Remuneration report

PART 1: REPORT FROM THE REMUNERATION COMMITTEE

A. REMUNERATION WITHIN AN INVESTMENT HOLDING COMPANY

PSG Group is an investment holding company with more than 90% 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 ("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 director 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 of investments.

The Remcom comprises myself as chairman, Patrick Burton and Chris Otto. We are all independent non-executive directors of PSG Group. After comprehensive prior consultation with management, the Committee held one formal meeting during the past year on 20 February 2018, and all members were present.

B. PSG GROUP'S REMUNERATION PHILOSOPHY

PSG Group aims to align remuneration practices with its business strategies to deliver on its stated objective of sustainable long-term value creation for shareholders through a combination of share price appreciation and the payment of dividends.

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

PSG Group has provided its shareholders with superior returns over the past 22 years since establishment. Sustainable value creation will always depend on, among other, PSG Group attracting and retaining the services of talented executives and employees. To achieve this, PSG Group's remuneration practices need to be appropriate and competitive.

PSG Group's three executive directors have each served in their respective current roles for at least eight years. Over this period, PSG Group's market capitalisation has increased from approximately R3,7bn to R47bn, and its share price from R22,05 at 28 February 2010 to R217,50 as at 28 February 2018. Assuming that dividends were reinvested in PSG Group shares, this represented an investment return of 35% per annum over the period. Shareholders have accordingly benefited significantly from the value created, while executive directors have been rewarded commensurately as a direct consequence of their interests being aligned with those of shareholders.

C. PSG GROUP'S REMUNERATION POLICY AND CHANGES MADE THERETO

The Remcom has previously introduced an appropriate remuneration policy for PSG Group's head office employees (including PSG Group's executive directors) to help drive long-term decision-making in order to ultimately deliver on PSG Group's stated objective of sustainable long-term value creation for shareholders. PSG Group's most significant successes to date have been early-stage investments, the likes of Capitec, PSG Konsult and Curro. As with any start-up business, it may take years to determine its success, and it will be imperative for management to maintain a long-term focus to help achieve this. It would therefore be irrational to remunerate executives based on meeting short-term operational targets or when making new investments. The policy has consequently been designed to suitably align the interests of employees with those of shareholders – if PSG Group shareholders do well, the employees will do well, and (importantly so) vice versa.

The key features of PSG Group's remuneration policy are set out in the table below, together with a brief description and remuneration mechanisms introduced to help achieve same:

Key features	Description	Way in which achieved
• Aligning remuneration with shareholder returns • Creating a long-term focus • Paying market-related base salaries	As an investment holding company with a long-term value creation objective, it would be irrational to remunerate executives based on meeting short-term operational targets or when making new investments, since the success of new investments are most often only determinable years later. PSG Group has been successful at early-stage investing in particular, which requires time and patience to determine the outcome. Management's remuneration should therefore ideally be highly correlated to sustainable long-term value creation for shareholders, thereby ensuring a long-term focus, while paying market-related base salaries in the short term.	• Executives no longer qualify for discretionary bonuses, thereby aligning their interests more closely to those of shareholders. • Participants of the share incentive scheme will only benefit if there is share price appreciation over an extended period of time. • Annual remuneration benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the individual assumes to ensure it is market related.

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

PSG Group presented its remuneration policy to shareholders for a non-binding advisory vote thereon at its previous AGM held on 23 June 2017. Shareholders representing 78,5% of the votes exercisable attended the meeting in person or by way of proxy, of which 83,5% voted in favour of the resolution tabled.

The main concerns raised by shareholders that voted against the remuneration policy tabled related to the share incentive scheme lacking adequate performance measures (e.g. the outperformance of a predetermined benchmark).

Changes introduced since previous AGM

It should be noted that share options are always 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 value), 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 PSG Group shareholders.

Having taken note of aforementioned shareholder concerns, the Remcom has introduced the following changes to PSG Group's remuneration policy during the year under review:

- *Long-term remuneration ("LTI") – share incentive scheme*
  - Additional performance measures
  - Minimum shareholding requirement
  - Limitation on loan funding
- *Short-term remuneration ("STI") – base salary*
  - Payment of 30% deferred portion of an executive's annual base salary is now also subject to malus/clawback provisions

1. Additional performance measures and minimum shareholding requirement (LTI)

The Remcom has introduced *additional financial and non-financial performance measures* as award and vesting conditions for share options awarded on or after 28 February 2018. Furthermore, the Remcom has introduced a *minimum shareholding requirement* for executive directors in respect of the award and vesting of share options, thereby ensuring continued alignment of their interests with those of shareholders.

Vesting conditions
Share options will continue to vest in 25%-tranches on each of the 2nd, 3rd, 4th and 5th anniversary of the award date, but subject to the following conditions:

a) Existing vesting conditions to remain in force

- *Continued employment:*
  Share options from the share incentive scheme will generally vest on condition that the participant is in service of PSG Group on vesting date (non-financial indicator).

b) New vesting conditions (in addition to existing vesting conditions)

- *Meeting key performance objectives:*
  The award and vesting of all share options will be subject to the participant meeting his/her personal key performance objectives (non-financial indicator); and
- *Return on equity ("ROE"):*
  The vesting of 50% of share options awarded is contingent upon the outperformance of an ROE performance hurdle, as further detailed in paragraph 2.4.2.2 (financial indicator); and
- *Recurring earnings per share ("REPS") growth:*
  The vesting of 50% of share options awarded is contingent upon the outperformance of a REPS growth hurdle, as further detailed in paragraph 2.4.2.2 (financial indicator); and

- *Minimum shareholding requirement:*
  Executive directors will only qualify for new share option awards and be able to exercise such if they comply with the minimum shareholding requirements detailed in paragraph 2.4.3 (non-financial indicator).

