REMUNERATION REPORT

REPORT FROM THE REMUNERATION COMMITTEE

1. 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 sustainable long-term value creation for shareholders. The remuneration policy for such an investment holding company therefore needs to be conducive to driving long-term decision-making in order to achieve the company's objectives.

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

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

The PSG Group Remcom comprises three independent non-executive directors – KK Combi, Chris Otto and me as chairman. After comprehensive prior consultation with management, the Committee held one formal meeting during the past year on 19 February 2019, and all members were present.

2. PSG GROUP'S REMUNERATION PHILOSOPHY

PSG Group aims to align remuneration practices with its business strategies to deliver on its stated objective of 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 23 years since establishment. Sustainable value creation will always depend on, among other, PSG Group attracting and retaining the services of talented individuals. To do so, it is imperative for PSG Group's remuneration practices to be appropriate and competitive.

PSG Group's three executive directors have each served in their respective current roles for at least nine years. Over this period, PSG Group's market capitalisation has increased from approximately R3,7bn to R56,7bn, and its share price from R22,05 at 28 February 2010 to R259,78 as at 28 February 2019. Assuming that dividends were reinvested in PSG Group shares, this represented a return of 33% per annum over the period. Shareholders have accordingly benefited significantly from the value created, while executive directors have been remunerated commensurately due to their interests being materially aligned with those of shareholders.

3. KEY FEATURES OF PSG GROUP'S REMUNERATION POLICY

The Remcom 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 focus and 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 success, and it is imperative for management to maintain a long-term focus to help achieve this objective. It would therefore be irrational to remunerate management based on meeting short-term operational targets or when making new investments while the ultimate success thereof is still unknown. PSG Group's remuneration policy has consequently been designed to suitably align the interests of its employees with those of shareholders – if PSG Group shareholders do well, the employees will do well, and importantly so, vice versa.

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

Key feature		Page
Short-term incentives		
Benchmarking of base salaries	✓	45
Portion of base salary deferred for 12 months	✓	45
Subject to malus/clawback provisions	✓	45
No bonus payments to CEO, CFO or managers	✓	46
Long-term incentives (share options)		
Share options awarded at market value – i.e. participants only realise value if there is share price appreciation	✓	46
Vesting occurs over time	✓	47
Vesting subject to *non-financial* personal key performance measures	✓	47
Vesting subject to *financial* performance measures	✓	47
Award and vesting subject to minimum shareholding requirements for executive directors (incl. CEO and CFO)	✓	48
Subject to malus/clawback provisions	✓	48

4. CHANGES MADE TO PSG GROUP'S REMUNERATION POLICY

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

As prescribed by the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") and required by the JSE Listings Requirements, PSG Group presented its remuneration policy and the implementation report thereon to shareholders for a *non-binding advisory* vote at its previous AGM held on 22 June 2018. Shareholders representing 70,7% of the total votes exercisable attended the meeting and the results from their voting were:

Resolution	For	Against
Non-binding endorsement of remuneration policy	83,1%	16,9%
Non-binding endorsement of implementation report on the remuneration policy	68,2%	31,8%

4.2 Engagement with dissenting shareholders following the previous AGM

Since the non-binding vote on PSG Group's implementation report on the remuneration policy garnered less than 75% of the votes exercised, PSG Group engaged with dissenting shareholders during July 2018, as required, by inviting them via the JSE's Stock Exchange News Service ("SENS") to:

- Communicate their concerns/questions on the implementation report on the remuneration policy to PSG Group's company secretary by email; and
- Participate in a telephone conference held on 11 July 2018, during which the chairman of the Remcom addressed such concerns/questions that were raised by dissenting shareholders, after which he allowed an opportunity for follow-up questions.

Only four individuals, representing three shareholders, participated in the telephone conference. To enable effective two-way communication, the Remcom urges shareholders to use the channels made available to them to engage with the company.

