> anniversary of the award date, but subject to the following conditions:

- The participant remaining in service; and
- The participant meeting his/her non-financial personal key performance measures; and
- PSG Group meeting its financial performance measures; and
- The participant meeting the minimum shareholding requirement in the case of executive directors; and
- Malus/clawback provisions.

##### Non-financial personal key performance measures

The table below sets out the various non-financial personal key performance measures forming part of the CEO and CFO roles (with some overlapping responsibilities), as well as the respective weightings of such non-financial personal key performance measures:

	Weighting (%)	
	CEO	CFO
Formulating strategy and providing strategic guidance and direction throughout the broader group, including problem-solving when needed	40	25
Assessing investment opportunities for PSG Group and its investees	20	5
Implementation of investment/disinvestment decisions taken by the PSG Group Executive Committee/Board	–	5
Ensuring that sound corporate governance is entrenched at PSG Group and its investees – including maintaining a strong financial control environment and appropriate risk management processes, as well as promoting transformation throughout the group	10	20
Financial reporting and shareholder communication in a transparent, accurate, concise and timely manner	5	15
Maintaining investor relations in a professional and transparent fashion	10	5
Managing PSG Group's capital structure and resources in a responsible and effective manner, whilst enhancing shareholder returns	15	25
<b>Total</b>	<b>100</b>	<b>100</b>

##### Financial performance measures

- The vesting of 50% of share options will depend on PSG Group's *recurring earnings per share* ("REPS") growth outperforming a predefined "real growth"-benchmark, being calculated as South Africa's consumer price index ("CPI") inflation rate plus South Africa's gross domestic product ("GDP") growth rate plus an additional 3%, as measured over the five years immediately preceding such vesting date; and
- The vesting of 50% of share options will depend on PSG Group's average return on equity ("ROE"), as measured over the five years immediately preceding such vesting date, exceeding PSG Group's average cost of equity over such period.

### Variable remuneration *(continued)*

#### Share incentive scheme (LTI) *(continued)*

##### Financial performance measures *(continued)*

The aforementioned measurement is over a five-year period in each instance due to vesting of any share option award occurring over such five-year period.

In the event of any major corporate action, the Remcom will duly re-evaluate the reasonability of the financial performance measures for the LTI.

*Note:* These financial performance measures will likely need to be amended given the magnitude and impact of the Capitec unbundling referred to in paragraph 4.4 on page 43.

##### Minimum shareholding requirement applicable to executive directors

The Remcom encourages management to hold shares in PSG Group to better align their interests with those of shareholders, and as a tangible demonstration of their commitment to PSG Group. Accordingly, both the award and vesting of share options of *executive directors* are subject to meeting a minimum shareholding requirement – must hold PSG Group shares on such award/ vesting date to the value of at least 500% (CEO) or 400% (other executive directors) of his/her current base salary.

In the case of a new *executive director* being appointed, the Remcom will determine an appropriate period to allow such director to reach the required minimum shareholding level.

In the event of any major corporate action, the Remcom will duly re-evaluate the reasonability of the minimum shareholder requirement applicable to *executive directors* for the LTI.

##### Exercise of share options

- Participants to the SIT have a 180-day period following vesting date in which to exercise share options. Such period may be extended with the permission of the SIT trustees in certain circumstances, for example when in a closed period.
- Where malus/clawback provisions apply in the event of a participant being found guilty of the wilful material misstatement of financial results or other fraudulent activity, such participant will be liable to repay the after-tax gain made pursuant to the vesting and exercise of his/her share options during such period of the transgression.
- The SIT no longer provides loan funding to participants to assist with the exercise of share options.
- Should the participant not be able to exercise his/her share options on a cash basis (i.e. full settlement of the strike value plus any Section 8C income tax payable), the share options will be settled on a "net-equity basis" (i.e. the participant's after-tax upside will be settled through the issue of fully paid-up PSG Group shares to the participant, and PSG Group will pay over the related Section 8C income tax payable in cash on the participant's behalf).
- As an alternative to issuing shares to settle its obligation to participants, PSG Group in its sole discretion has the option to settle such obligation in cash.

##### Termination of service

- In the case of resignation, dismissal or early retirement of a participant (i.e. bad leaver), unvested share options are generally forfeited.
- In the case of the death, permanent disability, compulsory retirement or retrenchment of a participant (i.e. good leaver), any share options capable of being exercised within a period of 12 months thereafter, will generally continue to be exercisable provided it is exercised during such 12 months.
- However, in the case of the termination of employment for any reason other than dismissal, the Remcom may in its absolute discretion permit the exercise of any unvested share options upon such additional terms and conditions as it may determine (e.g. as part of non-compete provisions in the case of early retirement of key management).

## REMUNERATION REPORT *(continued)*

### 3. TERMINATION OF EMPLOYMENT BENEFITS

PSG Group employees are not entitled to any payments upon termination of their service, except for those provided for in law (e.g. accrued annual leave and retrenchment payments).

### 4. GENDER PAY PARITY

PSG Group fully subscribes to the *equal pay for work of equal value* philosophy, and consequently there is no pay differentiation on the basis of gender.

### 5. NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors is reviewed annually by the PSG Group Executive Committee and thereafter referred to the Remcom, which seeks to ensure that fees are market-related considering the nature of PSG Group's operations, for formal approval by shareholders. Changes to the fee structure are generally effective 1 March, subject to approval by shareholders at PSG Group's AGM held in June/July of each year. The annual fees payable to non-executive directors are, as in the past, fixed and not subject to the attendance of meetings. However, in the event of non-attendance on a regular basis, this will be reconsidered.

The PSG Group Board voluntarily resolved to forego any increases in fees for the ensuing financial year. Accordingly, the fee structure for PSG Group's financial year ending 28 February 2021 which will be presented to shareholders for approval at PSG Group's upcoming AGM on 17 July 2020, is set out in the table below (excluding value-added tax, to the extent applicable):

	Annual fee 2020 R	Annual fee 2021 R	Change %
PSG Group Board			
Chairman	650 000	<b>650 000</b>	–
Member	266 250	<b>266 250</b>	–
PSG Group Audit and Risk Committee			
Chairman	186 375	<b>186 375</b>	–
Member	159 750	<b>159 750</b>	–
PSG Group Remuneration Committee			
Chairman	79 875	<b>79 875</b>	–
Member	53 250	<b>53 250</b>	–
PSG Group Social and Ethics Committee			
Chairman	31 950	<b>31 950</b>	–
Member	21 300	<b>21 300</b>	–

PSG Group pays all reasonable travelling and accommodation expenses incurred by non-executive directors to fulfil their duties and responsibilities, including the attendance of board and committee meetings.

Apart from Mr FJ Gouws as CEO of PSG Konsult, PSG Group's non-executive directors do not have any employment contracts, nor receive any benefits associated with permanent employment. None of PSG Group's non-executive directors participate in PSG Group's share incentive scheme.

## IMPLEMENTATION REPORT

The Remcom confirms that PSG Group has in all respects complied with its remuneration policy for the year ended 29 February 2020.

All components of remuneration paid to PSG Group's executive and non-executive directors in accordance with PSG Group's remuneration policy are comprehensively disclosed and reported on herein.

### 1. EXECUTIVE DIRECTORS' REMUNERATION

The non-financial personal key performance measures for the PSG Group CEO and CFO are detailed in paragraph 2.2 of PSG Group's remuneration policy. The table below sets out such non-financial personal key performance measures, as well as the Remcom's assessment of the performance of the CEO and CFO there against.

Non-financial personal key performance measure	Assessment
Formulating strategy and providing strategic guidance and direction throughout the broader group, including problem-solving when needed	<p>The Remcom is satisfied that PSG Group continues to be suitably guided by the CEO and CFO:</p> <ul style="list-style-type: none"> <li>PSG Group's ultimate economic objective remains long-term shareholder wealth creation, driven through a relentless focus by management on sustained growth in the underlying investee companies.</li> <li>PSG Group's most significant successes have stemmed from early-stage investing whereby it built businesses alongside entrepreneurs from the development stage – this remains a key focus area.</li> <li>The CEO and CFO also continuously provide strategic guidance to PSG Group's core investee companies where needed and assist with problem solving when necessitated.</li> </ul> <p>For more detail, refer to the <i>Letter to Shareholders</i> (page 6) regarding:</p> <ul style="list-style-type: none"> <li>Formulating strategy and providing guidance and direction as directors of PSG Group's listed investees; and</li> <li>Helping formulate strategy and providing guidance and direction to PSG Alpha's portfolio of early-stage investments.</li> </ul>
Assessing investment opportunities for PSG Group and its investees	<p>The Remcom is satisfied that the CEO and CFO suitably assessed investment opportunities (whether accepted or rejected) for PSG Group and its investees.</p> <p>Furthermore, the CEO and CFO continue to formulate and drive certain potential value-unlocking strategies in this regard, the CEO and CFO have been instrumental in the strategic decision to unbundle approximately 28,1% of PSG Group's shareholding in Capitec in order to address specific challenges as detailed in the <i>Letter to Shareholders</i> (page 6). Such unbundling should unlock significant value for PSG Group shareholders, and is anticipated to be concluded at the end of August 2020 should all the required approvals be obtained.</p>

## REMUNERATION REPORT *(continued)*

Non-financial personal key performance measure	Assessment
Implementation of investment/disinvestment decisions taken by the PSG Group Executive Committee/Board	The Remcom is satisfied with the implementation of investment and disinvestment decisions taken by the PSG Group Executive Committee/Board, and that such transactions were implemented appropriately – timely and in accordance with the relevant IFRS accounting principles and tax advice obtained.
Ensuring that sound corporate governance is entrenched at PSG Group and its investees – including maintaining a strong financial control environment and appropriate risk management processes, as well as promoting transformation throughout the group	<p>The Remcom is satisfied that the CEO and CFO continue to play an integral part in the ongoing entrenchment of good corporate governance throughout the group, with details thereof reported throughout this annual report:</p> <ul style="list-style-type: none"> <li>PSG Group remains committed to exercising ethical and effective leadership to achieve the four governance outcomes: ethical culture, good performance, effective control and legitimacy.</li> <li>It is further evident from the way in which PSG Group conducts its business – in an open, honest and ethical manner.</li> <li>This includes, but is not limited to, concerted efforts to promote transformation within PSG Group and its investee companies, as well as at PSG Group board level. For more detail, refer to the <i>Environmental, Social and Governance Report</i> (page 28).</li> </ul>
Financial reporting and shareholder communication in a transparent, accurate, concise and timely manner	<p>The Remcom is satisfied that PSG Group's ongoing financial reporting and shareholder communication are of the highest standard – always transparent, accurate, concise, relevant and timely. This is evident from:</p> <ul style="list-style-type: none"> <li>All correspondence, be it internal or external.</li> <li>This annual report and the numerous announcements made by way of SENS and newspaper publications, also being available on PSG Group's website.</li> </ul>
Maintaining investor relations in a professional and transparent fashion	<p>The Remcom is satisfied that the CEO and CFO continue to maintain PSG Group's investor relations in a professional and transparent fashion:</p> <ul style="list-style-type: none"> <li>PSG Group's interim and year-end results are formally presented to institutional investors bi-annually.</li> <li>Investors are provided with formal feedback at PSG Group's AGM.</li> <li>Numerous investor presentations are made throughout the year to local investor conferences and an international investor road show is conducted annually.</li> <li>Regular ad hoc meetings are held locally at the request of predominantly local and international institutional investors.</li> <li>However, given the current impact of COVID-19, such presentations may need to be conducted via electronic means in the foreseeable future.</li> </ul> <p>For more detail, refer to PSG Group's website at <a href="http://www.psggroup.co.za">www.psggroup.co.za</a> containing the presentations made to investors.</p>

