
CORPORATE GOVERNANCE REPORT

1. Background

PSG Group 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 is committed to 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™").

More than 90% of PSG Group's total assets are investees separately listed on the JSE and independently managed. These companies are similarly committed to exercising ethical and effective leadership, and to report thereon to stakeholders in terms of King IV™. Whether listed or not, PSG Group expects all its underlying investees to uphold good corporate governance and our representatives on the respective companies' boards and audit and risk committees have been tasked to ensure same.

A detailed analysis of PSG Group's compliance with King IV™ is available at www.psggroup.co.za.

2. Leadership, ethics and corporate citizenship

2.1 *The PSG Group board of directors ("Board")*

The Board comprises 10 directors of which 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 8 and 9 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.

2.2 *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 sustainable long-term value creation for shareholders.

2.3 *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.

2.4 *Chief executive officer ("CEO")*

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 15 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 17 and 21 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, Zeder and Pioneer Foods. He has no professional commitments other than his role as PSG Group CEO.

2.5 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 2018	26 Jul 2018	16 Oct 2018	1 Mar 2019
PE Burton	✓	✓	✓	✓
ZL Combi (chairman) [^]	✓	✓	✓	✓
FJ Gouws	✓	✓	✓	✓
WL Greeff	✓	✓	✓	✓
AM Hlobo*	n/a	n/a	n/a	n/a
JA Holtzhausen	✓	✓	✓	✓
B Mathews	✓	✓	✓	✓
JF Mouton (chairman) [^]	✓	✓	✓	n/a
JJ Mouton	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓
CA Otto	✓	✓	✓	✓

✓ Present

[^] Mr JF Mouton served as director and chairman until his retirement on 20 November 2018. Mr ZL Combi was subsequently appointed as chairman.

* Ms AM Hlobo was appointed as director on 11 April 2019.

2.6 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.

2.7 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.

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.

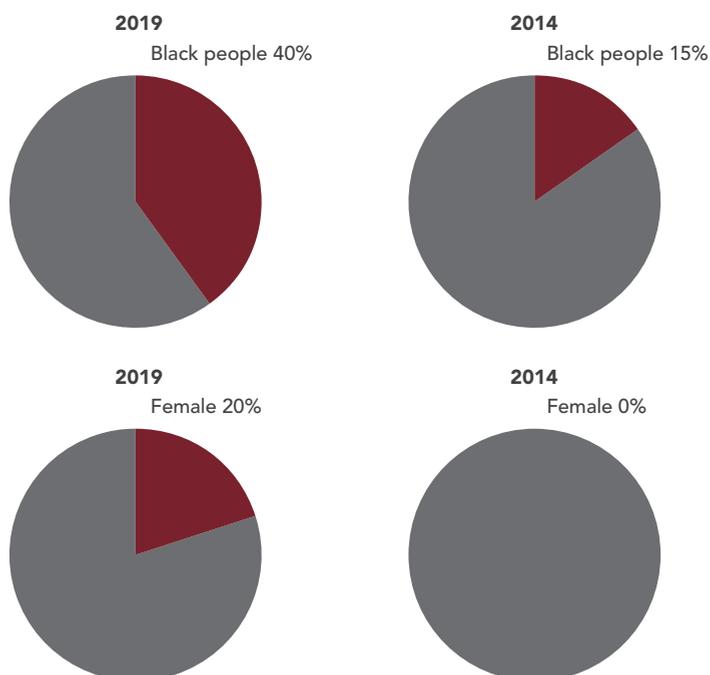
CORPORATE GOVERNANCE REPORT *(continued)*

As committed to in last year's annual report, the Board recently appointed Ms AM Hlobo, a black female, as an independent non-executive director. Ms Hlobo is a Chartered Accountant (SA) with private equity and investment banking experience, and also serves as a member of the PSG Group Audit and Risk Committee. For more information, refer to Ms Hlobo's curriculum vitae on page 90 of this annual report.

Following aforementioned appointment, 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:



2.8 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.

2.8.1 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.

2.8.2 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.

2.8.3 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.

CORPORATE GOVERNANCE REPORT *(continued)*

2.8.4 *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. Mr PE Burton, Ms B Mathews and Mr CA Otto have served as members of the audit and risk committee for 12, two and seven years, respectively. Ms AM Hlobo is a new appointee and has attended one meeting. The committee met twice during the past financial year on 23 April 2018 and 15 October 2018, as well as after financial year-end on 23 April 2019, 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 developments which may affect their roles and responsibilities as members of such committee.

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 63 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 adoption of IFRS 16 Leases, a new accounting standard.

2.8.5 *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 15 June 2018.

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.

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 society at large. All its investees are similarly committed.

Education is imperative for economic growth and the upliftment of society in general. 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 efforts at supporting education on various levels. PSG Group also subscribes to and support social upliftment through BEE, having established and invested in various BEE initiatives throughout the years, through which significant value was created for such BEE participants. PSG Group is a growing and highly profitable group of companies that employs more than 45 000 people in total, pays all its taxes regularly and encourages government to spend its revenue responsibly.

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, with more details of its corporate social investment initiatives set out on page 28 of this annual report.

2.9 *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 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. In accordance with the company's memorandum of incorporation, Ms AM Hlobo as new appointee, Mr ZL Combi and Mr FJ Gouws 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 26 July 2019.

2.10 *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 liaison 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 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 64 of this annual report.

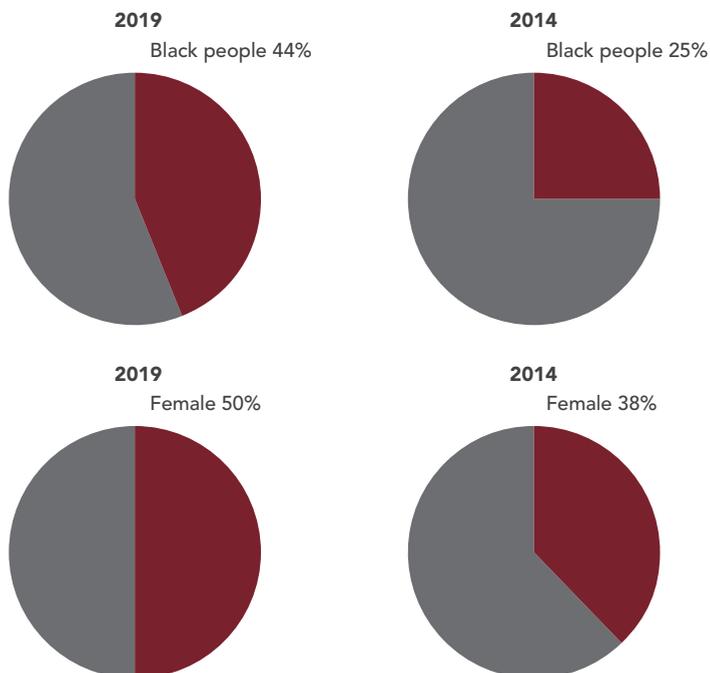
2.11 *Transformation*

PSG Group is committed to creating and maintaining an environment that provides equal opportunities for all its employees, with special consideration to historically disadvantaged groups. 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 the most disadvantaged groups.

The 16 employees 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 11 January 2019 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.

CORPORATE GOVERNANCE REPORT *(continued)*

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



3. Strategy, performance and reporting to stakeholders

PSG Group has set out its strategy, as well as feedback on its performance there against, in the CEO and CFO report contained on page 12 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.

4. Governance matters

4.1 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 event 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, its 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.

4.2 *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.

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.

4.3 *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 can 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.

4.4 *Remuneration governance*

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

4.5 *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 68 of this annual report.

5. 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.