Albeit that the new award and vesting conditions will only apply to share options awards on or after 28 February 2018, the table below illustrates that, had such new vesting conditions already been applicable in the past five years, all share options would have vested seeing that all performance measures (both financial and non-financial) would have been met, including the individual personal key performance measures, as well as the minimum shareholding requirement for the three executive directors:

Share options vesting date	ROE Actual performance %	ROE Performance hurdle %	REPS growth Actual performance %	REPS growth Performance hurdle %
28 February 2014	**13,7**	9,9	**20,9**	10,3
27 February 2015	**14,1**	10,3	**23,5**	10,6
26 February 2016	**14,4**	11,9	**26,6**	11,0
28 February 2017	**14,5**	12,7	**24,6**	10,4
28 February 2018	**14,4**	12,9	**20,5**	9,9

2. ***Loan funding (related to LTI)***

   The Remcom has also reviewed the extent of loan funding granted to executives and other share incentive scheme participants in terms of the provisions of the PSG Group Ltd Supplementary Share Incentive Trust ("PSG Group SIT") to assist them in exercising their share options and to remain invested in PSG Group.

   Given market circumstances and to protect the interests of both the company (i.e. shareholders) and employees, the Remcom has decided that the PSG Group SIT will prudently no longer provide such loan funding to participants. Instead, 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 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 tax payable in cash on the participant's behalf). As an alternative to issuing shares to settle its obligation to participants, PSG Group will in its sole discretion have the alternative to settle such obligation in cash.

3. ***Payment of deferred base salary (STI)***

   The payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to the executive being in PSG Group's service 12 months later.

   However, going forward the payment of the deferred portion will also be subject to malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

Voting at upcoming AGM

Both PSG Group's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at PSG Group's upcoming AGM to be held on 22 June 2018. 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 shareholders through dialogue, requesting written submissions or otherwise, in order to address shareholder concerns, always with due regard to meeting PSG Group's stated business objectives while being fair and responsible toward both the employee and shareholders.

D. 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 engineers, lawyers and chartered accountants. These individuals are remunerated accordingly. So, the difference in the average pay 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:

Guaranteed annual pay (STI)	2018 R'000
CEO	11 000
Average pay for employees (excluding the CEO)	1 384
Times	7,9
CEO	11 000
Average pay for employees (excluding all executive directors)	920
Times	12,0

E. DEVELOPMENT AND RETENTION OF TALENT

The development and retention of talent is of the utmost importance to PSG Group, especially considering the small number of employees employed at a head office level and the importance of employee continuity considering PSG Group's long-term value creation objective.

ZL Combi
Chairman: PSG Group Remcom

17 May 2018

PART 2: REMUNERATION POLICY

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

1.1 As at 28 February 2018, the total number of employees at head office level, including the three PSG Group executive directors, comprised 40 individuals. 24 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. These 16 individuals comprise the chief executive officer ("CEO"), chief financial officer ("CFO"), four senior executives and 10 support staff providing finance, information technology and general administrative support services.

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 bonus pool (i.e. short-term remuneration ("STI")) arrangement whereby the respective division is entitled to a percentage of fee income generated, while being solely responsible for 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 25% of his base salary (i.e. STI) per annum 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 remainder of his employment costs (both STI and long-term remuneration ("LTI")) are borne by the PSG Capital division, including any discretionary bonus as determined in accordance with their bonus pool 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 28 February 2018, PSG Group's total operating and employment costs (STI and LTI) amounted to approximately 0,13% (2017: 0,13%) of PSG Group's *sum-of-the-parts value* as at the reporting date, being significantly lower than the management fees generally charged in the local asset management industry from a comparative point of view.

2. EXECUTIVES AND EMPLOYEES

2.1 The remuneration of PSG Group's executive directors and senior executives (collectively "the executives") are reviewed annually by the Remcom, which seeks to ensure that balance is maintained between the fixed (base salary – STI) and variable (share options – LTI) elements of remuneration, as well as between short-term (base salary – STI) and long-term (share options – LTI) financial performance objectives. The Remcom takes cognisance of both local and international best remuneration practices to ensure that remuneration is fair and responsible to both the company (i.e. shareholders and other stakeholders) and the executive.

2.2 The table below provides an overview of the various groups pertaining to the 16 PSG Group employees and their respective remuneration components:

Group	**Focus**	**Strategic view**	**Remuneration**	**Longest period of remuneration deferral**
CEO and CFO	Formulate, drive and oversee implementation of strategy	Longest term	Base salary (STI), share options (LTI)	Five years
Executives (excl. CEO and CFO)	Strategy implementation	Long term	Base salary (STI), share options (LTI)	Five years
Other staff (group no 1)	Operational	Short to long term	Base salary (STI), discretionary bonus (STI) and share options (LTI)	Five years
Other staff (group no 2)	Support (administration)	Short term	Base salary (STI), discretionary bonus (STI)	One year

2.3 Total remuneration incorporates the following components:

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

The payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to:

- The executive being in PSG Group's service 12 months later (non-financial indicator), thereby serving as retention mechanism in addition to the share incentive scheme detailed below.
- Malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

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.