Non-financial personal key performance measure	Assessment
Managing PSG Group's capital structure and resources in a responsible and effective manner, while enhancing shareholder returns	<p>The Remcom is satisfied that PSG Group's capital structure and resources continue to be managed in a responsible and effective manner:</p> <ul style="list-style-type: none"> <li>Capital is always allocated with due regard to enhancing shareholder returns while managing the associated risk appropriately.</li> <li>There is a relentless focus on effective cash flow management and planning on both a current and forward-looking basis to ensure a healthy liquidity position, which remains a key priority and entrenched in the PSG Group culture.</li> <li>PSG Group has always had a conservative gearing policy and compliance with all imposed gearing covenants remains non-negotiable.</li> <li>In accordance with PSG Group's liquidity and gearing policies, and as part of its immediate strategy in anticipation of the aforementioned unbundling of Capitec, PSG Group after year-end – <ul style="list-style-type: none"> <li>Early-settled its only remaining term debt comprising redeemable preference shares amounting to R1bn. Following the redemption, PSG Group's only ongoing funding obligation comprises the bi-annual preference dividend payable in respect of the perpetual (i.e. non-redeemable) preference shares issued by PSG Financial Services.</li> <li>Disposed of 1,7m of the Capitec shares not forming part of the unbundling, adding a further R1,2bn in cash net of tax to PSG Group's balance sheet.</li> </ul> </li> </ul> <p>For more detail, refer to the <i>Letter to Shareholders</i> on page 6.</p>

The table below sets out the extent to which the Remcom concluded that the CEO and CFO had met their predetermined non-financial personal key performance measures for the year under review:

	Achievement
CEO	100%
CFO	100%

## REMUNERATION REPORT *(continued)*

### 1.1 Total (single-figure) remuneration

The table below provides information on the total ("single-figure" as contemplated in King IV™) remuneration of PSG Group's executive directors, which includes both STI and LTI:

Audited R'000	STI				Discretionary performance-based bonus <sup>3</sup>	LTI		
	Base salary			Total short-term remuneration		Gains from exercise of share options <sup>4</sup>	Total remuneration	
	Approved	Deferred for 12 months <sup>1</sup>	Prior year deferral paid out <sup>1</sup>					Paid during the year <sup>2</sup>
<b>For the year ended 29 Feb 2020</b>								
WL Greeff	10 695	(3 209)	3 243	10 729		10 729	30 374	41 103
JA Holtzhausen	10 695	(3 209)	3 243	10 729	4 000	14 729	30 418	45 147
PJ Mouton	12 383	(3 715)	3 755	12 423		12 423	34 893	47 316
	<b>33 773</b>	<b>(10 133)</b>	<b>10 241</b>	<b>33 881</b>	<b>4 000</b>	<b>37 881</b>	<b>95 685</b>	<b>133 566</b>
<b>For the year ended 28 Feb 2019</b>								
WL Greeff	10 042	(3 013)	3 068	10 097		10 097	29 116	39 213
JA Holtzhausen	10 042	(3 013)	3 068	10 097	4 000	14 097	29 130	43 227
PJ Mouton	11 627	(3 488)	3 553	11 692		11 692	33 260	44 952
	<b>31 711</b>	<b>(9 514)</b>	<b>9 689</b>	<b>31 886</b>	<b>4 000</b>	<b>35 886</b>	<b>91 506</b>	<b>127 392</b>

<sup>1</sup> The deferred portion of base salaries is increased by the South African Revenue Services' official interest rate to compensate for time value of money, and paid out 12 months later on a monthly basis during the ensuing year, subject to i) malus/clawback provisions, ii) the executive director remaining in PSG Group's service and iii) the executive director meeting non-financial personal key performance objectives.

<sup>2</sup> Includes all benefits.

<sup>3</sup> The PSG Group CEO and CFO do not qualify for discretionary bonuses, to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, remains eligible for a discretionary performance-based bonus in terms of PSG Capital's revenue-sharing arrangement.

<sup>4</sup> The gains for the year ended 29 February 2020 emanated from the exercise of share options on 30 April 2019 at PSG Group's then ruling share price of R265,08. Subsequently, PSG Group's share price declined to R186,60 (30-day VWAP R213,71) as at 29 February 2020 – as a result, the unvested share options (as detailed on page 59) are significantly out of the money in the aggregate compared to the gains made during the past year. The executive directors are consequently penalised if PSG Group's share price does not perform over time as share options are consistently awarded at the ruling market price.

### 1.1.1 STI

#### Benchmarking

Benchmarking is performed with reference to companies comparable in industry, business complexity and the level of responsibility that an individual assumes to ensure that remuneration is market-related.

For this purpose, PwC's most recent *Executive directors: Practices and remuneration trends report* (published in July 2019) containing comprehensive independent market research on the remuneration of executive directors was, amongst other, consulted.

Having given due consideration to numerous factors, including benchmarking, the Remcom concluded that the PSG Group CEO and CFO's STI (i.e. base salary, with no discretionary bonus) is market-related and fair to both the individual and shareholders.

The table below sets out the total of the PSG Group CEO and CFO's STI for each of the past five financial years compared to PSG Group's *recurring earnings* and market capitalisation (net of treasury shares) as at year-end:

Reporting date	STI* Rm	Recurring earnings Rm	Market capitalisation as at year-end Rm	STI as percentage of	
				Recurring earnings %	Market capitalisation as at year-end %
29 Feb 2016	17	1 620	37 211	1,04	0,05
28 Feb 2017	19	1 985	54 166	0,95	0,03
28 Feb 2018	21	2 142	46 967	0,96	0,04
28 Feb 2019	22	2 357	56 658	0,93	0,04
29 Feb 2020	23	2 794	40 699	0,82	0,06

\* Includes base salary and discretionary bonuses earned during prior years up to and including 28 February 2017 (i.e. prior to the implementation of PSG Group's current remuneration policy in terms of which PSG Group's CEO and CFO no longer qualify for discretionary bonuses).

#### Base salary increases

Base salary increases are determined with reference to South Africa's consumer price inflation rate and other generally accepted benchmarks, always with due regard to market-comparable remuneration. According to independent research, salary inflation generally equates to between 1% and 2% above consumer inflation.

Assuming salary inflation at 1% above South Africa's current consumer price inflation of approximately 4%, the Remcom has approved 5% as the general salary increase for the financial year commencing 1 March 2020. However, the executive directors and senior management voluntarily resolved to forego such approved salary increase.

#### Discretionary bonuses

PSG Group's support staff remain eligible for discretionary bonuses, subject to meeting company and personal key performance objectives. The total of such discretionary bonuses paid amounted to approximately R0,7m (2019: R0,6m) for the year ended 29 February 2020.

## REMUNERATION REPORT *(continued)*

### 1.1.2 LTI

#### Share incentive scheme

The three executive directors have all served in their current capacity for at least 10 years and have accordingly participated in the share incentive scheme over this period.

#### Gains from exercise of share options

The significant gains from exercise of share options included in the total (single-figure) remuneration table on page 54 should be considered in light of PSG Group's remuneration policy which has been designed to specifically align the interests of the executive directors with those of shareholders, together with their successful execution on PSG Group's stated objective of value creation for its shareholders. So, if shareholders do well, management will do well – and importantly so, vice versa.

It is evident that the vast majority of gains from exercise of share options realised by executive directors during the year ended 29 February 2020 (included in the total (single-figure) remuneration table on page 54, as well as in the table included under unvested share option awards on page 59) related to the vesting of share options awarded on 28 February 2014, and was due to the increase in PSG Group's share price from R83,23 (30-day VWAP as at 28 February 2014) to R265,08 (closing share price on exercise date being 30 April 2019) – during which period other shareholders benefitted commensurately.

Subsequently, however, PSG Group's share price declined to R186,60 as at 29 February 2020 (30-day VWAP R213,71 – being the strike price that share options were awarded at on such date). PSG Group's 30-day VWAP as at 30 April 2020 was even lower at R135,51. As a result, the unvested share options (as detailed on page 59) are significantly out of the money in the aggregate, compared to the gains made during the past year. The executive directors are consequently penalised if PSG Group's share price does not perform over time as share options are consistently awarded at the ruling market price – being fair as their interests are aligned with those of shareholders.

The information below illustrates that PSG Group has provided its shareholders with above-market returns over the past five years, despite obvious challenging trading conditions. PSG Group's success is in part owing to it attracting and retaining the services of talented individuals, which is only achievable if PSG Group's remuneration practices are appropriate and competitive.

Over the past five-year period to 29 February 2020, the compound annual growth rate ("CAGR") in PSG Group's share price (measured on a 30-day VWAP basis) was 9,3%, as depicted in the graph below:



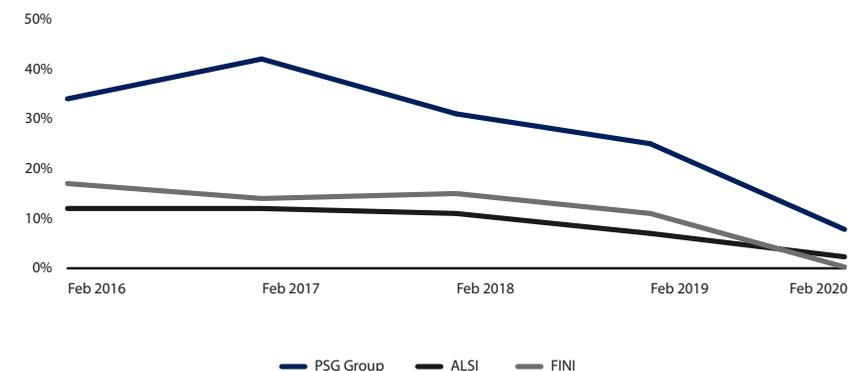
When evaluating PSG Group's performance over the long term, we believe one should focus on the Total Return Index ("TRI") as measurement tool. The TRI is the CAGR of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Group's TRI as at 29 February 2020 was 7,8% p.a. over the past five years. Had you thus purchased R100 000 worth of PSG Group shares on 28 February 2015, and reinvested all your dividends, your investment would be worth around R145 895 as at 29 February 2020. The same investment in either the JSE All Share Index ("ALSI") or JSE Financial Index ("FINI") over the same period with dividends reinvested, would be worth R112 105 (23,2% lower) or R100 695 (31,0% lower), respectively.

Below table and graph compare PSG Group's TRI to those of the ALSI and FINI for the preceding five years, measured at each reporting date, illustrating that PSG Group has consistently outperformed the market:

Reporting date	Rolling five-year TRI		
	PSG Group %	ALSI %	FINI %
29 Feb 2016	34,0	12,5	16,9
28 Feb 2017	41,8	11,7	14,4
28 Feb 2018	30,5	11,3	14,8
28 Feb 2019	25,5	6,8	10,7
29 Feb 2020	7,8	2,3	0,1

Rolling five-year TRI graph



## REMUNERATION REPORT *(continued)*

### Additional vesting conditions

As detailed in the remuneration policy, the Remcom previously introduced additional financial and non-financial performance measures as well as a minimum shareholding requirement for PSG Group's executive directors as vesting conditions to the share incentive scheme. These changes apply to share options awarded on or after 28 February 2018, and accordingly the first vesting of share options subject to such conditions occurred on 29 February 2020 as all the requisite performance conditions were met. In accordance with the scheme's 180-day exercise window, these share options have not been exercised as yet.

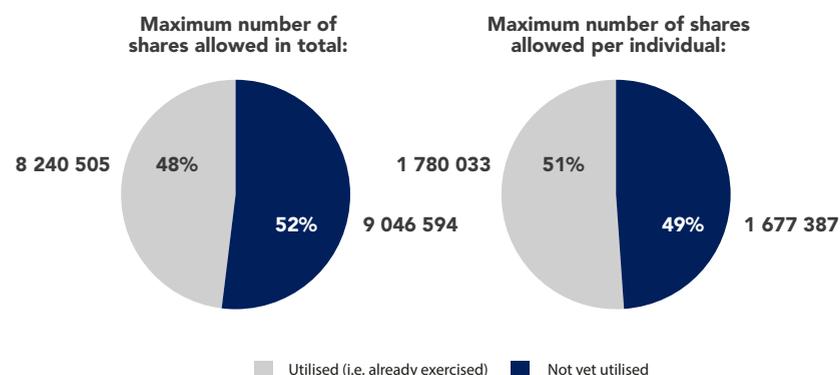
For illustrative purposes, below table sets out PSG Group's performance against the aforementioned financial performance measures for each of the past five years:

Vesting date	ROE		REPS growth	
	Actual performance %	Performance hurdle %	Actual performance %	Performance hurdle %
26 Feb 2016	14,4	10,9	26,6	11,0
28 Feb 2017	14,5	11,1	24,6	10,4
28 Feb 2018	14,4	11,7	20,5	9,9
28 Feb 2019	14,4	12,2	19,3	9,2
28 Feb 2020	14,5	12,6	16,6	9,0

\* Above calculations have been independently verified for accuracy by PSG Group's external auditor, PwC.

