

Corporate governance

The PSG Group is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles (“King III”). Accordingly PSG Group’s corporate governance policies have in all respects been appropriately applied during the period under review. The board does not consider application of all principles contained within King III appropriate for the PSG Group. Where specific principles have not been applied, explanations for these are contained within this section.

The group’s major subsidiaries and associated companies are similarly committed having, inter alia, their own audit, risk and remuneration committees.

BOARD OF DIRECTORS

Details of PSG Group’s directors are provided on page 12 of this annual report.

The board met four times during the past year. The attendance of these meetings is set out in the table below.

PSG Group’s memorandum of incorporation requires one third of the non-executive directors of the company to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. In accordance with the company’s memorandum of incorporation, Messrs L van A Bellingan, MJ Jooste and CH Wiese retire

by rotation. Mr L van A Bellingan has, however, not offered himself for re-election.

Executive directors do not have service contracts and may not be appointed for a period exceeding five years. Where appropriate, the chief executives and executive directors of subsidiary companies have entered into service contracts with that subsidiary.

PSG Group is a financial services company with little day-to-day operations. 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, with the majority of directors being non-executive. King III recommends that the majority of non-executive directors be independent. Although only certain of the non-executive directors are independent as defined by King III, all of the non-executive directors are independent of thought and action. Having considered the matter, the board is accordingly satisfied as stated previously that its current composition ensures a balance of power and authority.

Mr JF Mouton fills the role of non-executive chairman and Mr PJ Mouton the role of CEO. Mr JF Mouton is not classified as independent in terms of King III because of his substantial indirect shareholding in PSG Group. At the next board meeting, consideration will be given to the appointment of a lead independent director.

Director	19 Apr 2010	14 Jul 2010	11 Oct 2010	15 Feb 2011
L van A Bellingan	√	√	√	√
PE Burton	√	√	√	√
ZL Combi	√	√	√	√
J de V du Toit	√	√	√	√
MM du Toit	√	√	√	√
WL Greeff	√	√	√	√
JA Holtzhausen*		√	√	√
MJ Jooste	√	√	√	X
JF Mouton (Chairman)	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√
W Theron	√	√	√	√
CH Wiese	√	√	√	√

√ Present

X Absent with apology

*Appointed with effect from 13 May 2010

The PSG Group nomination committee considers and recommends appropriate appointments of directors to the board. The final appointment of directors is a matter for the board as a whole and is conducted in a formal and transparent manner. The induction of directors is not conducted through a formal process. This has not been necessary to date as new appointees have been familiar with the group's operations and the environment in which we operate. Consideration will be given to an induction programme for future appointees.

The board does not conduct regular appraisals of its members and committees. Consideration will be given to same going forward.

As mentioned in the *Chairman's Letter*, all the directors are shareholders in the company.

The board's key roles and responsibilities are:

- Promoting the interests of stakeholders
- Formulation and approval of strategy
- Retaining effective control
- Ultimate accountability and responsibility for the performance and affairs of the company

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

EXECUTIVE COMMITTEE

The PSG executive committee ("Exco") comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (CEO), WL Greeff (financial director), JA Holtzhausen (executive), CA Otto (non-executive) and D Mellet (secretary). This committee meets regularly, at least twice a month, and is primarily responsible for the allocation and investing of the group's resources, including capital.

The major operating subsidiaries and associated companies all operate on similar principles.

REMUNERATION COMMITTEE

The remuneration committee comprises Messrs MJ Jooste (chairman), L van A Bellingan, PE Burton, MM du Toit, CH Wiese and CA Otto. Three of these members are independent non-executive directors.

The committee met once during the past year and all members were present.

Each major group subsidiary has its own remuneration committee chaired by Mr CA Otto.

This committee operates according to a board-approved charter and is primarily responsible for overseeing the remuneration and incentives of the executive directors as well as providing strategic guidance to the other remuneration committees in the group. It takes cognisance of both local and international best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.

Due to the limited number of individuals employed at a group level, disclosure of the remuneration of the three most highly paid employees who are not directors is not deemed to be appropriate as such information is sensitive to peer review and adds no value to stakeholders.

NOMINATION COMMITTEE

The nomination committee comprises Messrs MJ Jooste (chairman), L van A Bellingan, PE Burton, J de V du Toit, MM du Toit, CH Wiese and CA Otto, being non-executive directors, with the majority being independent. The committee met once during the past year and all members were present.

As stated previously, the nomination committee is responsible for assisting the board with the appointment of directors by making appropriate recommendations in this regard.

AUDIT AND RISK COMMITTEE

The audit and risk committee comprises Messrs J de V du Toit (chairman), L van A Bellingan and PE Burton, whilst Messrs WL Greeff, JF Mouton, PJ Mouton and CA Otto attend by invitation. Two audit committee meetings were held during the year and all the members were present. A report by the PSG Group Ltd audit and risk committee has been provided on page 29 of this annual report.

The audit and risk committee operates according to a board-approved charter. Once a year the members of the committee attend a training course presented by the external auditor regarding any new legal, regulatory and/or financial developments which affect their roles and responsibilities.