PSG Group's largest institutional shareholder, the Public Investment Corporation ("PIC") with a 9% shareholding, voted against both the remuneration policy and the implementation report thereon after extensive prior consultation and consequent changes to PSG Group's remuneration report – they being of the opinion that the share incentive scheme lacked appropriate weightings of the *non-financial personal key performance measures* for the PSG Group CEO and CFO. Subsequent to aforementioned AGM, the PIC also requested the Remcom to introduce malus/clawback provisions applicable to the share incentive scheme ("LTI"). Consequently, PSG Group's remuneration report has been amended to:

- Reflect such weightings of the *non-financial personal key performance measures* for the PSG Group CEO and CFO, and evaluation of performance there against (refer to pages 47 and 50); and
- Introduce malus/clawback provisions applicable to the LTI (refer page 48).

4.3 Other considerations

After significant engagement with shareholders, it appears that many investors may not give due consideration to the embedded performance hurdle underlying share options awarded at a strike price equal to the ruling market price ("Fully Priced Share Options") as opposed to share options awarded at zero cost ("Nil Paid Share Options").

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

As an example – if a participant is issued Fully Priced Share Options at a strike price equal to the ruling share price of, say R260, the participant will only realise value should the share price increase to above R260 at vesting date. Nil Paid Share Options on the other hand will provide value to the participant even if the share price had declined to below R260 at vesting date. For this reason, the vesting conditions attaching Nil Paid Share Options should be considerably more stringent than those attaching Fully Priced Share Options.

In our opinion as Remcom, the main benefit of potentially awarding Nil Paid Share Options rather than Full Price Share Options, is that it eliminates the effect of short-term share price fluctuations insofar it relates to when exactly participants join the share incentive scheme and are awarded share options for the first time. As an example, employee A joins the company and is awarded Fully Priced Share Options at a strike price equal to the ruling market price of say R260. Two months later, employee B joins the company and is awarded Fully Priced Share Options at a strike price equal to the then ruling market price of say R200, following a short-term decline due to general market sentiment. It is clear that employee A is significantly disadvantaged compared to employee B. However, had Nil Paid Share Options been awarded, both employee A and B could have been awarded a fixed exposure amount of say R1m, effectively putting them in the same position, irrespective of when they joined the company.

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

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

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

4.4 Voting at upcoming AGM

Both PSG Group's remuneration policy and its implementation report thereon will be presented to shareholders for separate *non-binding advisory* votes at PSG Group's upcoming AGM to be held on 26 July 2019. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, PSG Group will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting PSG Group's stated business objectives while being fair and responsible toward both the employees and shareholders.

5. CEO VERSUS EMPLOYEE PAY

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

Annual base salary (STI)	**2019 R'000**
CEO	11 627
Average pay for employees (excluding the CEO)	1 313
Times	**8,9**
CEO	11 627
Average for employees (excluding all executive directors)	916
Times	**12,7**

6. DEVELOPMENT AND RETENTION OF TALENT

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

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

PE Burton
PSG Group Remuneration Committee Chairman

Stellenbosch
5 June 2019

REMUNERATION POLICY

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

1.1 As at 28 February 2019, the total employees at head office level, including the three PSG Group executive directors, comprised 46 individuals. However, 30 of these individuals worked in the PSG Capital corporate finance and Grayston Elliot tax advisory divisions, with only the remaining 16 employees being dedicated full-time to the day-to-day running of PSG Group and the sourcing of new investment opportunities for PSG Alpha. These 16 individuals comprise the PSG Group CEO and CFO, five managers and nine support staff providing finance, information technology and general administrative support services. It is important to note that since PSG Group makes use of PSG Capital's corporate finance and Grayston Elliot's tax advisory services, it allows PSG Group to have a small staff complement.

1.2 The PSG Capital corporate finance and Grayston Elliot tax advisory divisions provide professional services to PSG Group, its investees and to third parties. Considering the extensive services rendered to third parties, these divisions each operate according to a bonus pool arrangement whereby the respective division is entitled to a percentage of fee income generated, while being 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 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 balance of his employment costs is 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 2019, PSG Group's total operating and employment costs amounted to approximately 0,11% (2018: 0,13%) of PSG Group's *sum-of-the-parts value* as at the reporting date – from a comparative point of view, this is significantly lower than the management fees generally charged in the local asset management industry.