### Extent of the share incentive scheme

PSG Group shareholders approved the maximum number of PSG Group shares that may be utilised for purposes of the share incentive scheme (both in total and on a per individual basis). The charts below depict the number of shares already utilised until 29 February 2020 as opposed to the maximum number of shares that may be utilised for purposes of all employees:



At 29 February 2020, the share incentive scheme had 31 participants, comprising the executive directors, managers and other qualifying employees employed at head office (including employees forming part of the PSG Capital and Grayston Elliot divisions – however, the IFRS 2 share-based payment expense associated with such share options are carried by the respective division, as explained on page 45).

At 29 February 2020, the total number of share options that had already been awarded but remained unvested amounted to 2 072 537, representing 0,9% of PSG Group's total number of shares in issue (net of treasury shares). However, assuming that all share options are settled on a net-equity basis, the dilution to PSG Group shareholders should be significantly less than aforementioned 0,9%.

### Unvested share option awards

The table below contains the unvested share option awards of PSG Group's executive directors as at 29 February 2020:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year	Number of share options during the year Vested <sup>1</sup>	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 29 Feb 2020	Gains from exercise of share options during the year R'000	Value of unvested share options as at 29 Feb 2020 <sup>2</sup> R'000	Value of unvested share options as at 30 Apr 2020 <sup>2</sup> R'000
WL Greeff	150 357		(150 357)	265,08	83,23	28/02/2014	–	27 342		
	28 702		(14 352)	265,08	136,84	28/02/2015	14 350	1 841	1 103	(19)
	41 153		(13 718)	265,08	178,29	29/02/2016	27 435	1 191	972	(1 174)
	<sup>4</sup> 72 292				236,13	28/02/2018	72 292		(1 621)	(7 274) <sup>3</sup>
	<sup>4</sup> 185 877				250,56	28/02/2019	185 877		(6 850)	(21 385) <sup>3</sup>
		131 082			213,71	28/02/2020	131 082			(10 251) <sup>3</sup>
	478 381	131 082	(178 427)				431 036	30 374		
JA Holtzhausen	150 561		(150 561)	265,08	83,23	28/02/2014	–	27 380		
	29 492		(14 747)	265,08	136,84	28/02/2015	14 745	1 891	1 133	(20)
	39 660		(13 220)	265,08	178,29	29/02/2016	26 440	1 147	937	(1 131)
	<sup>4</sup> 72 889				236,13	28/02/2018	72 889		(1 634)	(7 334) <sup>3</sup>
	<sup>4</sup> 185 807				250,56	28/02/2019	185 807		(6 847)	(21 377) <sup>3</sup>
		131 084			213,71	28/02/2020	131 084			(10 251) <sup>3</sup>
	478 409	131 084	(178 528)				430 965	30 418		
PJ Mouton	165 471		(165 471)	265,08	83,23	28/02/2014	–	30 091		
	37 347		(18 673)	265,08	136,84	28/02/2015	18 674	2 395	1 435	(25)
	62 995		(20 998)	265,08	178,29	29/02/2016	41 997	1 822	1 488	(1 797)
	84 203		(21 051)	265,08	237,31	28/02/2017	63 152	585	(1 490)	(6 429) <sup>3</sup>
	<sup>4</sup> 113 018				236,13	28/02/2018	113 018		(2 534)	(11 372) <sup>3</sup>
	<sup>4</sup> 227 700				250,56	28/02/2019	227 700		(8 391)	(26 197) <sup>3</sup>
		183 503			213,71	28/02/2020	183 503			(14 350) <sup>3</sup>
	690 734	183 503	(226 193)				648 044	34 893		
	1 647 524	445 669	(583 148)				1 510 045	95 685		

<sup>1</sup> The executive directors have not yet elected to exercise their right in terms of the provisions of the share incentive scheme to exercise their share options that became exercisable on 29 February 2020. Such right will be exercised within the 180-day exercise window.

<sup>2</sup> Based on the 30-day volume weighted average PSG Group share price of R213,71 and R135,51 per share as at 29 February 2020 and 30 April 2020, respectively.

<sup>3</sup> These share options are currently out of the money considering the closing share price of R186,60 as at 29 February 2020.

<sup>4</sup> Vesting subject to additional requirements, including financial and non-financial performance measures.

## REMUNERATION REPORT *(continued)*

### Loan funding – share incentive scheme

PSG Group's executive directors previously received loan funding in terms of the share incentive scheme. It should be noted that the Remcom previously decided that no new loan funding be granted for the foreseeable future for prudency purposes, while existing loan funding be phased out in accordance with the existing loan repayment terms.

These loans accrue interest at the South African Revenue Services' official interest rate and are repayable in full after seven years (executive directors) and three years (other participants) from the date of advance, respectively. PSG Group shares were pledged and ceded in security and need to cover the related outstanding loans by at least 300% (2019: 250%) at all times. Should this covenant be breached, the participant will be required to either pledge and cede additional PSG Group shares as security or partially settle the outstanding loan to restore the minimum cover ratio.

The table below provides the outstanding loan balances and related security cover (i.e. value of PSG Group shares ceded and pledged as security for such loans expressed as a percentage of the loan balances outstanding) of the executive directors as at the respective reporting dates:

R'000	2020	2019
WL Greeff	4 013	3 730
JA Holtzhausen	13 397	12 450
PJ Mouton	–	–
<b>Total loans</b>	<b>17 410</b>	<b>16 180</b>
<b>Security cover*</b>		
WL Greeff	2 325%	3 483%
JA Holtzhausen	598%	896%
PJ Mouton	–	–

All loan balances due by participants other than the executive directors were settled during the past year, as illustrated in the table below:

R'000	2020	2019
Total loans	–	9 897
Security cover*	–	327%

\* The minimum-security cover increased from 130% to 250% with effect from 28 February 2019, and further increased to 300% with effect from 29 February 2020.

## 2. NON-EXECUTIVE DIRECTORS' REMUNERATION

The table below provides information on the total remuneration paid to PSG Group's non-executive directors, including fees paid by subsidiaries of PSG Group to non-executive directors for services rendered to such subsidiaries in either an executive or non-executive capacity:

Audited R'000 (excluding value-added tax, to the extent applicable)	Paid for services rendered to PSG Group			Paid for services rendered to subsidiaries				Total remuneration
	Fees	Base salary	Total	Fees	Base salary	Discretionary performance-based bonus	Gains from exercise of share options	
<b>For the year ended 29 Feb 2020</b>								
PE Burton	564		564	695				1 259
ZL Combi	725		725	1 000				1 725
FJ Gouws <sup>1</sup>			–		5 507	21 093	20 412	47 012
AM Hlobo <sup>2</sup>	426		426					426
B Mathews	426		426					426
JJ Mouton	266		266					266
CA Otto	479		479	1 024				1 503
	2 886	–	2 886	2 719	5 507	21 093	20 412	49 731
<b>For the year ended 28 Feb 2019</b>								
PE Burton	497		497	606				1 103
ZL Combi	387		387	740				1 127
FJ Gouws <sup>1</sup>			–		5 210	20 600	37 673	63 483
B Mathews	400		400					400
JF Mouton <sup>3</sup>	360	721	1 081					1 081
JJ Mouton	250		250					250
CA Otto	450		450	500				950
	2 344	721	3 065	1 846	5 210	20 600	37 673	65 329

<sup>1</sup> Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R21,2m (2019: R21,5m), of which the payment of 70% (2020: R14,8m; 2019: R15,1m) is unconditional, while the payment of 15% each (2020: R3,2m; 2019: R3,2m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.

<sup>2</sup> Ms AM Hlobo was appointed on 11 April 2019.

<sup>3</sup> Mr JF Mouton resigned on 20 November 2018.

## REMUNERATION REPORT *(continued)*

Mr FJ Gouws, being the CEO of PSG Konsult and also a non-executive director of PSG Group, has been awarded PSG Konsult share options in terms of the PSG Konsult Group Share Incentive Trust. His share options are summarised below:

Audited	Number of share options as at 28 Feb 2019	Number of share options during the year		Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 29 Feb 2020	Gains from exercise of share options during the year R'000	Value of unvested share options as at 29 Feb 2020 <sup>2</sup> R'000	Value of unvested share options as at 30 Apr 2020 <sup>2</sup> R'000
		Awarded <sup>1</sup>	Vested							
FJ Gouws	1 587 500	(1 587 500)		10,35	5,06	01/03/2014	–	8 398		
	447 592	(223 797)		10,35	7,27	01/04/2015	223 795	689	356	(69)
	7 751 684	(2 583 895)		10,35	6,81	01/04/2016	5 167 789	9 147	10 594	775
	3 156 559	(789 140)		10,35	7,59	01/04/2017	2 367 419	2 178	3 007	(1 491)
	3 750 000				8,74	01/04/2018	3 750 000		450	(6 675)
		4 000 000			10,15	01/04/2019	4 000 000		(5 160)	(12 760)
	16 693 335	4 000 000	(5 184 332)				15 509 003	20 412		

<sup>1</sup> On 20 April 2020, Mr FJ Gouws accepted a further 4,8m PSG Konsult share options at a strike price of R7,13 per share, being the 30-day volume weighted average PSG Konsult share price as at 31 March 2020.

<sup>2</sup> Based on the 30-day volume weighted average PSG Konsult share price of R8,86 and R6,96 as at 29 February 2020 and 30 April 2020, respectively.

## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

These summary consolidated financial statements comprise a summary of the audited consolidated annual financial statements of PSG Group Ltd for the year ended 29 February 2020.

The consolidated annual financial statements, including these summary consolidated financial statements, were compiled under the supervision of the group CFO, Mr WL Greeff, CA(SA), and were audited by PSG Group Ltd's external auditor, PricewaterhouseCoopers Inc.

The consolidated annual financial statements, including the unmodified audit opinion, are available on PSG Group Ltd's website at [www.psggroup.co.za](http://www.psggroup.co.za) or may be requested and obtained in person, at no charge, at the registered office of PSG Group Ltd during office hours.

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## REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 29 February 2020

The PSG Group Ltd Audit and Risk Committee ("the Committee") is an independent statutory committee appointed by the board of directors in terms of section 94 of the Companies Act of South Africa ("the Companies Act"). The Committee also acts as the statutory audit committee of public company wholly-owned subsidiaries that are legally required to have such a committee.

The Committee's composition and details of meetings held are detailed on page 35 of this annual report.

The Committee operates in terms of a board-approved charter. It conducted its affairs in compliance with, and discharged its responsibilities in terms of, its charter for the year ended 29 February 2020.

The Committee performed the following duties in respect of the year under review:

- Satisfied itself that the external auditor is independent of PSG Group Ltd, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Ltd Listings Requirements;
- Ensured that the appointment of the external auditor complied with the Companies Act;
- In consultation with management, agreed to the audit engagement letter terms, audit plan and budgeted audit fees for the 2020 financial year;
- Approved the nature and extent of non-audit services of the external auditor;
- Nominated for re-election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements;
- Satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the external auditor, that PSG Group Ltd be regarded as a going concern;
- Reviewed the formal policy for and calculation of PSG Group Ltd's ordinary dividend proposed at interim and year-end, and recommended it to the board of directors for approval;
- Reviewed the accounting policies and financial statements (including the summary thereof contained in this annual report) for the year ended 29 February 2020 and, based on the information provided to the Committee, considers that the company and group comply, in all material respects, with the JSE Ltd Listings Requirements; International Financial Reporting Standards ("IFRS"); the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act; and
- Satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Ltd Listings Requirements that the group chief financial officer, as well as the group finance function, has the appropriate expertise and experience.