Mr J de V du Toit has been the chairman of the audit and risk committee for the past two years while Messrs Bellingan and Burton have been members for nine and four years respectively. Mr MM du Toit has been nominated to replace Mr Bellingan as member for the ensuing year, with his appointment to be approved by shareholders at the upcoming annual general meeting.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the executive directors of PSG Group is dealt with in the directors' report.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group.

Each group company has its own board of directors responsible for the risk management and internal control of that company and its business. Detailed risk assessments and management plans have been implemented throughout the group to ensure that risk is properly managed. The board, on recommendation by the audit and risk committee, concluded that the system of internal control and the risk management process were effective for the financial year under review.

The group operates in a highly regulated environment. Compliance officers have been appointed at each of the group's key operating subsidiary and associated company levels to ensure adherence to the various Acts and Codes that govern the group's day-to-day operations.

INTERNAL AUDIT

On the recommendation of the audit and risk committee, the board has decided not to establish an internal audit function at group level given that the board has satisfied itself that, where appropriate, subsidiary and associated companies have their own internal audit departments and that the current systems of internal control and risk management processes of the group are effective.

GOVERNANCE OF INFORMATION TECHNOLOGY

PSG Group has an appointed information technology ("IT") manager who is responsible for IT governance at group level. All the major subsidiary and associated companies are responsible for IT governance in their respective business environments.

As IT does not play a significant role in the sustainability of our business at a group level due to its nature and size, the investment and expenditure in IT at group level are insignificant. The board is accordingly satisfied that the current systems of IT governance at group level are appropriate.

INTEGRATED REPORTING AND DISCLOSURE

PSG Group is a passive investment company that rarely gets involved in the management of its underlying investments. Part of our philosophy is to invest in companies with strong management. We therefore rely on them to apply the principles of King III regarding sustainability reporting and disclosure, to the extent appropriate to their business.

Going forward, PSG Group will apply the principles of integrated reporting at group level to the extent that such principles are considered appropriate.

SUSTAINABILITY

Stakeholder relations

PSG Group subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders. This is considered to be so important in a PSG context that most, if not all communication to stakeholders, is handled and/or coordinated by the office of the chairman.

The group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a businesslike manner – frank, open and with mutual respect.

Safety, health and environment

PSG Group is committed to ensuring that employees work in a safe, healthy and clean environment. Our activities do not have an adverse effect on the environment.

The group recognises that South Africa is facing an HIV/Aids epidemic of considerable proportions. Although our healthcare system will bear (and is already bearing) the brunt of the epidemic, there is little doubt that it is affecting every aspect of our society. We encourage all our people to act responsibly at all times.

Social responsibility

PSG's social responsibility areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa. Education is one of the most basic needs of society. We thoroughly believe that an educated community will sustainably improve the long-term well being of society. PSG has therefore directed its Corporate Social Investment efforts at supporting education on various levels. PSG also subscribes to social upliftment through Black Economic Empowerment (BEE), and supports this by having invested in various BEE initiatives. Furthermore, PSG Group pays all its taxes regularly and encourages government to spend its receipts responsibly.

Refer to the *Chairman's Letter* for more details regarding PSG's Corporate Social Investment.

Human resources

PSG Group regards its people as the most important element of its business. It is therefore important to make the best use of the human capital we have available.

All employees are encouraged and motivated to better themselves through training and study. Training programmes initiated by companies in the group are regarded as an essential element of PSG Group's investment in human capital.

Employee participation

In order to retain and attract entrepreneurs, the group has a philosophy of encouraging management and key employees in the group to acquire a meaningful interest in the group and/or in its underlying businesses. A significant percentage of employees are shareholders in the company, participants in the share incentive schemes and shareholders in subsidiary and associated companies. Employees are co-owners of

the business and are treated as such, with transparent communication a priority.

Employment equity

The group is a New South Africa company and is representative of all the people in South Africa. PSG Group subscribes to the principle of equal opportunity. Group companies have set their own targets and specific action plans.

Ethics

PSG Group's code of ethics commits the group to maintaining high ethical and moral codes of conduct in its professional and social dealings. This is ingrained in the culture of the group.

Products and product development

PSG Group acts as investor for own account, as financier and finance conduit for the group. Group companies develop their own specialist product ranges such as insurance, investment, broking, multi-management, financial training, asset management and investor support products.

The group also provides legal, financial and regulatory support and advice to listed and non-listed clients.

Distribution

Each company has its own distribution channels. These channels are based on one-to-one, one-to-many, internet, or professional intermediary network according to its products and client profile.

A meaningful volume of cross-selling into the various client bases is already taking place and continues to be a priority for growth.

Financial Sector Charter

The group endorses the principles of the Financial Sector Charter and the implementation enjoys the attention of senior management in the group.

Financial reporting

PSG Group provides financial reports to its shareholders twice a year. Details regarding significant transactions undertaken are reported as required by the JSE Listings Requirements.