2. COMPONENTS OF REMUNERATION

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

Group	Number of employees	Focus	Strategic view	Remuneration component	Longest period of remuneration deferral
CEO and CFO	2	Formulate, drive and oversee implementation of strategy	Longest term	Base salary (STI) and share options (LTI)	Five years
Managers	5	Strategy implementation	Long term	Base salary (STI) and share options (LTI)	Five years
Other staff (group no 1)	2	Operational	Short to long term	Base salary (STI), discretionary bonus (STI) and share options (LTI)	Five years
Other staff (group no 2)	7	Support (administration)	Short term	Base salary and discretionary bonus (both STI)	One year
Total	**16**				

2.2 Total remuneration incorporates the following components:

Fixed remuneration
Base salaries (STI)

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

Variable remuneration

Discretionary bonuses (STI)

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

Share incentive scheme (LTI)

- PSG Group shareholders adopted a share incentive scheme at PSG Group's AGM held on 19 June 2009, and subsequently approved amendments thereto at PSG Group's AGM held on 22 June 2018.
- In terms of the scheme, PSG Group share options are awarded to the CEO, CFO, managers and other qualifying employees with the primary objectives of retaining their services and to align their interests with those of shareholders.
- A key feature of PSG Group's share incentive scheme is that participants will only benefit if there is long-term share price appreciation, which should ultimately depend on sustained *recurring earnings* per share growth from PSG Group's underlying investee companies, as well as management's ability to continuously invest in and build new businesses with attractive long-term growth prospects. In line with shareholders, participants in the share incentive scheme will consequently share in the results of any good or bad business decisions.
- The share incentive scheme also ensures a rolling *long-term* focus for participants, considering the:
  i. 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 performance measures over a rolling five-year period; and
  ii. Share option award top-ups as detailed below.

Award

- Share options are awarded annually at the discretion of the Remcom, but subject to the participant meeting his/her non-financial personal key performance measures, malus/clawback provisions and the minimum shareholding requirements applicable to executive directors.
- Such number of share options to be awarded is calculated using a mathematical formula based on the respective participant's base salary and a multiple (ranging between 1x and 10x depending on the participant's seniority and accordingly, the level of responsibility assumed within the organisation) applied thereto. In calculating the annual share option awards, the strike value of awarded but 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 price), thereby creating an embedded performance hurdle whereby participants will only benefit from the share incentive scheme if there is long-term share price appreciation and thus value creation for all PSG Group shareholders.

Variable remuneration *(continued)*

Share incentive scheme (LTI) *(continued)*

Vesting

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

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

Non-financial personal key performance measures

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

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

Financial performance measures

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

Variable remuneration *(continued)*

Share incentive scheme (LTI) *(continued)*

Financial performance measures *(continued)*

- The vesting of 50% of share options will depend on PSG Group's average return on equity ("ROE"), as measured over the five years immediately preceding such vesting date, exceeding PSG Group's average weighted average cost of capital ("WACC") over such period.

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

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

Minimum shareholding requirement applicable to executive directors

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

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

Exercise of share options

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

Termination of service

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

3. TERMINATION OF EMPLOYMENT BENEFITS

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

4. GENDER PAY PARITY

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

5. NON-EXECUTIVE DIRECTORS

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

A thorough review of and comparison between PSG Group's independent non-executive chairman fee and those of comparable listed companies, has necessitated an upward adjustment thereto.

The proposed fee structure for PSG Group's financial year ending 29 February 2020, which will be presented to shareholders for approval at PSG Group's upcoming AGM on 26 July 2019, is set out in the table below (excluding value-added tax, to the extent applicable):

	Annual fee 2019 R	Annual fee 2020 R	*Change* %
PSG Group Board			
Chairman	500 000	**650 000**	*30,0*
Member	250 000	**266 250**	*6,5*
PSG Group Audit and Risk Committee			
Chairman	175 000	**186 375**	*6,5*
Member	150 000	**159 750**	*6,5*
PSG Group Remuneration Committee			
Chairman	75 000	**79 875**	*6,5*
Member	50 000	**53 250**	*6,5*
PSG Group Social and Ethics Committee			
Chairman	30 000	**31 950**	*6,5*
Member	20 000	**21 300**	*6,5*

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

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

IMPLEMENTATION REPORT

The Remcom confirms that PSG Group has in all respects complied with its remuneration policy for the year ended 28 February 2019.