PricewaterhouseCoopers Inc. has served as external auditor of PSG Group Ltd for the past 24 years, while the designated external audit partner has served in such capacity for the past five years, being the maximum allowed, and accordingly a new designated external audit partner will be nominated for the ensuing year. The Committee remains satisfied with the quality of the external audit performed by PricewaterhouseCoopers Inc. The adoption of mandatory audit firm rotation, as set out in the rules of the Independent Regulatory Board of Auditors, is receiving the Committee's attention.



**PE Burton**  
Audit and Risk Committee Chairman

Stellenbosch  
10 June 2020

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## COMPANY SECRETARY DECLARATION

for the year ended 29 February 2020

We declare that, to the best of our knowledge, the company has filed all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, and that all such returns and notices are true, correct and up to date.



**PSG Corporate Services (Pty) Ltd**  
**Per A Rossouw**  
Company Secretary

Stellenbosch  
10 June 2020

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the company and group. The external auditor is responsible for independently auditing and reporting on the fair presentation of the annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with the JSE Ltd Listings Requirements; International Financial Reporting Standards ("IFRS"); the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the manner required by the Companies Act.

These summary consolidated financial statements were derived from the consolidated annual financial statements and do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa. Reading these summary consolidated financial statements, therefore, is not a substitute for reading the consolidated annual financial statements of PSG Group Ltd.

The audit and risk committee of the company meets regularly with the external auditor, as well as senior management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

The annual financial statements are prepared on the going concern basis, since the directors have every reason to believe that the company and group have adequate resources to continue for the foreseeable future.

The annual financial statements, including these summary consolidated financial statements set out on pages 67 to 68 and 70 to 88, were approved by the board of directors of PSG Group Ltd and are signed on its behalf by:



**PJ Mouton**  
CEO

Stellenbosch  
10 June 2020



**WL Greeff**  
CFO

## DIRECTORS' REPORT

for the year ended 29 February 2020

### Nature of business

PSG Group Ltd, being an investment holding company, offers a broad range of goods and services through its various subsidiaries, joint ventures and associates. These goods and services mainly comprise financial services (wealth management, stockbroking, asset management, insurance, banking and investment services), logistical services, food and related goods and services, advisory and private education services.

### Operating results

The operating results and state of affairs of the group are set out in the attached summary consolidated income statements and summary consolidated statements of financial position, comprehensive income, changes in equity and cash flows, as well as the notes thereto. For the year under review, the group's *recurring earnings* amounted to R2 794m (2019: R2 357m), *headline earnings* amounted to R2 583m (2019: R2 194m) and earnings attributable to owners of the parent amounted to R2 462m (2019: R1 926m). The group's total profit (gross of non-controlling interests) for the year amounted to R3 358m (2019: R2 341m).

### Stated capital

Movements in the number of ordinary shares in issue during the year under review were as follows:

	Number of shares	
	2020	2019
Shares in issue at beginning of the year, gross of treasury shares	232 108 050	231 449 404
Less: Treasury shares		
Held by a subsidiary (PSG Financial Services Ltd)	(13 908 770)	(13 908 770)
Held by related parties of management and acquired by way of loan funding advanced	(100 000)	(1 600 000)
Shares in issue at beginning of the year, net of treasury shares	218 099 280	215 940 634
Movement in treasury shares		
Shares issued in terms of the PSG Group Ltd Supplementary Share Incentive Trust to participants	55 204	658 646
Shares acquired by the PSG Group Ltd Supplementary Share Incentive Trust	(45 000)	
Shares released following full settlement of loan funding previously advanced to related parties of management		1 500 000
Shares in issue at end of the year, net of treasury shares	218 109 484	218 099 280

### Dividends

Details of dividends appear in the summary consolidated statement of changes in equity and note 1 to these summary consolidated financial statements.

### Directors

Details of the company's directors at the date of this report appear on pages 4 and 5.

## DIRECTORS' REPORT *(continued)*

for the year ended 29 February 2020

### Directors' emoluments

Details of directors' emoluments appear in the *Remuneration Report* on pages 54 and 61.

### Prescribed officers

The members of the PSG Group Ltd Executive Committee ("Exco") are regarded as being the prescribed officers of the company. The Exco comprises the following PSG Group Ltd executive directors: Messrs PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Their remuneration is detailed in the *Remuneration Report* (page 40). The duties and responsibilities of the Exco are set out in the *Environmental, Social and Governance Report* (page 28).

### Shareholding of directors

The shareholding of directors in the issued share capital of PSG Group Ltd as at 29 February 2020 was as follows:

Audited	Beneficial		Non-beneficial	Total shareholding 2020 <sup>4</sup>		Total shareholding 2019	
	Direct	Indirect	Indirect	Number	%	Number	%
PE Burton		197 500	100 000	297 500	0,1	297 500	0,1
ZL Combi <sup>1</sup>	354 000			354 000	0,2	354 000	0,2
WL Greeff	8 124	1 047 497		1 055 621	0,5	1 055 621	0,5
AM Hlobo		300		300	–		–
JA Holtzhausen	611 226	500 000		1 111 226	0,5	1 111 226	0,5
JJ Mouton <sup>2,3</sup>	121 000	1 415 250	453 600	1 989 850	0,9	1 977 100	0,9
PJ Mouton <sup>2,3</sup>	54 148	5 375 414	508 050	5 937 612	2,7	5 904 178	2,7
CA Otto <sup>4</sup>	108		3 324 559	3 324 667	1,5	3 324 667	1,5
Total	1 148 606	8 535 961	4 386 209	14 070 776	6,4	14 024 292	6,4

<sup>1</sup> Mr ZL Combi's shareholding includes 276 000 shares that are subject to a European scrip-settled collar as hedging instrument, which expires on 31 August 2020.

<sup>2</sup> Messrs JJ Mouton and PJ Mouton are also trustees and discretionary beneficiaries of the JF Mouton Familietrust with an effective holding of 42 269 481 PSG Group Ltd ordinary shares, representing approximately 19,4% of PSG Group Ltd's issued share capital (net of treasury shares).

<sup>3</sup> The shareholding of the immediate family members of Messrs JJ Mouton and PJ Mouton (i.e. wives and minor children held in own name or via trusts) have been included as non-beneficial indirect shareholding, with the comparatives amended accordingly.

<sup>4</sup> Apart from Mr CA Otto resigning as trustee/director of the entities through which the abovementioned non-beneficial indirect interest was held, the shareholding of directors did not change between year-end and the date of approval of this annual report.

## INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

to the shareholders of PSG Group Ltd

### Opinion

The summary consolidated financial statements of PSG Group Ltd, set out on pages 70 to 87 of the annual report 2020, which comprise the summary consolidated statement of financial position as at 29 February 2020, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PSG Group Ltd for the year ended 29 February 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Ltd's ("JSE") requirements for summary financial statements, as set out in the introduction to the summary consolidated financial statements for the year ended 29 February 2020, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 29 May 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period.

### Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in the introduction to the summary consolidated financial statements for the year ended 29 February 2020, and the requirements of the Companies Act of South Africa, as applicable to summary financial statements.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Price waterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D de Jager

Registered Auditor

Stellenbosch  
10 June 2020

# INTRODUCTION TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

## Basis of presentation and accounting policies

These summary consolidated financial statements are prepared in accordance with the requirements of the Companies Act of South Africa and the requirements of the JSE Listings Requirements. The JSE Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those applied in the prior year's consolidated annual financial statements, as amended for the adoption of the various revisions to IFRS which are effective for the year ended 29 February 2020. Apart from the adoption of IFRS 16 *Leases*, these revisions have not resulted in material changes to the group's reported results and disclosures in these summary consolidated financial statements.

IFRS 16, adopted by the group effective 1 March 2019, is a new standard which replaced IAS 17 *Leases*. The standard specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Amounts payable in terms of leases where the lease term is 12 months or less or the underlying asset has a low value, are expensed monthly on a straight-line basis. Lessors continue to classify leases as either operating or finance leases, with IFRS 16's approach to lessor accounting substantially unchanged from IAS 17.

The group elected to adopt IFRS 16 using the simplified approach, whereby comparative figures were not restated but instead ordinary shareholders' equity and non-controlling interests as at 1 March 2019 were adjusted accordingly. As a result of adopting IFRS 16, the group recognised the following amounts in respect of leases previously classified as operating leases:

	Rm
Right-of-use assets	987
Lease liabilities	(1 283)
Deferred income tax assets/liabilities	58
Other assets and liabilities	2
Charge to total equity	(236)
Ordinary shareholders' equity	(103)
Non-controlling interests	(133)
The lease liabilities recognised upon transition can be reconciled as follow:	
Operating lease commitments reported as at 28 February 2019	2 010
Add: adjustments as a result of different treatment of extension and termination options	40 955
Operating lease commitments as at 1 March 2019	42 965
Less: short-term lease commitments	(18)
Less: low-value lease commitments	(38)
	42 909
Less: discounting effect using the incremental borrowing rate	(41 626)
Lease liabilities recognised as at 1 March 2019	1 283

## Linked investment contracts, consolidated mutual funds and other client-related balances ("client-related balances")

Client-related balances result in assets and liabilities of equal value being recognised in the summary consolidated statement of financial position, although not directly related to PSG Group Ltd ("PSG Group") shareholders. These balances mainly stem from:

- PSG Life Ltd (an existing subsidiary of PSG Konsult Ltd ("PSG Konsult")) issuing linked investment contracts to clients in terms of which the value of policy benefits payable (included under "investment contract liabilities") is directly linked to the fair value of the supporting assets. The group is thus not exposed to the financial risks associated with these assets and liabilities.
- The group consolidates mutual funds deemed to be controlled in terms of IFRS 10 *Consolidated Financial Statements*, with the group's own investments in these mutual funds having been derecognised and all the funds' underlying assets having been recognised. Third parties' funds invested in the respective mutual funds are recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds" and the group is thus not exposed to the financial risks associated with the assets and liabilities attributable to third parties.

For transparency sake and to assist users in gaining a better understanding of the impact of client-related balances on the reported amounts, the summary consolidated statement of financial position, summary consolidated income statement and summary consolidated statement of cash flows continue to differentiate between assets, liabilities, income, expenses and cash flows attributable to i) own balances (i.e. those attributable to the ordinary shareholders of PSG Group and its subsidiaries) and ii) client-related balances.