2.3.2 Discretionary bonuses (STI)

PSG Group's most significant successes to date have been early-stage investments, the likes of Capitec, PSG Konsult and Curro. As with any start-up business, it may take years to determine its success, and it will be imperative for management to maintain a long-term focus to help achieve this. Consequently, to help drive a long-term focus and decision-making with the ultimate objective of shareholder wealth creation, thereby better aligning the interests of management with those of shareholders and other stakeholders, the executives no longer qualify for discretionary bonuses. However, Johan Holtzhausen, an executive director of PSG Group, continues to be considered for a discretionary bonus in terms of PSG Capital's aforementioned bonus pool arrangement as its CEO.

PSG Group support staff remain eligible for discretionary bonuses, subject to meeting company and personal key performance measures.

2.3.3 Share options (LTI)

PSG Group shareholders adopted a share incentive scheme at PSG Group's AGM held on 19 June 2009. In terms of the scheme, PSG Group share options are awarded to executives and other qualifying employees with the primary objectives of retaining their services and aligning their interests with those of shareholders, being sustainable value creation through a combination of share price appreciation and the payment of dividends over the long term.

A key feature of PSG Group's share incentive scheme is that participants will only benefit if there is long-term share price appreciation, which should ultimately depend on sustained *recurring earnings* per share growth from PSG Group's underlying investee companies, and management's ability to continuously invest in and build new businesses with attractive long-term growth prospects. 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 2nd, 3rd, 4th and 5th anniversary of the award date (subject to meeting the required vesting conditions), and consequent award top-ups as detailed below.

2.4 Mechanics of the share incentive scheme (LTI)

2.4.1 Award

Share options are awarded annually at the discretion of the Remcom, and subject to:

- The participant achieving personal key performance measures (non-financial indicator); and
- *Executive directors* meeting the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding*, which requirement is only applicable to PSG Group's *executive directors* (non-financial indicator).

The non-financial personal key performance measures differ for the various participants and depend on the role in which such participant is employed, and the level of responsibility assumed.

The non-financial personal key performance measures for the CEO and CFO include the following:

- Determining strategy and providing strategic guidance and direction throughout the group, including problem solving when needed (primarily CEO);
- Identifying suitable investment opportunities with high growth prospects (primarily CEO);
- Implementation of investment/disinvestment decisions taken by the PSG Group Executive Committee/Board (primarily CFO);

- Ensuring good corporate governance is entrenched throughout the group (primarily CFO);
- Acting as custodian of shareholders' assets and safeguarding thereof (primarily CFO);
- Financial reporting and shareholder communication in a transparent, accurate, concise and timely manner (primarily CFO); and
- Managing PSG Group's capital structure and resources in a responsible and effective manner, while enhancing shareholder returns (primarily CFO).

Although the CEO and CFO have specific primary responsibilities as detailed above, their responsibilities do overlap. The aforementioned non-financial personal key performance measures are jointly and severally equally important for the continued success of PSG Group, and are accordingly considered as such when the performance of the CEO and CFO are evaluated.

The number of share options to be awarded is calculated using a mathematical formula based on the respective participant's base salary and a multiple of between 1x and 10x applied thereto, depending on the participant's seniority and accordingly the level of responsibility assumed within the organisation, subject to his/her performance as assessed by the Remcom. In calculating the annual share option awards, the strike value of unvested share options and where applicable funded investments 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 value), 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 PSG Group shareholders.

2.4.2 *Vesting*

The Remcom has introduced additional performance measures as vesting conditions for share options awarded on or after 28 February 2018. The result being that share options will continue to vest in 25%-tranches on each of the 2nd, 3rd, 4th and 5th anniversary of the award date, but subject to the following conditions:

2.4.2.1 *Share options awarded prior to 28 February 2018:*

- Continued employment:
  Share options from the share incentive scheme will generally vest on condition that the participant is in service of PSG Group on vesting date (non-financial indicator).

2.4.2.2 *Share options awarded on or after 28 February 2018:*

- Vesting of 50% of such share options will depend on:
  - The participant being in service of PSG Group upon vesting (non-financial indicator); and
  - The participant meeting personal key performance objectives (non-financial indicator); and
  - 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 (financial indicator); and

- In the case of the *executive directors,* they also need to meet the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding* below (non-financial indicator).

- Vesting of 50% of such share options will depend on:
  - The participant being in service of PSG Group upon vesting (non-financial indicator); and
  - The participant meeting personal key performance objectives (non-financial indicator); and
  - PSG Group's average return on equity ("ROE"), as measured over the five years immediately preceding such vesting date, exceeding PSG Group's average weighted average cost of capital ("WACC") over such period (financial indicator); and
  - In the case of the *executive directors,* they also need to meet the minimum shareholding requirement as set out under *2.4.3 New requirement – minimum shareholding* below (non-financial indicator).