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

1. EXECUTIVE DIRECTORS REMUNERATION

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

Non-financial personal key performance measure	Assessment
Formulating strategy and providing strategic guidance and direction throughout the broader group, including problem-solving when needed	The Remcom is satisfied that PSG Group continues to be suitably guided by the CEO and CFO: • PSG Group's ultimate objective remains continued shareholder wealth creation, driven through a relentless focus by management on sustained growth in the underlying investee companies. • PSG Group's most significant successes have stemmed from early-stage investing whereby it built businesses alongside entrepreneurs from the development stage – this remains a key focus area. • The CEO and CFO also continuously provide strategic guidance to PSG Group's core investee companies where needed and assist with problem solving when necessitated. For more detail, refer to the CEO and CFO report (page 12) regarding: • Formulating strategy and providing guidance and direction as directors of PSG Group's listed investees; and • Helping formulate strategy and providing guidance and direction to PSG Alpha's portfolio of early-stage investments.
Assessing investment opportunities for PSG Group and its investees	The Remcom is satisfied that the CEO and CFO suitably assessed investment opportunities (whether accepted or rejected) for PSG Group and its investees. For more detail, refer to the CEO and CFO report (page 12) regarding significant recent investments made, in particular in PSG Alpha investees. Furthermore, the CEO and CFO continue to drive certain potential value-unlocking strategies which may or may not materialise in future.

Non-financial personal key performance measure	Assessment
Implementation of investment/disinvestment decisions taken by the PSG Group Executive Committee/Board	The Remcom is satisfied with the implementation of investment and disinvestment decisions taken by the PSG Group Executive Committee/Board, and that such transactions were implemented appropriately – timely and in accordance with the relevant IFRS accounting principles and tax advice obtained.
Ensuring that sound corporate governance is entrenched at PSG Group and its investees – including maintaining a strong financial control environment and appropriate risk management processes, as well as promoting transformation throughout the group	The Remcom is satisfied that the CEO and CFO continue to play an integral part in the ongoing entrenchment of good corporate governance throughout the group, with details thereof reported throughout this annual report: • PSG Group remains committed to exercising ethical and effective leadership to achieve the four governance outcomes: ethical culture, good performance, effective control and legitimacy. • It is further evident from the way in which PSG Group conducts its business – in an open, honest and ethical manner. • This includes, but is not limited to, concerted efforts to promote transformation within PSG Group and its investee companies, as well as at PSG Group board level. For more detail, refer to the corporate governance report (page 32).
Financial reporting and shareholder communication in a transparent, accurate, concise and timely manner	The Remcom is satisfied that PSG Group's ongoing financial reporting and shareholder communication are of the highest standard, always transparent, accurate, concise, relevant and timely. This is evident from: • All correspondence, be it internal or external. • This annual report and the numerous announcements made by way of SENS and newspaper publications, also being available on PSG Group's website.

Non-financial personal key performance measure	Assessment
Maintaining investor relations in a professional and transparent fashion	The Remcom is satisfied that the CEO and CFO continue to maintain PSG Group's investor relations in a professional and transparent fashion: • PSG Group's interim and year-end results are formally presented to institutional investors bi-annually. • Investors are provided with formal feedback at PSG Group's AGM. • Numerous investor presentations are made throughout the year to local investor conferences and an international investor road show is conducted annually. • Regular ad hoc meetings are held locally at the request of predominantly local and international institutional investors. For more detail, refer to PSG Group's website at *www.psggroup.co.za* containing the presentations made to investors.
Managing PSG Group's capital structure and resources in a responsible and effective manner, while enhancing shareholder returns	The Remcom is satisfied that PSG Group's capital structure and resources continue to be managed in a responsible and effective manner: • There is a relentless focus on effective cash flow management and planning on both a current and forward-looking basis, which remains a key priority and is entrenched in the PSG Group culture. • Capital is always allocated with due regard to enhancing shareholder returns while managing the associated risk appropriately. • PSG Group remains conservatively geared with debt levels well within the board- and third-party funder's-imposed covenants. For more detail, refer to *"Gearing and Liquidity Management at PSG Group Head Office"* in the CEO and CFO report on page 17.