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

Note	2020			2019		
	Own balances Rm	Client-related balances Rm	Total Rm	Own balances Rm	Client-related balances Rm	Total Rm
<b>Assets</b>						
	12 117		12 117	11 149		11 149
	4 483		4 483	4 541		4 541
	1 107		1 107			–
	10 672		10 672	14 578		14 578
	42		42	178		178
	986		986	855		855
	35		35	5		5
	42		42	43		43
	682	49 722	50 404	776	45 719	46 495
	411	2 209	2 620	659	2 337	2 996
	1 847	4 365	6 212	1 873	4 390	6 263
	469		469	303		303
	585		585	593		593
		16	16		16	16
	330		330	443		443
	4 261	1 740	6 001	3 268	1 321	4 589
	1	23	24	22	11	33
	2 038		2 038	1 696		1 696
	39		39	102		102
	134		134	109		109
	1 723	254	1 977	1 552	280	1 832
	5 520		5 520			–
	<b>47 524</b>	<b>58 329</b>	<b>105 853</b>	<b>42 745</b>	<b>54 074</b>	<b>96 819</b>
<b>Equity</b>						
	19 083		19 083	18 115		18 115
	11 843		11 843	11 776		11 776
	<b>30 926</b>	<b>–</b>	<b>30 926</b>	<b>29 891</b>	<b>–</b>	<b>29 891</b>
<b>Liabilities</b>						
	554		554	543		543
		26 694	26 694		25 932	25 932
		29 999	29 999		26 715	26 715
	975		975	963		963
	9 094		9 094	7 666	111	7 777
	1 453		1 453			–
	87	30	117	64	14	78
	598		598	528		528
	3 679	1 606	5 285	3 046	1 302	4 348
	7		7	5		5
	135		135	39		39
	16		16			–
	<b>16 598</b>	<b>58 329</b>	<b>74 927</b>	<b>12 854</b>	<b>54 074</b>	<b>66 928</b>
	<b>47 524</b>	<b>58 329</b>	<b>105 853</b>	<b>42 745</b>	<b>54 074</b>	<b>96 819</b>

## SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 29 February 2020

Note	2020			2019*		
	Own balances Rm	Client-related balances Rm	Total Rm	Own balances Rm	Client-related balances Rm	Total Rm
<b>CONTINUING OPERATIONS</b>						
	13 502		13 502	13 041		13 041
	(11 339)		(11 339)	(11 460)		(11 460)
	<b>2 163</b>	<b>–</b>	<b>2 163</b>	<b>1 581</b>	<b>–</b>	<b>1 581</b>
	10 936	(75)	10 861	9 329	(90)	9 239
	225		225	194		194
	427	1 964	2 391	492	1 810	2 302
	3	(125)	(122)	(268)	644	376
		(507)	(507)		(1 073)	(1 073)
		(1 270)	(1 270)		(1 336)	(1 336)
	314		314	216		216
	<b>969</b>	<b>62</b>	<b>1 031</b>	<b>634</b>	<b>45</b>	<b>679</b>
	(663)		(663)	(582)		(582)
	(11 576)	47	(11 529)	(9 185)	57	(9 128)
	<b>(12 239)</b>	<b>47</b>	<b>(12 192)</b>	<b>(9 767)</b>	<b>57</b>	<b>(9 710)</b>
	2 307		2 307	2 042		2 042
	(323)		(323)	(59)		(59)
	130		130	6		6
	<b>2 114</b>	<b>–</b>	<b>2 114</b>	<b>1 989</b>	<b>–</b>	<b>1 989</b>
	3 943	34	3 977	3 766	12	3 778
	(889)		(889)	(676)		(676)
	<b>3 054</b>	<b>34</b>	<b>3 088</b>	<b>3 090</b>	<b>12</b>	<b>3 102</b>
	(491)	(34)	(525)	(464)	(12)	(476)
	<b>2 563</b>	<b>–</b>	<b>2 563</b>	<b>2 626</b>	<b>–</b>	<b>2 626</b>

## SUMMARY CONSOLIDATED INCOME STATEMENT *(continued)*

for the year ended 29 February 2020

	2020			2019*		
	Own balances Rm	Client- related balances Rm	Total Rm	Own balances Rm	Client- related balances Rm	Total Rm
<b>DISCONTINUED OPERATION</b>						
<b>Profit/(loss) for the year from discontinued operation</b>	<b>795</b>	<b>–</b>	<b>795</b>	(285)	–	(285)
Share of profit of associate	264		264	318		318
Reversal of/(loss on) impairment of associate	617		617	(617)		(617)
(Loss)/profit on dilution of interest in associate	(86)		(86)	14		14
<b>Profit for the year</b>	<b>3 358</b>	<b>–</b>	<b>3 358</b>	2 341	–	2 341
<b>Attributable to:</b>						
Owners of the parent	2 462			1 926		
Continuing operations	2 112			2 051		
Discontinued operation	350			(125)		
Non-controlling interests	896			415		
	<b>3 358</b>			<b>2 341</b>		

\* Re-presented for the discontinued operation detailed in note 5.

\*\* Line item wording amended and re-presented higher up on the summary consolidated income statement being representative of the group's revenue-producing activities, with no change to previously reported amounts.

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

	2020 Rm	2019 Rm
<b>Profit for the year</b>	<b>3 358</b>	2 341
<b>Other comprehensive loss for the year, net of taxation</b>	<b>(432)</b>	(50)
Items that may be subsequently reclassified to profit or loss		
Currency translation adjustments	(181)	(19)
Cash flow hedges	(13)	7
Share of other comprehensive losses and equity movements of associates	(238)	(36)
Items that may not be subsequently reclassified to profit or loss		
Losses from changes in financial and demographic assumptions of post-employment benefit obligations		(2)
<b>Total comprehensive income for the year</b>	<b>2 926</b>	2 291
<b>Attributable to:</b>		
Owners of the parent	2 263	1 912
Continuing operations	2 368	1 919
Discontinued operation	(105)	(7)
Non-controlling interests	663	379
	<b>2 926</b>	2 291

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	Note	2020 Rm	2019 Rm
Ordinary shareholders' equity at beginning of the year		18 012	16 912
Previously reported		18 115	17 143
Adjustment due to the initial application of IFRS 16 (2019: IFRS 9 and IFRS 15)		(103)	(231)
Total comprehensive income		2 263	1 912
Issue of shares		15	157
Share-based payment costs – employees		80	73
Treasury shares (acquired)/released		(11)	111
Transactions with non-controlling interests		(255)	(121)
Dividends paid		(1 021)	(929)
<b>Ordinary shareholders' equity at end of the year</b>		<b>19 083</b>	<b>18 115</b>
Non-controlling interests at beginning of the year		11 643	11 697
Previously reported		11 776	11 729
Adjustment due to the initial application of IFRS 16 (2019: IFRS 9 and IFRS 15)		(133)	(32)
Total comprehensive income		663	379
Issue of shares		20	433
Share-based payment costs – employees		48	39
Subsidiaries acquired	3	66	25
Subsidiaries deconsolidated/sold		(2)	(106)
Transactions with non-controlling interests		(142)	(191)
Dividends paid		(453)	(500)
<b>Non-controlling interests at end of the year</b>		<b>11 843</b>	<b>11 776</b>
<b>Total equity</b>		<b>30 926</b>	<b>29 891</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Notes	2020 Own balances Rm	2020 Client- related balances Rm	2020 Total Rm	2019* Own balances Rm	2019* Client- related balances Rm	2019* Total Rm
<b>Net cash flow from operating activities</b>							
Cash generated from/ (utilised by) operations	2	2 184	(1 922)	262	1 726	(1 863)	(137)
Interest received		352	1 360	1 712	439	1 335	1 774
Dividends received		985	643	1 628	922	476	1 398
Continuing operations		796	643	1 439	709	476	1 185
Discontinued operation		189		189	213		213
Finance costs paid		(840)		(840)	(668)		(668)
Taxation paid		(483)	(7)	(490)	(693)		(693)
<b>Net cash flow from operating activities</b>		<b>2 198</b>	<b>74</b>	<b>2 272</b>	<b>1 726</b>	<b>(52)</b>	<b>1 674</b>
<b>Net cash flow from investing activities</b>		<b>(1 461)</b>	<b>–</b>	<b>(1 461)</b>	<b>(963)</b>	<b>(23)</b>	<b>(986)</b>
Cash flow from subsidiaries/ businesses acquired	3	(235)		(235)	(852)		(852)
Cash flow from subsidiaries deconsolidated/sold		54		54	(59)		(59)
Cash flow from first-time consolidation of mutual fund				–		10	10
Cash flow from deconsolidation of mutual funds				–		(33)	(33)
Acquisition of ordinary shares in associates and joint ventures		(515)		(515)	(402)		(402)
Acquisition of property, plant and equipment		(1 672)		(1 672)	(1 451)		(1 451)
Other investing activities		907		907	1 801		1 801
<b>Net cash flow from financing activities</b>		<b>(800)</b>	<b>(100)</b>	<b>(900)</b>	<b>(983)</b>	<b>–</b>	<b>(983)</b>
Dividends paid to:							
PSG Group shareholders		(1 021)		(1 021)	(929)		(929)
Non-controlling interests		(453)		(453)	(500)		(500)
Borrowings drawn		3 165		3 165	1 508		1 508
Borrowings repaid		(2 057)	(100)	(2 157)	(1 274)		(1 274)
Other financing activities		(434)		(434)	212		212
<b>Net decrease in cash and cash equivalents</b>		<b>(63)</b>	<b>(26)</b>	<b>(89)</b>	<b>(220)</b>	<b>(75)</b>	<b>(295)</b>
Exchange (losses)/gains on cash and cash equivalents		(21)		(21)	7		7
Cash and cash equivalents at beginning of the year		425	280	705	638	355	993
<b>Cash and cash equivalents at end of the year</b>		<b>341</b>	<b>254</b>	<b>595</b>	<b>425</b>	<b>280</b>	<b>705</b>

\* Re-presented for the discontinued operation detailed in note 5.

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

for the year ended 29 February 2020

It is important to note that the treasury functions of PSG Group and each of its subsidiaries operate on a decentralised basis and thus independent from one another. All available cash held at a PSG Group-level was invested in the PSG Money Market Fund, while some of the available cash held at a subsidiary-level was also invested in the PSG Money Market Fund. Available cash held at a PSG Group-level and invested in the PSG Money Market Fund amounted to R186m (2019: R323m) at the reporting date.

As a result of the group's consolidation of the PSG Money Market Fund, the cash invested therein is derecognised and all of the fund's underlying highly-liquid debt securities are recognised on the summary consolidated statement of financial position. Third parties' cash invested in the PSG Money Market Fund is recognised as a payable and included under "third-party liabilities arising on consolidation of mutual funds".

The table below reconciles the cash and cash equivalents reported per the summary consolidated statement of financial position to that reported per the summary consolidated statement of cash flows. It furthermore also reconciles such balances to the liquid cash resources at both a PSG Group- and subsidiary-level.

	2020			2019		
	Own balances Rm	Client-related balances Rm	Total Rm	Own balances Rm	Client-related balances Rm	Total Rm
Cash and cash equivalents (per the summary consolidated statement of financial position)	1 723	254	1 977	1 552	280	1 832
Bank overdrafts (included in "borrowings" per the summary consolidated statement of financial position)	(1 382)		(1 382)	(1 127)		(1 127)
Cash and cash equivalents (per the summary consolidated statement of cash flows)	341	254	595	425	280	705
Debt securities (per the summary consolidated statement of financial position)	1 847	4 365	6 212	1 873	4 390	6 263
<b>Liquid cash resources</b>	<b>2 188</b>	<b>4 619</b>	<b>6 807</b>	<b>2 298</b>	<b>4 670</b>	<b>6 968</b>
PSG Group-level (invested in the PSG Money Market Fund)	186			323		
Subsidiary-level cash and cash equivalents	3 384			3 102		
Subsidiary-level bank overdrafts	(1 382)			(1 127)		

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

	Continuing operations Rm	2020 Discontinued operation Rm	Total Rm	Continuing operations Rm	2019 Discontinued operation Rm	Total Rm
	<b>1. Headline earnings, dividend and net asset value per share</b>					
Profit for the year attributable to owners of the parent	2 112	350	2 462	2 051	(125)	1 926
Non-headline items	347	(226)	121	11	257	268
Gross amounts	607	(512)	95	73	586	659
Loss on/(reversal of) impairment of associate	323	(617)	(294)	59	617	676
Net (profit)/loss on sale/dilution of interest in associates	(130)	86	(44)	(6)	(14)	(20)
Profit from subsidiaries sold/deconsolidated	(58)		(58)	(8)		(8)
Fair value gain on step-up from associate to subsidiary	(4)		(4)	(2)		(2)
Net loss on sale/impairment of intangible assets (including goodwill)	294		294	120		120
Net loss/(profit) on sale/impairment of property, plant and equipment	209		209	(1)		(1)
Loss on impairment of biological assets	2		2			
Non-headline items of associates and joint ventures	(75)	19	(56)	(64)	(17)	(81)
Bargain purchase gain				(25)		(25)
Impairment of assets held for sale	46		46			
Non-controlling interests	(309)	286	(23)	(61)	(329)	(390)
Taxation	49		49	(1)		(1)
<b>Headline earnings</b>	<b>2 459</b>	<b>124</b>	<b>2 583</b>	<b>2 062</b>	<b>132</b>	<b>2 194</b>

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 1. Headline earnings, dividend and net asset value per share (continued)