For the avoidance of doubt, the award and/or vesting of share options awarded on or after 28 February 2018 will be subject to both the participant (non-financial indicators) and PSG Group (financial indicators) meeting aforementioned performance measures. Should the participant for example be under formal performance review having not met his/her *non-financial* key personal performance measures, such participant will not qualify for new share option awards and will forfeit any share options vesting during that period. Similarly, the vesting of share options will be subject to the Company achieving aforementioned *financial* performance measures. If not, participants will forfeit the vesting of share options, regardless of whether they have met their *non-financial* key personal performance measures.

2.4.2.3 Basis for using rolling five-year benchmark:

Long-term benchmarks (i.e. five years) for REPS growth and ROE performance are used because of PSG Group's stated objective of sustainable long-term value creation for shareholders through a combination of share price appreciation and the payment of dividends, and because the share options vest in 25% tranches over a rolling five-year period on each of the 2nd, 3rd, 4th and 5th anniversary of the award date.

2.4.3 New requirement – minimum shareholding (non-financial indicator)

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, the Remcom has determined that both the award and future vesting of share options awarded to executive directors on or after 28 February 2018 will be subject to a minimum shareholding requirement – the qualifying executive director must hold PSG Group shares on such award/vesting date to the value of at least 50% of his/her base salary multiplied by his/her share option award multiple (ranging between 8x and 10x, as explained before). Consequently, PSG Group's three executive directors' minimum shareholding requirement (calculated as a percentage of their base salary) is set out in the table below:

	Minimum shareholding
CEO	**500%**
CFO	**400%**
Executive director	**400%**

The executive directors are required to meet the aforementioned minimum shareholding requirement by no later than 29 February 2020 (i.e. within two years from the introduction of this requirement), whereas any new executive director will have five years from being awarded share options for the first time to meet such minimum shareholding requirement, unless otherwise determined by the Remcom considering market conditions, etc.

2.4.4 Summary of share option award/vesting conditions for executive directors

	Options awarded prior to 28 Feb 2018	**Options awarded on/after 28 Feb 2018**
Award:		
• Director to meet personal key performance measures; and		✓
• Director to comply with minimum shareholding requirement.		✓
Vesting of 50% of share options:		
• Director must be in service of PSG Group on vesting date; and	✓	✓
• Director to meet personal key performance measures; and		✓
• PSG Group's REPS to outperform a "real growth" benchmark, as defined, measured over five years preceding such vesting date; and		✓
• Director to comply with minimum shareholding requirement.		✓
Vesting of 50% of share options:		
• Director must be in service of PSG Group on vesting date; and	✓	✓
• Director to meet personal key performance measures; and		✓
• PSG Group's average ROE as measured over five years preceding such vesting date to exceed its average WACC over such period; and		✓
• Director to comply with minimum shareholding requirement.		✓

2.4.5 *Termination of service*

In the case of resignation, dismissal or early retirement (before attaining the age of 60 years) of a participant (i.e. bad leaver), unvested share options are generally forfeited.

In the case of the death, permanent disability, compulsory retirement (attaining the age of 65 years) 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.

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 an executive).

2.4.6 *Loan funding (related to LTI)*

Before 28 February 2018:
Loan funding has been made available to participants of the share incentive scheme to assist them in exercising their share options and to remain invested in PSG Group, on the following terms:

- Maximum loan funding of 90% of the strike value and section 8C income tax payable in respect of the vesting of share options (i.e. a minimum cash deposit of 10% is required from the participant);
- The PSG Group shares acquired through such exercise of share options are pledged and ceded in security and need to cover the related outstanding loans by at least 130% at all times. Should this cover 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 130% cover ratio;
- Interest accrues on the outstanding loans at the South African Revenue Service fringe benefit rate; and
- Loans are repayable in full after seven years (senior executives) and three years (other participants), respectively.

As from 28 February 2018:
The PSG Group SIT will no longer provide loan funding to participants for 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 will in its sole discretion have the alternative to settle such obligation in cash.
- The current 130% minimum security cover for outstanding share incentive scheme loans granted prior to 28 February 2018 will be increased to 250% by 28 February 2019 and to 300% by 29 February 2020.

2.5 Termination of employment benefits

PSG Group employees (including the executives) 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).

2.6 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.

3. 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 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 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. In the event of non-attendance on a regular basis, this may be reviewed.

A thorough review of and comparison between PSG Group's non-executive director fees and those of comparable listed companies, has necessitated an upward adjustment to the proposed fee structure for PSG Group's financial year ending 28 February 2019, as set out in the table below:

	Annual fee 2018 R'000	Annual fee 2019 R'000	*Change %*
PSG Group Board			
Chairman	310	500	*61,3*
Member	155	250	*61,3*
PSG Group Audit and Risk Committee			
Chairman	100	175	*75,0*
Member	85	150	*76,5*
PSG Group Remuneration Committee			
Chairman	15	75	*400,0*
Member	10	50	*400,0*
PSG Group Social and Ethics Committee			
Chairman	–	30	*N/a*
Member	–	20	*N/a*

PSG Group also pays all reasonable travelling and accommodation expenses incurred by non-executive directors to attend 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 and do not participate in PSG Group's share incentive scheme. Although Mr JF Mouton no longer qualifies for the award of share options, his unvested share options, the last of which were awarded to him on 28 February 2015, will continue to vest in terms of the *Mechanics of the share incentive scheme* detailed above.