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

	Achievement
CEO	100%
CFO	100%

1.1 *Total (single-figure) remuneration*

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

Audited R'000	STI: Base salary: Approved	STI: Base salary: Deferred for 12 months[1]	STI: Base salary: Prior year deferral paid out[1]	STI: Base salary: Paid during the year[2]	STI: Discretionary performance-based bonuses[3]	Total short-term remuneration	LTI: Non-cash gains from exercise of share options[4]	Total remuneration
For the year ended 28 Feb 2019								
WL Greeff	**10 042**	**(3 013)**	**3 068**	**10 097**		**10 097**	**29 116**	**39 213**
JA Holtzhausen	**10 042**	**(3 013)**	**3 068**	**10 097**	**4 000**	**14 097**	**29 130**	**43 227**
PJ Mouton	**11 627**	**(3 488)**	**3 553**	**11 692**		**11 692**	**33 260**	**44 952**
	31 711	**(9 514)**	**9 689**	**31 886**	**4 000**	**35 886**	**91 506**	**127 392**
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

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 *The PSG Group CEO and CFO do not qualify for discretionary bonuses, to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of 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' share options that became exercisable on 28 February 2018, were only exercised in the ensuing financial year on 31 July 2018 in accordance with the 180-day exercise window. Also, share options that became exercisable on 28 February 2017, were exercised on that date. Consequently, there were no gains made with the exercise of share options in the financial year ended 28 February 2018.*

1.1.1 STI

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

For this purpose, PwC's most recent *Executive directors: Practices and remuneration trends report* (published in July 2018) 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 2019, 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 as a JSE Top 40 company); 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 2018):

R'000	PSG Group*	Benchmark
CEO	**11 627**	**23 133**
CFO	**10 042**	**13 515**

* *Of which 30% is deferred for a period of 12 months, the payment of which being 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 capitalisation as at year-end Rm	Recurring earnings %	Market capitalisation as at year-end %
28 Feb 2015	**16**	**1 142**	**27 694**	**1,38**	**0,06**
29 Feb 2016	**17**	**1 620**	**37 211**	**1,04**	**0,05**
28 Feb 2017	**19**	**1 985**	**54 166**	**0,95**	**0,03**
28 Feb 2018	**21**	**2 142**	**46 967**	**0,96**	**0,04**
28 Feb 2019	**22**	**2 357**	**56 684**	**0,93**	**0,04**

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

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

Assuming salary inflation at 1,5% above South Africa's consumer inflation forecast of approximately 5% for 2019, the Remcom has approved 6,5% as the general salary increase for the financial year commencing 1 March 2019 – such increase to be applied to the base salaries of all PSG Group's employees, including the executive directors.

Discretionary bonuses

PSG Group's support staff remain eligible for discretionary bonuses, subject to meeting company and personal key performance objectives. The total of such discretionary bonuses paid amounted to approximately R0,6m (2018: R0,5m) for the year ended 28 February 2019.

1.1.2 LTI

Share incentive scheme

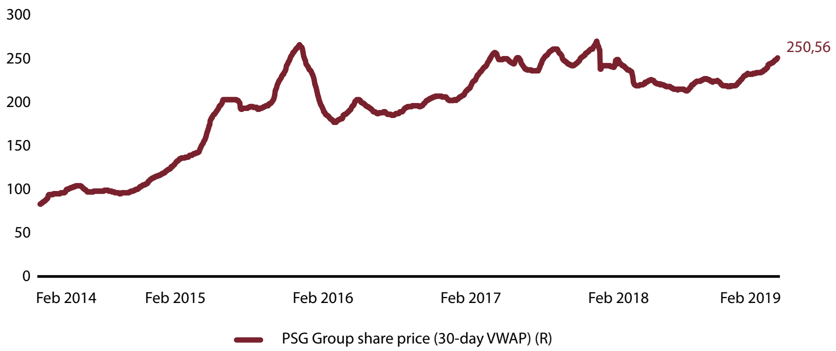
The three executive directors have all served in their current capacity for at least nine years and have accordingly participated in the share incentive scheme over this period.

Non-cash gains from exercise of share options

The significant *non-cash gains from the exercise of share options* included in the *total (single-figure) remuneration* table on page 53 should be considered in light of PSG Group's remuneration policy which has been designed to specifically align the interests of the executive directors with those of shareholders, together with their successful execution on PSG Group's stated objective of value creation for its shareholders. So, if shareholders do well, management will do well, and vice versa.