	Change %	2020	2019
<b>Earnings per share (R)</b>			
Recurring	18	<b>12,81</b>	10,86
Headline	17	<b>11,84</b>	10,11
Continuing operations	19	<b>11,27</b>	9,50
Discontinued operation	(7)	<b>0,57</b>	0,61
Attributable	27	<b>11,29</b>	8,88
Continuing operations	3	<b>9,69</b>	9,45
Discontinued operation	n/a	<b>1,60</b>	(0,57)
Diluted headline	18	<b>11,81</b>	9,99
Continuing operations	19	<b>11,24</b>	9,42
Discontinued operation	-	<b>0,57</b>	0,57
Diluted attributable	29	<b>11,26</b>	8,76
Continuing operations	3	<b>9,66</b>	9,36
Discontinued operation	n/a	<b>1,60</b>	(0,60)
<b>Dividend per share (R)</b>			
Interim	8	<b>1,64</b>	1,52
Final	(75)	<b>0,75</b>	3,04
<b>Net asset/tangible asset value per share (R)</b>			
Net asset value per share		<b>87,49</b>	83,06
Net tangible asset value per share		<b>66,94</b>	62,24
<b>Number of shares (m)</b>			
In issue		<b>232,2</b>	232,1
In issue (net of treasury shares)		<b>218,1</b>	218,1
Weighted average		<b>218,1</b>	217,0
Diluted weighted average		<b>218,2</b>	217,7

	2020			2019		
	Own balances Rm	Client-related balances Rm	Total Rm	Own balances Rm	Client-related balances Rm	Total Rm
<b>2. Cash generated from/ (utilised by) operations</b>						
Profit before taxation	<b>3 054</b>	<b>34</b>	<b>3 088</b>	3 090	12	3 102
Share of profits of associates and joint ventures	<b>(2 307)</b>		<b>(2 307)</b>	(2 042)		(2 042)
Depreciation and amortisation	<b>836</b>		<b>836</b>	582		582
Investment income	<b>(427)</b>	<b>(1 964)</b>	<b>(2 391)</b>	(492)	(1 810)	(2 302)
Finance costs	<b>889</b>		<b>889</b>	676		676
Working capital changes and other non-cash items	<b>139</b>	<b>8</b>	<b>147</b>	(88)	(65)	(153)
<b>Cash generated from/ (utilised by) operations</b>	<b>2 184</b>	<b>(1 922)</b>	<b>262</b>	1 726	(1 863)	(137)

## 3. Subsidiaries acquired

The group's subsidiaries acquired during the year under review included:

### GAP Chemicals (Pty) Ltd ("GAP")

During September 2019, the group, through Zaad Holdings Ltd ("Zaad"), being a subsidiary of Zeder Investments Ltd ("Zeder"), increased its interest in GAP from 49,7% to 100% for a cash consideration of R110m (of which R35m was deferred and remains outstanding). GAP is involved in the agricultural chemicals sector throughout Africa, offering complementary services to Zaad's existing operations and as a result goodwill of R89m arose in respect of expected synergies.

### Farm-Ag International ("Farm-Ag")

During September 2019, the group, through Zaad, being a subsidiary of Zeder, increased its interest in Farm-Ag from 50% to 100% for a cash consideration of R31m (of which R16m was deferred and remains outstanding). Farm-Ag is involved in the agricultural chemicals sector throughout Africa, offering complementary services to Zaad's existing operations and as a result goodwill of R11m arose in respect of expected synergies.

The expected synergies associated with the aforementioned business combinations include, inter alia, broadening the Zaad group's product range, cross selling a wider range of chemical products to existing clients of the Zaad group and vice versa, with both acquirees having a strong footprint in Africa which will allow Zaad to expand into new markets, as well as improved utilisation of the Zaad group's existing distribution network.

The amounts of identifiable net assets of subsidiaries acquired, as well as goodwill and non-controlling interests recognised from business combinations during the year under review, can be summarised as follows:

	GAP Rm	Farm-Ag Rm	Other Rm	Total Rm
Identifiable net assets acquired	<b>122</b>	<b>121</b>	<b>22</b>	<b>265</b>
Goodwill recognised	<b>89</b>	<b>11</b>	<b>54</b>	<b>154</b>
Non-controlling interests recognised (indirect)		<b>(66)</b>		<b>(66)</b>
Derecognition of investment in associate/joint venture at fair value	<b>(101)</b>	<b>(35)</b>	<b>(4)</b>	<b>(140)</b>
Total consideration	<b>110</b>	<b>31</b>	<b>72</b>	<b>213</b>
Deferred consideration	<b>(35)</b>	<b>(16)</b>	<b>(5)</b>	<b>(56)</b>
Contingent consideration			<b>(4)</b>	<b>(4)</b>
Cash consideration paid	<b>75</b>	<b>15</b>	<b>63</b>	<b>153</b>
Cash consideration paid	<b>(75)</b>	<b>(15)</b>	<b>(63)</b>	<b>(153)</b>
Cash and cash equivalents acquired	<b>(142)</b>	<b>55</b>	<b>5</b>	<b>(82)</b>
<b>Cash flow from subsidiaries acquired</b>	<b>(217)</b>	<b>40</b>	<b>(58)</b>	<b>(235)</b>

Transaction costs relating to aforementioned business combinations were insignificant and expensed in the summary consolidated income statement.

The aforementioned business combinations' accounting have been finalised and do not contain any significant contingent consideration or indemnification asset arrangements. Non-controlling interests were measured with reference to their proportionate share of the identifiable net assets acquired.

Had the aforementioned business combinations been accounted for with effect from 1 March 2019, instead of their respective acquisition dates, the summary consolidated income statement would have reflected additional revenue and profit for the year of approximately R698m and Rnil, respectively.

Receivables of R563m are included in the identifiable net assets acquired, which are all considered to be recoverable. The fair value of these receivables consequently approximates its carrying value.

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 4. Capital commitments

The group's most significant capital commitments relate to Curro Holdings Ltd's ("Curro") plans to invest approximately R0,8bn in growth and development projects during the 2020 calendar year.

## 5. Events subsequent to the reporting date and assets held for sale

Apart from i) the declaration and payment of PSG Group's final dividend of 75 cents per share for the year ended 29 February 2020, ii) the major corporate action as detailed in the *Review of Operations* on page 14 and below, and iii) the impact of the COVID-19 pandemic as detailed in the *Letter to Shareholders* on page 6, no material event has occurred between the reporting date and the date of approval of this annual report.

During the year under review, PepsiCo made an offer to the Pioneer Foods ordinary shareholders to acquire all issued ordinary shares in Pioneer Foods for a cash consideration of R110 per share. As at 29 February 2020, Zeder reclassified its investment in Pioneer Foods, an associate with a carrying value of R5,1bn, in accordance with IFRS 5 to an asset held for sale. During March 2020, the Competition Tribunal approved the transaction and all other suspensive conditions were met and Zeder's disposal of its interest in Pioneer Foods was implemented. Upon receipt of the R6,4bn cash proceeds, Zeder declared a special dividend of R2,30 per share. PSG Group consequently received a special dividend from Zeder of R1,7bn on 28 April 2020.

With Pioneer Foods being a significant associate of the group, it was classified as a discontinued operation in accordance with IFRS 5 and its contribution to the summary consolidated financial statements was re-presented throughout as a discontinued operation. Comparative figures were re-presented accordingly.

	2020 Rm	2019 Rm
<b>6. Revenue earned from commission, school, net insurance and other fee income</b>		
Commission, brokerage and advisory	4 668	3 917
Management and performance fees	1 135	1 143
School, tuition and other education-related fees	3 961	3 242
Net insurance premiums	1 097	937
	<b>10 861</b>	9 239

## 7. Financial instruments

### 7.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

These summary consolidated financial statements do not include all financial risk management information and disclosures set out in the consolidated annual financial statements, and therefore they should be read in conjunction with the consolidated annual financial statements for the year ended 29 February 2020. Risk management continues to be carried out by each entity within the group under policies approved by the respective boards of directors.

### 7.2 Fair value estimation

The information below analyses financial assets and liabilities, which are carried at fair value, by level of hierarchy as required by IFRS 13. The different levels in the hierarchy are defined below:

Level 1: quoted prices (unadjusted) in active markets.

Level 2: input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: input for the asset or liability that is not based on observable market data (that is, unobservable input).

## 7. Financial instruments (continued)

### 7.2 Fair value estimation (continued)

The carrying value of financial assets and liabilities carried at amortised cost approximates their fair value, while those measured at fair value can be summarised as follows:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>29 February 2020</b>				
<b>Assets</b>				
Unit-linked investments		50 104	300	50 404
Equity securities	2 572	2	46	2 620
Debt securities	867	5 345		6 212
Investment in investment contracts		16		16
Derivative financial assets		24		24
Assets held for sale	7			7
Closing balance	<b>3 446</b>	<b>55 491</b>	<b>346</b>	<b>59 283</b>
Own balances	<b>379</b>	<b>2 258</b>	<b>64</b>	<b>2 701</b>
Client-related balances	<b>3 067</b>	<b>53 233</b>	<b>282</b>	<b>56 582</b>
<b>Liabilities</b>				
Investment contract liabilities		26 412	282	26 694
Third-party liabilities arising on consolidation of mutual funds		29 999		29 999
Derivative financial liabilities		94	23	117
Trade and other payables			108	108
Closing balance	<b>–</b>	<b>56 505</b>	<b>413</b>	<b>56 918</b>
Own balances		<b>64</b>	<b>131</b>	<b>195</b>
Client-related balances		<b>56 441</b>	<b>282</b>	<b>56 723</b>

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

### 7. Financial instruments (continued)

#### 7.2 Fair value estimation (continued)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>28 February 2019</b>				
<b>Assets</b>				
Unit-linked investments		46 040	455	46 495
Equity securities	2 822	143	31	2 996
Debt securities	876	5 320		6 196
Investment in investment contracts		16		16
Derivative financial assets		33		33
Closing balance	3 698	51 552	486	55 736
Own balances	485	2 719	59	3 263
Client-related balances	3 213	48 833	427	52 473
<b>Liabilities</b>				
Investment contract liabilities		25 439	435	25 874
Third-party liabilities arising on consolidation of mutual funds		26 715		26 715
Derivative financial liabilities		53	25	78
Trade and other payables			159	159
Closing balance	–	52 207	619	52 826
Own balances		39	184	223
Client-related balances		52 168	435	52 603

### 7. Financial instruments (continued)

#### 7.2 Fair value estimation (continued)

The following table presents changes in level 3 financial instruments during the respective years:

	2020		2019	
	Assets Rm	Liabilities Rm	Assets Rm	Liabilities Rm
Opening balance	486	619	1 398	782
Additions	128	157	230	312
Disposals	(312)	(377)	(1 700)	(627)
Fair value adjustments	45	15	504	35
Other movements	(1)	(1)	54	117
Closing balance	346	413	486	619

There have been no significant transfers between level 1, 2 or 3 during the year under review, nor were there any significant changes to the valuation techniques and inputs used to determine fair values. Valuation techniques and main inputs used to determine fair value for financial instruments classified as level 2 can be summarised as follows:

Instrument	Valuation technique	Main inputs
Unit-linked investments	Quoted exit price provided by the fund manager	Not applicable – daily prices are publicly available
Equity securities	Valuation model that uses market inputs	Price-earnings multiples
Debt securities	Valuation model that uses market inputs	Bond interest rate curves, issuer credit ratings and liquidity spreads
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Derivative financial assets and liabilities	Exit price on recognised over-the-counter platforms	Not applicable
Investment contract liabilities	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party liabilities arising on consolidation of mutual funds	Quoted exit price provided by the fund manager	Not applicable – daily prices are publicly available

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 8. Segment report

The group's classification into seven reportable segments, namely Capitec, PSG Konsult, PSG Alpha, Zeder, Curro, Dipeo and PSG Corporate, remains unchanged and these segments represent the major investments of the group. The products and services offered by the respective segments are detailed in the *Review of Operations* on page 14. All segments operate predominantly in South Africa. However, the group has exposure to operations outside South Africa through, inter alia, PSG Alpha's investment in CA Sales, through Zeder's investments in The Logistics Group, Capespan, Zaad and Agrivision Africa, and through Curro.