Mr JF Mouton continues to serve as chairman of the Zeder board of directors and remains a member of both the PSG Group and Zeder executive committees, and will accordingly be paid a fixed fee of R1m (2017: R3,49m) in addition to his director fee as PSG Group chairman for such services to be rendered in respect of the financial year ending 28 February 2019. Such cost is largely recovered through the annual strategic input fee of approximately R5,4m that Zeder pays to PSG Group in lieu of director and other services rendered to Zeder by Mr JF Mouton and select PSG Group executives.

PART 3: IMPLEMENTATION REPORT

PSG Group complied with its remuneration policy in all respects for the year ended 28 February 2018.

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 director remuneration**
   The non-financial personal key performance measures for the CEO and CFO are detailed in paragraph 2.4.1 of PSG Group's remuneration policy. The Remcom concluded that each of them had met their predetermined personal key performance measures, having adequately discharged themselves of their specific duties and responsibilities during the year under review.

   1.1 Total (single-figure) remuneration
   The table below provides information on the total (single-figure) remuneration, both long-term ("LTI") and short-term ("STI"), of PSG Group's executive directors:

R'000	STI					LTI	
	Base salary						
	Approved	Deferred for 12 months [1]	Paid during the year [2]	Discretionary performance-based bonuses [3]	Total short-term remuneration	Non-cash gains from exercise of share options [4]	Total remuneration
For the year ended 28 Feb 2018							
WL Greeff	**9 500**	**(2 850)**	**6 650**		**6 650**		**6 650**
JA Holtzhausen	**9 500**	**(2 850)**	**6 650**	**6 000**	**12 650**		**12 650**
PJ Mouton	**11 000**	**(3 300)**	**7 700**		**7 700**		**7 700**
	30 000	**(9 000)**	**21 000**	**6 000**	**27 000**	**–**	**27 000**
For the year ended 28 Feb 2017							
WL Greeff	3 531		3 531	5 297	8 828	36 509	45 337
JA Holtzhausen	3 531		3 531	6 667	10 198	37 021	47 219
PJ Mouton	4 024		4 024	6 091	10 115	41 855	51 970
	11 086	–	11 086	18 055	29 141	115 385	144 526

1 *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 malus/clawback provisions and the executive director remaining in PSG Group's service.*

2 *Includes all benefits.*

3 *With effect from 1 March 2017, the PSG Group CEO and CFO no longer 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 sustainable long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, continues to qualify for a discretionary performance-based bonus in terms of PSG Capital's bonus pool arrangement.*

4 *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 28 February 2018. Such right will be exercised within the 180-day exercise window.*

1.2 STI

To help drive long-term focus and decision-making with the ultimate objective of shareholder wealth creation, thereby better aligning the interests of management with those of shareholders and other stakeholders, PSG Group's executives, including its CEO and CFO, no longer qualify for the payment of discretionary bonuses. Their STI therefore comprises only a fixed base salary, payable in cash, which is comparable to the remuneration practices of certain other JSE-listed investment holding companies in the financial services sector.

However, Johan Holtzhausen, an executive director of PSG Group, continues to be considered for a discretionary performance-based bonus in terms of PSG Capital's aforementioned bonus pool arrangement as its CEO.

PSG Group's STI consequently comprises the following:

Executives (excluding PSG Capital CEO):

- Fixed STI – base salary

Other employees:

- Fixed STI – base salary
- Variable STI – discretionary performance-based bonus

Fixed 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.

With effect from 1 March 2017, the payment of 30% of the executive's annual base salary is deferred for a period of 12 months, with such payment subject to:

- The executive being in PSG Group's service 12 months later, thereby serving as a retention mechanism in addition to the share incentive scheme detailed below (non-financial indicator).
- Malus/clawback provisions (both financial and non-financial indicators) in the event of material misstatement of financial results or fraudulent activity for a further 12 months after payment of the 30% deferred portion to the executive. If triggered, such malus/clawback provisions would require repayment by the executive to PSG Group of the total deferred salary amount received by the executive during the preceding 12 months.

Base salary increases are determined with reference to the South African inflation rate and other generally accepted benchmarks, always with due regard for market-comparable remuneration. The average base salary increases (as approved by the Remcom) for PSG Group employees for the financial year commencing 1 March 2018 are set out in the table below:

	Increase %
Executive directors	**5,7**
Senior executives	**9,6**
Support staff	**6,3**

Variable STI

Discretionary bonus

PSG Group's support staff remain eligible for discretionary bonuses, subject to meeting company (financial indicator) and personal key performance objectives (non-financial indicator). Such discretionary bonuses amounted to approximately R0,5m (2017: R0,4m) in total for the year ended 28 February 2018.

Benchmarking STI

Benchmarking is performed with reference to companies comparable in size, industry, business complexity and the level of responsibility that the 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 2017) containing comprehensive independent market research on the remuneration of executive directors was, among other, consulted.