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 individuals, which is only achievable if PSG Group's remuneration practices are appropriate and competitive. Accordingly, the executive directors' significant *non-cash gains made from the exercise of share options* emanated from PSG Group's share price appreciation over the vesting period, during which period other shareholders benefited commensurately.

Over the past five-year period, the compound annual growth rate ("CAGR") in PSG Group's share price (measured on a 30-day VWAP basis) was 24,7%, as depicted in the graph below:



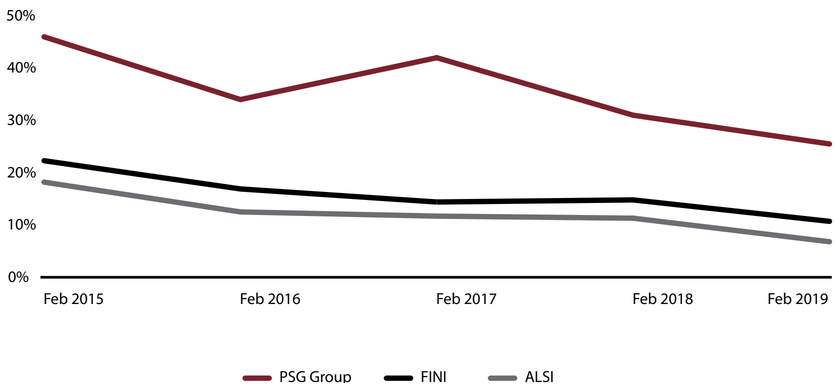
When evaluating PSG Group's performance over the long term, one should focus on the total return index ("TRI") as a measurement tool. The TRI is the CAGR of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of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

PSG Group's TRI as at 28 February 2019 was 25,5% per annum over the past five years. Had you thus purchased R100 000 worth of PSG Group shares on 28 February 2014, and reinvested all your dividends, your investment would be worth around R311 000 as at 28 February 2019. The same investment in either the JSE Financial Index ("FINI") or JSE All Share Index ("ALSI") over the same period would be worth R166 000 (46,6% lower) or R139 000 (55,3% lower), respectively.

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

	Rolling five-year TRI		
Reporting date	**PSG Group %**	**FINI %**	**ALSI %**
28 Feb 2015	**46,3**	**22,3**	**18,2**
29 Feb 2016	**34,0**	**16,9**	**12,5**
28 Feb 2017	**41,8**	**14,4**	**11,7**
28 Feb 2018	**30,5**	**14,8**	**11,3**
28 Feb 2019	**25,5**	**10,7**	**6,8**

Rolling five-year TRI graph



Unvested share option awards

The table below contains the unvested share option awards of PSG Group's executive directors as at 28 February 2019:

Audited	Number of share options as at 28 Feb 2018	Number of share options during the year Awarded	Vested[1]	Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 28 Feb 2019	Non-cash gains from exercise of share options during the year R'000	Value of unvested share options as at 28 Feb 2019[2] R'000
WL Greeff	26 044		(26 044)	233,00	61,50	28/02/2013	**-**	**4 467**	
	300 714		(150 357)	233,00	83,23	28/02/2014	**150 357**	**22 519**	**25 159**
	43 054		(14 352)	233,00	136,84	28/02/2015	**28 702**	**1 380**	**3 264**
	54 871		(13 718)	233,00	178,29	29/02/2016	**41 153**	**750**	**2 974**
	72 292				236,13	28/02/2018	**72 292**		**1 043**
		185 877			250,56	28/02/2019	**185 877**		
	496 975	185 877	(204 471)				**478 381**	**29 116**	**32 440**
JA Holtzhausen	25 883		(25 883)	233,00	61,50	28/02/2013	**-**	**4 439**	
	301 122		(150 561)	233,00	83,23	28/02/2014	**150 561**	**22 550**	**25 193**
	44 239		(14 747)	233,00	136,84	28/02/2015	**29 492**	**1 418**	**3 354**
	52 880		(13 220)	233,00	178,29	29/02/2016	**39 660**	**723**	**2 866**
	72 889				236,13	28/02/2018	**72 889**		**1 052**
		185 807			250,56	28/02/2019	**185 807**		
	497 013	185 807	(204 411)				**478 409**	**29 130**	**32 465**
PJ Mouton	32 263		(32 263)	233,00	61,50	28/02/2013	**-**	**5 533**	
	330 942		(165 471)	233,00	83,23	28/02/2014	**165 471**	**24 783**	**27 688**
	56 020		(18 673)	233,00	136,84	28/02/2015	**37 347**	**1 796**	**4 247**
	83 993		(20 998)	233,00	178,29	29/02/2016	**62 995**	**1 148**	**4 553**
	84 203				237,31	28/02/2017	**84 203**		**1 116**
	113 018				236,13	28/02/2018	**113 018**		**1 631**
		227 700			250,56	28/02/2019	**227 700**		
	700 439	227 700	(237 405)				**690 734**	**33 260**	**39 235**
	1 694 427	599 384	(646 287)				**1 647 524**	**91 506**	**104 140**