*Recurring earnings* is the sum of its effective interest in that of each of its underlying investments. The result is that investments in which PSG Group holds less than 20% and are generally not equity accountable in terms of accounting standards, are equity accounted for the purpose of calculating consolidated *recurring earnings*. *Non-recurring earnings* include, inter alia, once-off gains and losses and marked-to-market fluctuations, as well as the resulting taxation charge on these items.

*Sum-of-the-parts ("SOTP") value* is a key valuation tool used to measure PSG Group's performance. In determining *SOTP value*, listed assets and liabilities are valued using quoted market prices, whereas unlisted assets and liabilities are valued using appropriate internal valuation methods. These values will not necessarily correspond with the values per the summary consolidated statement of financial position since the latter are measured using the relevant accounting standards which include historical cost and the equity method of accounting.

Approximately 98% of PSG Group's *SOTP value* is calculated using listed share prices (i.e. level 1, if it was to be classified by level of fair value hierarchy according to IFRS 13), while the remaining 2% unlisted assets and liabilities are valued using appropriate internal valuation methods including EBITDA-multiples (for say Energy Partners) and with reference to external property valuations (for say Evergreen), with cash, loans receivable and unlisted debt being included at their respective IFRS carrying values.

The chief operating decision-maker (the PSG Group Executive Committee) evaluates the following information to assess the segments' performance:

	Revenue (own balances) Rm	Recurring earnings (segment profit)* Rm	Non- recurring earnings* Rm	Headline earnings* Rm	SOTP value Rm
<b>29 February 2020</b>					
Capitec		1 927		1 927	46 130
PSG Konsult	4 954	389		389	6 399
PSG Alpha	9 245	270	(164)	106	3 618
Zeder	7 543	246	(65)	181	3 173
Curro	2 980	117	23	140	2 604
Dipeo	18	(36)	(1)	(37)	
PSG Corporate	93	(29)		(29)	
Funding and other	32	(90)	(4)	(94)	(1 604)
<b>Total</b>	<b>24 865</b>	<b>2 794</b>	<b>(211)</b>	<b>2 583</b>	<b>60 320</b>
Revenue from contracts with customers					
Revenue from sale of goods	13 502				
Revenue earned from commission, school, net insurance and other fee income	10 936				
Investment income	427				
Non-headline items				(121)	
Earnings attributable to non-controlling interests				896	
Taxation				525	
<b>Profit before taxation</b>				<b>3 883</b>	
Profit before taxation from continuing operations				3 088	
Profit for the year from discontinued operation				795	

## 8. Segment report (continued)

	Revenue (own balances) Rm	Recurring earnings (segment profit)* Rm	Non- recurring earnings* Rm	Headline earnings* Rm	SOTP value Rm
<b>28 February 2019</b>					
Capitec		1 625		1 625	46 351
PSG Konsult	4 480	361	8	369	8 700
PSG Alpha	7 958	216	(59)	157	4 712
Zeder	7 731	207	130	337	3 166
Curro	2 549	137		137	5 714
Dipeo	17	(29)	(246)	(275)	
PSG Corporate	71	(45)		(45)	
Funding and other	56	(115)	4	(111)	(685)
<b>Total</b>	<b>22 862</b>	<b>2 357</b>	<b>(163)</b>	<b>2 194</b>	<b>67 958</b>
Revenue from contracts with customers					
Revenue from sale of goods	13 041				
Revenue earned from commission, school, net insurance and other fee income	9 329				
Investment income	492				
Non-headline items				(268)	
Earnings attributable to non-controlling interests				415	
Taxation				476	
<b>Profit before taxation</b>				<b>2 817</b>	
Profit before taxation from continuing operations				3 102	
Loss for the year from discontinued operation				(285)	

\* Reported net of non-controlling interests.

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

for the year ended 29 February 2020

### 9. Ordinary shareholder analysis

Unaudited	Shareholders		Shares held	
	Number	%	Number	%
<b>Range of shareholding</b>				
1 – 500	17 882	67,2	3 284 527	1,5
501 – 1 000	3 464	13,0	2 588 771	1,2
1 001 – 5 000	3 689	13,9	8 107 255	3,7
5 001 – 10 000	589	2,2	4 208 765	1,9
10 001 – 50 000	696	2,6	14 429 227	6,6
50 001 – 100 000	115	0,4	8 093 080	3,7
100 001 – 500 000	132	0,5	28 310 830	13,0
500 001 – 1 000 000	27	0,1	18 362 397	8,4
Over 1 000 000	34	0,1	130 824 632	60,0
	<b>26 628</b>	<b>100,0</b>	<b>218 209 484</b>	<b>100,0</b>
Treasury shares				
Shares held by employee share scheme	1		45 000	
Shares held by PSG Financial Services (a wholly-owned subsidiary)	1		13 908 770	
	<b>26 630</b>		<b>232 163 254</b>	
<b>Non-public and public shareholding</b>				
Non-public (directors)*	8		14 070 776	6,4
Public	26 620	100,0	204 138 708	93,6
	<b>26 628</b>	<b>100,0</b>	<b>218 209 484</b>	<b>100,0</b>
<b>Individual shareholders (excluding directors) holding 5% or more of shares in issue (net of treasury shares) as at 29 February 2020</b>				
JF Mouton Familietrust and its subsidiaries (including effective interest held through a joint venture)			42 269 481	19,4
Public Investment Corporation (including Government Employees Pension Fund)			25 259 236	11,6
			<b>67 528 717</b>	<b>31,0</b>

\* Refer to the directors' report for further details of directors' holdings.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting of shareholders of PSG Group Ltd ("PSG Group" or "the Company") to be held at 11:00 on Friday, 17 July 2020 ("the AGM").

As a result of the impact of the COVID-19 pandemic and the restrictions placed on public gatherings, the AGM will be conducted entirely by electronic participation as contemplated in section 63(2)(a) of the Companies Act, 2008 (Act No. 71 of 2008) ("Companies Act").

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretary of the Company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 5 June 2020.

The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at the AGM is Friday, 10 July 2020, with the last day to trade being Tuesday, 7 July 2020.

### Participation process

	Certificated shareholders & own-name dematerialised shareholders	Dematerialised shareholders (excluding own-name dematerialised shareholders)
Shareholders who wish to vote, but not attend the AGM	<ul style="list-style-type: none"> <li>Complete the form of proxy attached to this notice of the AGM and email same, together with proof of identification (i.e. South African ("SA") identity document, SA driver's license or passport) and authority to do so (where acting in a representative capacity), to the transfer secretary, Computershare Investor Services (Pty) Ltd ("transfer secretary"), at <a href="mailto:proxy@computershare.co.za">proxy@computershare.co.za</a> so as to be received by the transfer secretary by no later than 11:00 on Wednesday, 15 July 2020, provided that any form of proxy not delivered to the transfer secretary by this time and date may be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM, provided that such form of proxy and identification must be verified and registered before the commencement of the AGM.</li> </ul>	<ul style="list-style-type: none"> <li>Provide your central securities depository participant ("CSDP") or broker with your voting instructions in terms of the custody agreement entered into between you and your CSDP or broker.</li> <li>You should contact your CSDP or broker regarding the cut-off time for submitting your voting instructions to them.</li> <li>If your broker or CSDP does not receive voting instructions from you, it will be obliged to vote in accordance with the instructions in the custody agreement.</li> </ul>

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

	Certificated shareholders & own-name dematerialised shareholders	Dematerialised shareholders (excluding own-name dematerialised shareholders)
Shareholders who wish to attend and vote at the AGM	<ul style="list-style-type: none"> <li>Register online at <a href="http://www.smartagm.co.za">www.smartagm.co.za</a> by no later than 11:00 on Wednesday, 15 July 2020. Shareholders may still register online to participate in and/or vote electronically at the AGM after this date and time, provided, however, that for those shareholders to participate and/or vote electronically at the AGM, they must be verified and registered before the commencement of the AGM.</li> <li>As part of the registration process you will be requested to upload proof of identification (i.e. SA identity document, SA driver's license or passport) and authority to do so (where acting in a representative capacity), as well as to provide details, such as your name, surname, email address and contact number.</li> <li>Following successful registration, the transfer secretary will provide you with a meeting ID number, username and password in order to connect electronically to the AGM.</li> <li>Participate in the AGM through the Lumi app or website by following the steps set out at <a href="http://www.smartagm.co.za">www.smartagm.co.za</a>. The Lumi app can be downloaded from the Apple App Store or Google Play Store.</li> </ul>	<ul style="list-style-type: none"> <li>Request your CSDP or broker to provide you or your proxy with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between you and your CSDP or broker.</li> <li>Register online at <a href="http://www.smartagm.co.za">www.smartagm.co.za</a> by no later than 11:00 on Wednesday, 15 July 2020. Shareholders may still register online to participate in and/or vote electronically at the AGM after this date and time, provided, however, that for those shareholders to participate and/or vote electronically at the AGM, they must be verified and registered before the commencement of the AGM.</li> <li>As part of the registration process you will be requested to upload your letter of representation and proof of identification (e.g. SA identity document, SA driver's license or passport), as well as to provide details, such as your name, surname, email address and contact number.</li> <li>Following successful registration, the transfer secretary will provide you with a meeting ID number, username and password in order to connect electronically to the AGM.</li> <li>Participate in the AGM through the Lumi app or website by following the steps set out at <a href="http://www.smartagm.co.za">www.smartagm.co.za</a>. The Lumi app can be downloaded from the Apple App Store or Google Play Store.</li> </ul>
1.	Each PSG Group shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to participate, speak and vote in their stead at the AGM.	
2.	Voting will take place by way of a poll and accordingly each shareholder will have one vote in respect of each share held.	
3.	The cost (e.g. mobile data consumption or internet connectivity) of electronic participation in the AGM will be carried by the participant.	
4.	The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the Company and its directors/employees/company secretary/transfer secretary/service providers against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company or its directors/employees/company secretary/transfer secretary/service providers, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM.	

### Purpose of the AGM

The purpose of the AGM is to transact the business set out in the agenda below.

### Agenda of the AGM

- Presentation of the audited annual financial statements of the Company, including the remuneration report and the reports of the directors and the audit and risk committee for the year ended 29 February 2020. The annual report, of which this notice forms part, contains the summary consolidated financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on PSG Group's website at [www.psggroup.co.za](http://www.psggroup.co.za), and electronic copies may be requested and obtained, at no charge, from the company secretary at [cosec@psggroup.co.za](mailto:cosec@psggroup.co.za).
- To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

#### Note:

*For ordinary resolutions numbers 1 to 10 (inclusive) to be adopted, more than 50% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof. For ordinary resolution number 11 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.*

### 1. Retirement and re-election of directors

#### 1.1 Ordinary resolution number 1

"Resolved that Mr PE Burton, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

While Mr PE Burton has served on PSG Group's board for the past 19 years, the board is satisfied that he remains independent.

#### Summary curriculum vitae of Mr PE (Patrick) Burton

Patrick graduated with a BCom (Hons) Financial Management degree and postgraduate Diploma in Tax Law. He is a founding director of Siphumelele Investments, a black economic empowerment company, and currently serves on the boards of various companies as a non-executive director.

#### 1.2 Ordinary resolution number 2

"Resolved that Ms B Mathews, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director."

#### Summary curriculum vitae of Ms B (Bridgitte) Mathews

Bridgitte is a Chartered Accountant (SA) and currently serves on the boards of various companies as a non-executive director. She has been a member of the African Women Chartered Accountants since 2007 and a member of the Institute of Directors in South Africa since 2011.

#### 1.3 Ordinary resolution number 3

"Resolved that Mr JJ Mouton, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director."