The table below benchmarks the PSG Group CEO and CFO's STI (i.e. base salary, with no discretionary bonus) for the year ended 28 February 2018 against the total of:

- The median total guaranteed pay of the CEOs and CFOs of JSE-listed large cap financial services companies (being the category which PSG Group forms part of); and
- The average short-term incentives of JSE-listed large cap companies (no median or industry-specific data published)

as per PwC's *Executive directors: Practices and remuneration trends report* (published in July 2017):

R'000	PSG Group *	Benchmark
CEO	11 000	22 331
CFO	9 500	12 483

* *Of which 30% is deferred for a period of 12 months, the payment of which is subject to malus/clawback provisions (both financial and non-financial indicators) and the executive director remaining in PSG Group's service (non-financial indicator).*

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:

				STI as percentage of	
Reporting date	**STI * Rm**	**Recurring earnings Rm**	**Market capitali-sation as at year-end Rm**	**Recurring earnings %**	**Market capitali-sation as at year-end %**
28 February 2014	10	821	16 284	1,27	0,06
28 February 2015	16	1 142	27 694	1,38	0,06
29 February 2016	17	1 620	37 211	1,04	0,05
28 February 2017	19	1 985	54 166	0,95	0,03
28 February 2018	21 **	2 142	46 967	0,96	0,04

* *Includes base salary and discretionary bonuses earned during prior years (i.e. prior to the implementation of PSG Group's current remuneration policy i.t.o. which the executives no longer qualify for discretionary bonuses).*

** *Of which 70% was paid, with the remaining 30% deferred for 12 months.*

1.3 *LTI*

Share incentive scheme

A key feature of PSG Group's share incentive scheme is that participants, including the executive directors, will only benefit if there is long-term share price appreciation and thus value creation for all PSG Group shareholders as share options are awarded at the ruling market price on award date (as detailed in the remuneration policy). If shareholders do well, employees will do well, and (importantly so) vice versa.

PSG Group's three executive directors have all served within the broader group and in their respective current capacities for extended periods of time, as set out in the table below:

	Number of years' service	
Executive director	**Within the broader group**	**Current capacity**
WL Greeff	16 years	12 years
JA Holtzhausen	20 years	8 years
PJ Mouton	14 years	8 years

Evaluating executive directors' LTI

The significant *non-cash gains from exercise of share options* included in the *total (single-figure) remuneration* table above should be considered in light of PSG Group's remuneration policy being specifically designed to 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.

It is evident from the statistics below that PSG Group has provided its shareholders with superior returns over the past five years, with the PSG Group executive directors having benefited accordingly from the share incentive scheme. This is in part owing to PSG Group attracting and retaining the services of talented executives and employees, which is only achievable if PSG Group's remuneration practices are appropriate and competitive.

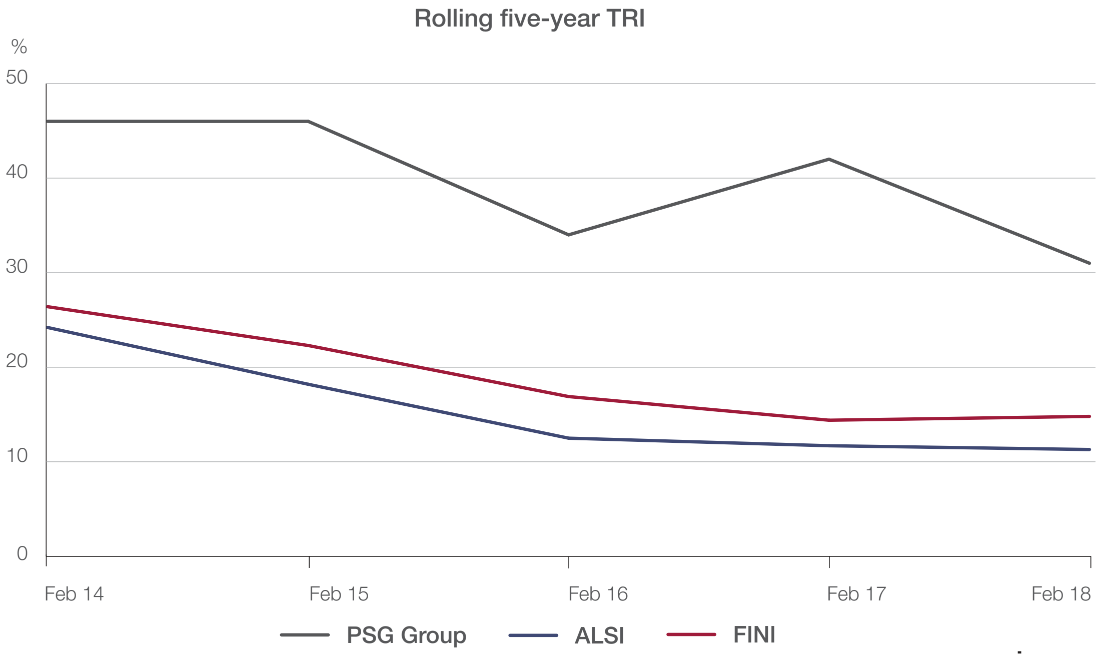
Over this period, the compound annual growth rate ("CAGR") in PSG Group's share price (measured on a 30-day VWAP basis) was 30,9%, as depicted in the graph below, meaning all PSG Group shareholders benefited significantly over this period – including the executive directors as participants to PSG Group's share incentive scheme:

When evaluating PSG Group's performance over the long term, one should focus on the total return index ("TRI") as a 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 28 February 2018 was 30,5% per annum over the past five years. Had you thus purchased R100 000 worth of PSG Group shares on 28 February 2013 and reinvested all your dividends, your investment would be worth around R379 000 as at 28 February 2018. The same investment in either the JSE All Share Index ("ALSI") or JSE Financial Index ("FINI") over the same period would be worth R171 000 (54,9% lower) or R200 000 (47,2% 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 significantly outperformed the market:

	Rolling five-year TRI		
Reporting date	**PSG Group %**	**ALSI %**	**FINI %**
28 February 2014	**46,4**	**24,2**	**26,4**
28 February 2015	**46,3**	**18,2**	**22,3**
29 February 2016	**34,0**	**12,5**	**16,9**
28 February 2017	**41,8**	**11,7**	**14,4**
28 February 2018	**30,5**	**11,3**	**14,8**



1.4 Unvested share option awards (LTI)

The table below provides information on PSG Group's executive directors' unvested share options as at 28 February 2018:

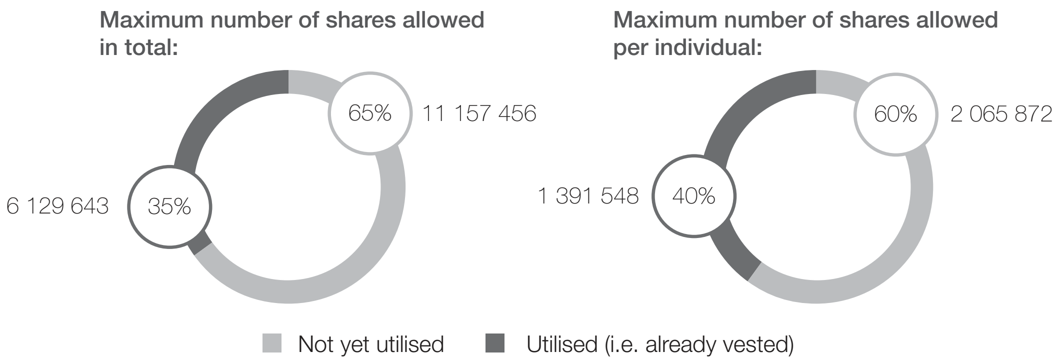
	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Vested *	Strike price per share R	Date granted	Number of share options as at 28 Feb 2018	Value of unvested share options as at 28 Feb 2018 ** R'000
WL Greeff	26 044			61,50	28/02/2013	**26 044**	**4 063**
	300 714			83,23	28/02/2014	**300 714**	**40 377**
	43 054			136,84	28/02/2015	**43 054**	**3 473**
	54 871			178,29	29/02/2016	**54 871**	**2 151**
		72 292		236,13	28/02/2018	**72 292**	
	424 683	72 292	–			**496 975**	**50 064**
JA Holtzhausen	25 883			61,50	28/02/2013	**25 883**	**4 038**
	301 122			83,23	28/02/2014	**301 122**	**40 432**
	44 239			136,84	28/02/2015	**44 239**	**3 568**
	52 880			178,29	29/02/2016	**52 880**	**2 073**
		72 889		236,13	28/02/2018	**72 889**	
	424 124	72 889	–			**497 013**	**50 111**
PJ Mouton	32 263			61,50	28/02/2013	**32 263**	**5 033**
	330 942			83,23	28/02/2014	**330 942**	**44 436**
	56 020			136,84	28/02/2015	**56 020**	**4 519**
	83 993			178,29	29/02/2016	**83 993**	**3 293**
	84 203			237,31	28/02/2017	**84 203**	
		113 018		236,13	28/02/2018	**113 018**	
	587 421	113 018	–			**700 439**	**57 281**
	1 436 228	258 199	–			**1 694 427**	**157 456**

* *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 28 February 2018. Such right will be exercised within the 180-day exercise window.*

** *Based on the closing PSG Group share price as at 28 February 2018.*

1.5 Extent of the share incentive scheme (LTI)

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) at the AGM held on 19 June 2009. The charts below depict the number of shares already utilised until 28 February 2018 as opposed to the maximum number of shares that may be utilised for purposes of all employees:



At 28 February 2018, the share incentive scheme had 32 participants, comprising the executives and other qualifying employees employed at head office (including employees forming part of the PSG Capital and Grayston Elliot divisions).

At 28 February 2018, the total number of share options that had already been awarded but remain unvested amounted to 2 877 138, representing 1,3% 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 going forward in accordance with the recent changes introduced to PSG Group's remuneration policy by the Remcom, the dilution to PSG Group shareholders should be significantly less than aforementioned 1,3%.

1.6 Loan funding (related to LTI)

PSG Group's executive directors and their associated entities have loan funding payable to PSG Group and its subsidiaries in terms of i) the share incentive scheme, and ii) funded investments in terms of formal agreements.

It should be noted that the Remcom has prudently decided that no new loan funding be granted for the foreseeable future, while existing loan funding will be phased out in accordance with the existing loan repayment terms.

Share incentive scheme funding

The terms pertaining to such funding are set out in paragraph 2.4.6 of the remuneration policy.