1 *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 2019. Such right was exercised within the 180-day exercise window on 30 April 2019.*

2 *Based on the 30-day volume weighted average PSG Group share price as at 28 February 2019.*

Additional vesting conditions

As detailed in the remuneration policy, the Remcom previously introduced additional financial and non-financial performance measures as well as a minimum shareholding requirement for PSG Group's executive directors as vesting conditions to the share incentive scheme. These changes are applicable to share options awarded on or after 28 February 2018, and accordingly the first vesting of share options subject to such conditions will be on 29 February 2020.

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

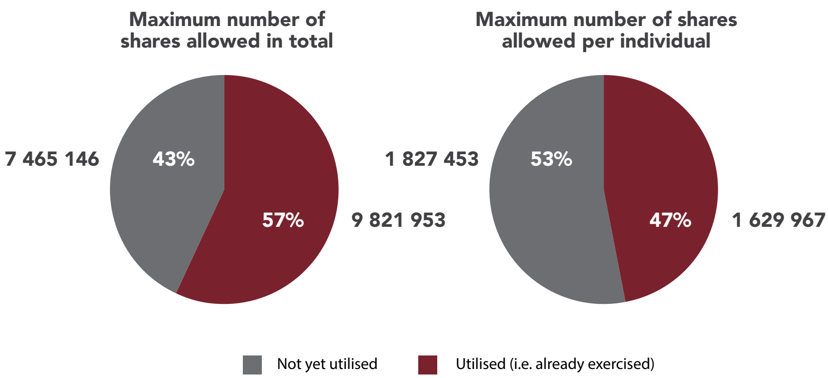
Vesting date	ROE Actual performance %	ROE Performance hurdle[1] %	REPS growth Actual performance %	REPS growth Performance hurdle %
27 Feb 2015	**14,1**	10,3	**23,5**	10,6
26 Feb 2016	**14,4**	10,6	**26,6**	11,0
28 Feb 2017	**14,5**	10,7	**24,6**	10,4
28 Feb 2018	**14,4**	11,3	**20,5**	9,9
28 Feb 2019	**14,4**	11,8	**19,3**	9,2

1 *For the sake of fairness, beta inputs have been revised for calculation over five years instead of one year, thereby disregarding short-term anomalies such as PSG Group being included and shortly thereafter excluded from the JSE Top 40 Index during 2015/2016.*

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

Extent of the share incentive scheme

PSG Group shareholders approved the maximum number of PSG Group shares that may be utilised for purposes of the share incentive scheme (both in total and on a per individual basis). The charts below depict the number of shares already utilised until 28 February 2019 as opposed to the maximum number of shares that may be utilised for purposes of all employees:



At 28 February 2019, the share incentive scheme had 32 participants, comprising the CEO, CFO, managers and other qualifying employees employed at head office (including employees forming part of the PSG Capital and Grayston Elliot divisions).

At 28 February 2019, the total number of share options that had already been awarded but remain unvested amounted to 1 481 473, representing 0,7% of PSG Group's total number of shares in issue (net of treasury shares). However, assuming that all share options are settled on a net-equity basis, the dilution to PSG Group shareholders should be significantly less than aforementioned 0,7%.

Loan funding

PSG Group's executive directors and their associated entities previously received loan funding from 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 previously decided for prudency purposes that no new loan funding be granted for the foreseeable future, while existing loan funding be phased out in accordance with the existing loan repayment terms.