#### Summary curriculum vitae of Mr JJ (Jan) Mouton

Jan holds an MPhil Finance degree from the University of Cambridge, BAcc (cum laude) and BAcc (Hons) degrees from the University of Stellenbosch, and is a Chartered Accountant (SA). He previously managed the PSG Flexible Fund for 11 years until 29 February 2016 and subsequently he is managing the investment portfolios of a family office.

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the Company, the JSE Ltd ("JSE") Listings Requirements ("Listings Requirements") and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

### 2. Re-appointment of the members of the audit and risk committee of the Company

Note:

For avoidance of doubt, all references to the audit and risk committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

#### 2.1 Ordinary resolution number 4

"Resolved that Mr PE Burton, subject to the approval of ordinary resolution number 1, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

While Mr PE Burton has served on PSG Group's board for the past 19 years, the board is satisfied that he remains independent.

A summary of Patrick's curriculum vitae has been included in paragraph 1.1 above.

#### 2.2 Ordinary resolution number 5

"Resolved that Ms AM Hlobo, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

##### Summary curriculum vitae of Ms AM (Modi) Hlobo

Modi is a Chartered Accountant (SA) and holds an MCom (Finance) degree. Modi has served as a director and audit and risk committee member of numerous public-sector and listed companies. She is currently a senior lecturer at the University of Johannesburg's School of Accounting.

#### 2.3 Ordinary resolution number 6

"Resolved that Ms B Mathews, subject to the approval of ordinary resolution number 2, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary of Bridgitte's curriculum vitae has been included in paragraph 1.2 above.

#### 2.4 Ordinary resolution number 7

"Resolved that Mr CA Otto, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company until the next annual general meeting of the Company."

While Mr CA Otto has served on PSG Group's board for the past 24 years, the board is satisfied that he remains independent.

##### Summary curriculum vitae of Mr CA (Chris) Otto

Chris graduated BCom LLB from Stellenbosch University and is a founding director of PSG Group, Capitec Bank Holdings Ltd and Zeder Investments Ltd. He also serves on the boards of various other listed and unlisted companies. Since his appointment as PSG Group director in 1995, he has attended all board meetings without fail.

The reason for ordinary resolutions numbers 4 to 7 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of such company.

### 3. Re-appointment of auditor

#### Ordinary resolution number 8

"Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the Company for the ensuing financial year or until the next annual general meeting of the Company, whichever is the later, with the designated auditor being Mr B Deegan, as registered auditor and partner in the firm, on the recommendation of the audit and risk committee of the Company."

The reason for ordinary resolution number 8 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, at each annual general meeting of the Company, as required by the Companies Act and the JSE Listings Requirements.

### 4. Non-binding advisory vote on PSG Group's remuneration policy

#### Ordinary resolution number 9

"Resolved that the Company's remuneration policy, as set out on pages 45 to 50 of the annual report to which this notice of annual general meeting is annexed, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 9 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 9, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

### 5. Non-binding advisory vote on PSG Group's implementation report on the remuneration policy

#### Ordinary resolution number 10

"Resolved that the Company's implementation report in respect of its remuneration policy, as set out on pages 51 to 62 of the annual report to which this notice of annual general meeting is annexed, be and is hereby endorsed by way of a non-binding vote."

The reason for ordinary resolution number 10 is that King IV™ recommends, and the JSE Listing Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 10, if passed, will be to endorse the Company's implementation report in respect of its remuneration policy. Ordinary resolution number 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

Should 25% or more of the votes exercised in respect of ordinary resolution number 9 or ordinary resolution number 10 be against either resolution, or both resolutions, the Company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the Company.

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

### 6. General authority to issue ordinary shares for cash

#### Ordinary resolution number 11

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash under this authority may not exceed, in the aggregate, 5% of the Company's issued share capital (number of securities) of that class as at the date of this notice of annual general meeting, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, shares issued in connection with the PSG Group Ltd Supplementary Share Incentive Trust ("the trust") or options granted by the trust in accordance with the JSE Listings Requirements shall not diminish the number of ordinary shares that comprise the 5% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of annual general meeting, 5% of the Company's issued ordinary share capital (net of treasury shares) amounts to 10 910 474 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service of the JSE."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in connection with duly approved share incentive schemes), it is necessary for the board of the company to obtain prior authority from shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 11 is to obtain such general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

- To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:

*For special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.*

### 7. Remuneration of non-executive directors

#### Special resolution number 1

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services as directors, which includes serving on various sub-committees and to make payment of the amounts set out below (plus any value-added tax, to the extent applicable), provided that this authority will be valid until the next annual general meeting of the Company:

	Annual fee (excluding value-added tax) Feb 2021 R
PSG Group Board	
Chairman	650 000
Member	266 250
PSG Group Audit and Risk Committee	
Chairman	186 375
Member	159 750
PSG Group Remuneration Committee	
Chairman	79 875
Member	53 250
PSG Group Social and Ethics Committee	
Chairman	31 950
Member	21 300

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1, if passed, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

### 8. Inter-company financial assistance

#### 8.1 Special resolution number 2: Inter-company financial assistance

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related ("related" and "inter-related" will herein have the meanings attributed to such terms in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect, if passed, of special resolution number 2 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

### 8.2 Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit to any person, including any company or corporation that is related or inter-related to the Company ("related" and "inter-related" will herein have the meanings attributed to such terms in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or in any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the board of the Company may determine for the purpose of, or in connection with the, subscription for any option, or any shares or other securities, issued or to be issued by the Company or by a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or of a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect, if passed, of special resolution number 3 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any person, including any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a wholly-owned subsidiary raises funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its wholly-owned subsidiary to the third-party funder arising from the issue of the preference shares.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolutions numbers 2 and 3 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company); and
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

In addition, the board will only approve the provision of any financial assistance contemplated in special resolutions numbers 2 and 3 above, where:

- the board is satisfied that the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

### 9. Special resolution number 4: Share repurchases by PSG Group and its subsidiaries

"Resolved, as a special resolution, that the Company and its subsidiaries be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements, including, inter alia, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the repurchase, that the Company and its subsidiaries ("the Group") have satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market price of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period, as defined in terms of the JSE Listings Requirements, unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third-party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect, if passed, of special resolution number 4 is to grant the directors a general authority in terms of the Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of any class of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

### 10. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

#### Information relating to the special resolutions

- The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:
  - the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of the AGM and for a period of 12 months after the repurchase;
  - the consolidated assets of the Group (fairly valued) will at the time of the AGM and at the time of making such determination, and for a period of 12 months thereafter, be in excess of the consolidated liabilities of the Group (fairly valued);
  - the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase; and
  - the working capital available to the Group after the repurchase will be sufficient for the Group's ordinary business purposes for a period of 12 months after the date of the notice of the AGM and for a period of 12 months after the date of the share repurchase.

General information in respect of major shareholders, material changes and the share capital of the Company is contained in the annual report of which this notice forms part, as well as the full set of annual financial statements, being available on PSG Group's website at [www.psggroup.co.za](http://www.psggroup.co.za) or which may be requested and obtained, at no charge, from the company secretary at [cosec@psggroup.co.za](mailto:cosec@psggroup.co.za).

- The directors, whose names appear on pages 4 and 5 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of annual general meeting contains all information required by law and the JSE Listings Requirements.
- Special resolutions numbers 1, 2, 3 and 4 are renewals of resolutions taken at the previous annual general meeting held on 26 July 2019.

By order of the board



**PSG Corporate Services (Pty) Ltd**  
Per A Rossouw  
Company Secretary

Stellenbosch  
10 June 2020

## FORM OF PROXY



PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 1970/008484/06)  
JSE share code: PSG ISIN code: ZAE000013017  
LEI code: 378900CD0BEE79F35A34  
("PSG Group" or "the Company")

### FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALIZED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the Company to be held entirely by electronic means, at 11:00 on Friday, 17 July 2020 ("the AGM").

I/We (full name in print) \_\_\_\_\_

of (address) \_\_\_\_\_

being the registered holder of \_\_\_\_\_ ordinary shares hereby appoint:

- \_\_\_\_\_ or failing him/her,
- \_\_\_\_\_ or failing him/her,
- the chairman of the AGM,

as my/our proxy to attend, speak and vote on my/our behalf at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see notes):

		Number of shares		
		In favour	Against	Abstain
1.1	Ordinary resolution number 1: To re-elect Mr PE Burton as director			
1.2	Ordinary resolution number 2: To re-elect Ms B Mathews as director			
1.3	Ordinary resolution number 3: To re-elect Mr JJ Mouton as director			
2.1	Ordinary resolution number 4: To re-appoint Mr PE Burton as a member of the audit and risk committee			
2.2	Ordinary resolution number 5: To re-appoint Ms AM Hlobo as a member of the audit and risk committee			
2.3	Ordinary resolution number 6: To re-appoint Ms B Mathews as a member of the audit and risk committee			
2.4	Ordinary resolution number 7: To re-appoint Mr CA Otto as a member of the audit and risk committee			
3.	Ordinary resolution number 8: To re-appoint PricewaterhouseCoopers Inc. as auditor			
4.	Ordinary resolution number 9: Non-binding endorsement of PSG Group's remuneration policy			
5.	Ordinary resolution number 10: Non-binding endorsement of PSG Group's implementation report on the remuneration policy			
6.	Ordinary resolution number 11: General authority to issue ordinary shares for cash			
7.	Special resolution number 1: Remuneration of non-executive directors			
8.1	Special resolution number 2: Inter-company financial assistance			
8.2	Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
9.	Special resolution number 4: Share repurchases by PSG Group and its subsidiaries			

Please indicate your voting instruction by inserting the number of shares (or a cross should you wish to vote all of your shares) in the space provided.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Signature(s) \_\_\_\_\_

Assisted by (where applicable) (state capacity and full name) \_\_\_\_\_

Each PSG Group shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to participate, speak and vote in his/her stead at the AGM.

## FORM OF PROXY (continued)

### Notes

1. A PSG Group shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A PSG Group shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she is solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and emailed, together with proof of identification and authority to do so (where acting in a representative capacity), to the transfer secretary, Computershare Investor Services (Pty) Ltd, at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) so as to be received by the transfer secretary no later than 11:00 on Wednesday, 15 July 2020, provided that any form of proxy not delivered to the transfer secretary by this time and date may be emailed to the transfer secretary (who will provide same to the chairman of the AGM) at any time prior to the AGM.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretary or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from connecting electronically to the AGM and speaking and voting by way of electronic means to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

## ADMINISTRATION

### Details of PSG Group Ltd

Registration number: 1970/008484/06  
Share code: PSG  
ISIN code: ZAE000013017  
LEI code: 378900CD0BEE79F35A34

### Company secretary and registered office

PSG Corporate Services (Pty) Ltd  
Registration number: 1996/004840/07  
First floor Ou Kollege Building  
35 Kerk Street  
Stellenbosch, 7600  
PO Box 7403  
Stellenbosch, 7599  
Telephone: +27 21 887 9602  
Email: [cosec@psggroup.co.za](mailto:cosec@psggroup.co.za)

### Transfer secretary

Computershare Investor Services (Pty) Ltd  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
Private Bag x9000  
Saxonwold, 2132

### Website address

[www.psggroup.co.za](http://www.psggroup.co.za)

### Corporate advisor and sponsor

PSG Capital  
First floor Ou Kollege Building  
35 Kerk Street  
Stellenbosch, 7600  
PO Box 7403  
Stellenbosch, 7599  
and  
Second floor, Building Three  
11 Alice lane  
Sandhurst  
Sandton, 2196  
PO Box 650957  
Benmore, 2010

### Independent sponsor

UBS South Africa (Pty) Ltd  
64 Wierda Road East  
Wierda Valley  
Johannesburg, 2196  
PO Box 652863  
Benmore, 2010

### Broker

PSG Online

### Auditor

PricewaterhouseCoopers Inc

### Principal banker

FirstRand Bank Ltd

## SHAREHOLDERS' DIARY

Financial year-end  
Profit announcement  
Annual general meeting of PSG Group Ltd  
Interim results reported for the six months ending 31 August 2020

### 2020

29 February  
23 April  
17 July  
14 October

[www.psggroup.co.za](http://www.psggroup.co.za)