Executive directors

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 reporting date:

	2018 R'000
WL Greeff	14 995
JA Holtzhausen	14 430
PJ Mouton	20 400
Total loans	**49 825**
Security cover:	
WL Greeff	786%
JA Holtzhausen	833%
PJ Mouton	778%

PSG Group employees (excluding the executive directors)

The table below provides the outstanding loan balances and related security cover in respect of all employees at a PSG Group head office level (excluding the executive directors):

	2018 R'000
Total loans	26 397
Security cover *	162%

* *The Remcom has requested that the minimum-security cover (currently 130%) be increased to 250% by 28 February 2019 and to 300% by 29 February 2020.*

Other loan funding

During April/May 2012 and January 2013, with prior Remcom approval, a wholly-owned subsidiary of PSG Group advanced loan funding of R29,5m for a period of seven years to a related party of each of the three executive directors of PSG Group (i.e. R88,5m in aggregate). Such loan funding was utilised by the related parties to each acquire 500 000 PSG Group shares ("Funded Shares") in the open market, thereby creating an additional mechanism whereby the interests of the executive directors were further aligned with those of shareholders. These loans carry interest at prime less 1%, are secured by the Funded Shares, and are repayable during 2019 and 2020. Any PSG Group dividends received by the related parties in respect of the Funded Shares are utilised toward settlement of the outstanding loans.

The table below provides the outstanding loan balances and related security cover as at the reporting date:

Related party of:	**2018 R'000**
WL Greeff	39 487
JA Holtzhausen	39 487
PJ Mouton	39 487
Total loans	**118 461**
Security cover:	
WL Greeff	275%
JA Holtzhausen	275%
PJ Mouton	275%

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 in either an executive or non-executive capacity:

R'000 (excluding value-added tax, to the extent applicable)	Paid for services rendered to PSG Group			Paid for services rendered to subsidiaries					
	Fees	**Base salary**	**Total**	**Fees**	**Basic salary**	**Performance based**	**Non-cash gains from exercise of share options**	**Total**	**Total remuneration**
For the year ended 28 Feb 2018									
PE Burton	265		**265**	538				**538**	**803**
ZL Combi	155		**155**	677				**677**	**832**
FJ Gouws *			**–**		4 872	18 800	38 531	**62 203**	**62 203**
MJ Jooste/ TLR de Klerk ^	142		**142**					**–**	**142**
B Mathews	240		**240**					**–**	**240**
JF Mouton	310	3 490	**3 800**					**–**	**3 800**
JJ Mouton	155		**155**					**–**	**155**
CA Otto	250		**250**	260				**260**	**510**
	1 517	3 490	**5 007**	1 475	4 872	18 800	38 531	**63 678**	**68 685**

R'000 (excluding value-added tax, to the extent applicable)	Paid for services rendered to PSG Group			Paid for services rendered to subsidiaries					
	Fees	Base salary	Total	Fees	Basic salary	Perfor-mance based	Non-cash gains from exercise of share options	Total	Total remune-ration
For the year ended 28 Feb 2017									
PE Burton	251		**251**	245				**245**	**496**
ZL Combi	142		**142**	472				**472**	**614**
FJ Gouws *			**–**		4 580	16 000	55 244	**75 824**	**75 824**
MJ Jooste ^	151		**151**					**–**	**151**
B Mathews	219		**219**					**–**	**219**
JF Mouton	283	3 256	**3 539**				48 329	**48 329**	**51 868**
JJ Mouton	142		**142**	168			467	**635**	**777**
CA Otto	235		**235**	279				**279**	**514**
	1 423	3 256	**4 679**	1 164	4 580	16 000	104 040	**125 784**	**130 463**

* *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R20m (2017: R17m), of which 70% (2018: R14m; 2017: R11,9m) is unconditional, while 15% each (2018: R3m; 2017: R2,6m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

^ *Paid to Steinhoff International Holdings Ltd for the period during which it had a PSG Group board representative.*

Although Mr JF Mouton no longer qualifies for the award of share options, his unvested share options (as set out in the table below) will continue to vest in accordance with the provisions of the share incentive scheme:

	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Number of share options during year Vested *	Strike price per share R	Date granted	Number of share options as at 28 Feb 2018	Value of unvested share options as at 28 Feb 2018 ** R'000
JF Mouton	42 791			61,50	28/02/2013	**42 791**	**6 675**
	321 912			83,23	28/02/2014	**321 912**	**43 223**
	71 202			136,84	28/02/2015	**71 202**	**5 743**
	435 905	–	–			**435 905**	**55 641**

* *The director have not yet elected to exercise his right in terms of the provisions of the share incentive scheme to exercise his share options that became exercisable on 28 February 2018. Such rights will be exercised within the 180-day exercise window.*

** *Based on the closing PSG Group share price as at 28 February 2018.*

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. Such share options can be summarised as follows:

	Number of share options as at 28 Feb 2017	Number of share options during year Awarded	Number of share options during year Vested	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 28 Feb 2018	Value of unvested share options as at 28 Feb 2018 * R'000
FJ Gouws	2 500 000		(2 500 000)	8,65	1,83	01/07/2012	–	
	6 250 000		(3 125 000)	8,10	2,83	01/03/2013	**3 125 000**	**18 344**
	4 762 500		(1 587 500)	8,10	5,06	01/03/2014	**3 175 000**	**11 557**
	895 186		(223 797)	8,10	7,27	01/04/2015	**671 389**	**960**
	10 335 579				6,81	01/04/2016	**10 335 579**	**19 534**
		3 156 559			7,59	01/04/2017	**3 156 559**	**3 504**
	24 743 265	3 156 559	(7 436 297)				**20 463 527**	**53 899**

* *Based on the closing PSG Konsult share price as at 28 February 2018.*

On 20 April 2018, Mr FJ Gouws accepted a further 3 750 000 PSG Konsult share options at a strike price of R8,74 per share.