- *Share incentive scheme funding*

These loans accrue interest at the South African Revenue Service fringe benefit rate and are repayable in full after seven years (executive directors) and three years (other participants) from the date of advance, respectively. PSG Group shares were pledged and ceded in security and need to cover the related outstanding loans by at least 250% (2018: 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 cover ratio.

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

R'000	2019	2018
WL Greeff	**3 730**	14 995
JA Holtzhausen	**12 450**	14 430
PJ Mouton	-	20 400
Total loans	**16 180**	**49 825**
Security cover[1]		
WL Greeff	**3 483%**	786%
JA Holtzhausen	**896%**	833%
PJ Mouton	-	778%

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) as at the respective reporting dates:

R'000	2019	2018
Total loans	**9 897**	26 397
Security cover[1]	**327%**	162%

[1] *The minimum-security cover increased from 130% to 250% with effect from 28 February 2019, and will further increase to 300% with effect from 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 carried interest at Prime less 1%, were secured by the Funded Shares, and were repaid in full during the year under review, as set out in the table below:

R'000	2019	2018
Related party of:		
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:

Audited 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	Base salary	Discretionary performance-based bonuses	Non-cash gains from exercise of share options	Total	Total remuneration
For the year ended 28 Feb 2019									
PE Burton	497		**497**	606				**606**	**1 103**
ZL Combi	387		**387**	740				**740**	**1 127**
FJ Gouws[1]			**-**		5 210	20 600	37 673	**63 483**	**63 483**
B Mathews	400		**400**					**-**	**400**
JF Mouton	360	721	**1 081**					**-**	**1 081**
JJ Mouton	250		**250**					**-**	**250**
CA Otto	450		**450**	500				**500**	**950**
	2 344	721	**3 065**	1 846	5 210	20 600	37 673	**65 329**	**68 394**
For the year ended 28 Feb 2018									
PE Burton	265		**265**	538				**538**	**803**
ZL Combi	155		**155**	677				**677**	**832**
FJ Gouws[1]			**-**		4 872	18 800	38 531	**62 203**	**62 203**
MJ Jooste/ TLR de Klerk[2]	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**

1 *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R21,5m (2018: R20m), of which the payment of 70% (2019: R15,1m; 2018: R14m) is unconditional, while the payment of 15% each (2019: R3,2m; 2018: R3m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

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

Mr JF Mouton retired as PSG Group chairman during the year under review. In accordance with its authority, the Remcom determined that his unvested share options in respect of 208 424 PSG Group shares shall vest on 28 February 2019, which he then elected to exercise on such date. The total *non-cash gains from the exercise of share options* during the year ended 28 February 2019 (i.e. share options exercised up to the date of his retirement as well as those exercised on 28 February 2019) amounted to R68m.

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

	Number of share options as at 28 Feb 2018	Number of share options during the year		Market price per share on vesting date R	Strike price per share R	Date granted	Number of share options as at 28 Feb 2019	Non-cash gains from exercise of share options during the year R'000	Value of unvested share options as at 28 Feb 2019[2] R'000
Audited		**Awarded[1]**	**Vested**						
FJ Gouws	3 125 000		(3 125 000)	9,81	2,83	01/03/2013	**-**	**21 813**	
	3 175 000		(1 587 500)	9,81	5,06	01/03/2014	**1 587 500**	**7 541**	**9 001**
	671 389		(223 797)	9,81	7,27	01/04/2015	**447 592**	**568**	**1 549**
	10 335 579		(2 583 895)	9,81	6,81	01/04/2016	**7 751 684**	**7 751**	**30 387**
	3 156 559				7,59	01/04/2017	**3 156 559**		**9 912**
		3 750 000			8,74	01/04/2018	**3 750 000**		**7 463**
	20 463 527	3 750 000	(7 520 192)				**16 693 335**	**37 673**	**58 312**

1 *On 23 April 2019, Mr FJ Gouws accepted a further 4m PSG Konsult share options at a strike price of R10,15 per share, being the 30-day volume weighted average PSG Konsult share price as at 1 April 2019.*

2 *Based on the 30-day volume weighted average PSG Konsult share price as at 28 February 2019.*