
Corporate governance





PSG Group Ltd (“PSG Group” or “the company”) is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles (“King III”). Accordingly, PSG Group’s corporate governance policies have in all material respects been appropriately applied during the year under review. The board does not consider application of all the principles contained within King III appropriate for PSG Group. Where specific principles of King III have not been applied, explanations for these are contained within this section of the annual report. A detailed analysis of PSG Group’s compliance with King III is available at www.psggroup.co.za. PSG Group will adopt King IV™ in the next reporting period.

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

BOARD OF DIRECTORS

Details of PSG Group’s directors are provided on page 21 of this annual report. The board met four times during the year under review. The attendance at these meetings is set out in the table below:

Director	18 Apr 2016	21 Jul 2016	12 Oct 2016	22 Feb 2017
PE Burton	√	√	√	√
ZL Combi	√	√	√	√
FJ Gouws	√	√	√	√
WL Greeff	√	√	√	√
JA Holtzhausen	√	√	√	X
MJ Jooste (Alt: AB la Grange)	√	√	√	√
B Mathews	<i>n/a</i>	√	√	√
JF Mouton (chairman)	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√

√ Present

X Absent with apology

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 three consecutive years without rotating, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. In addition thereto, the appointment of new directors should be confirmed by shareholders at the first annual general meeting following their appointment. In accordance with the company’s memorandum of incorporation, Messrs PE Burton, FJ Gouws and MJ Jooste will retire by rotation and offer themselves for re-election by shareholders at PSG Group’s annual general meeting to be held on 23 June 2017.

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 chief executive officers and other executive directors of subsidiary and associate companies have entered into service contracts with those subsidiary and associate companies.



PSG Group is an investment holding company with limited day-to-day operations. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, with the majority of directors being non-executive. King III recommends that the majority of non-executive directors be independent. Although only certain of the non-executive directors are independent as defined by King III, all of the non-executive directors are independent of thought and action. Having considered the matter, the board is accordingly satisfied that, as stated previously, its current composition ensures a balance of power and authority.

Mr JF Mouton fulfils the role of non-executive chairman and Mr PJ Mouton the role of chief executive officer. Mr JF Mouton is not classified as independent in terms of King III because of his significant indirect shareholding in PSG Group. Mr PE Burton serves as lead independent director of PSG Group.

The PSG Group Nomination Committee considers and recommends appropriate appointments of directors to the board. The appointment of new directors to the board is a matter for the board as a whole and is conducted in a formal and transparent manner. The induction of directors is not conducted through a formal process. This has not been necessary to date as new appointees have largely been familiar with the group's operations and the environment in which it operates. However, an informal induction process has been conducted for new appointees in instances where it was considered appropriate. Consideration will be given to a formal induction programme for future appointees to the board, should this become necessary.

The board does not conduct formal appraisals of its members and committees. However, the efficiency of the board and its committees is continuously assessed.

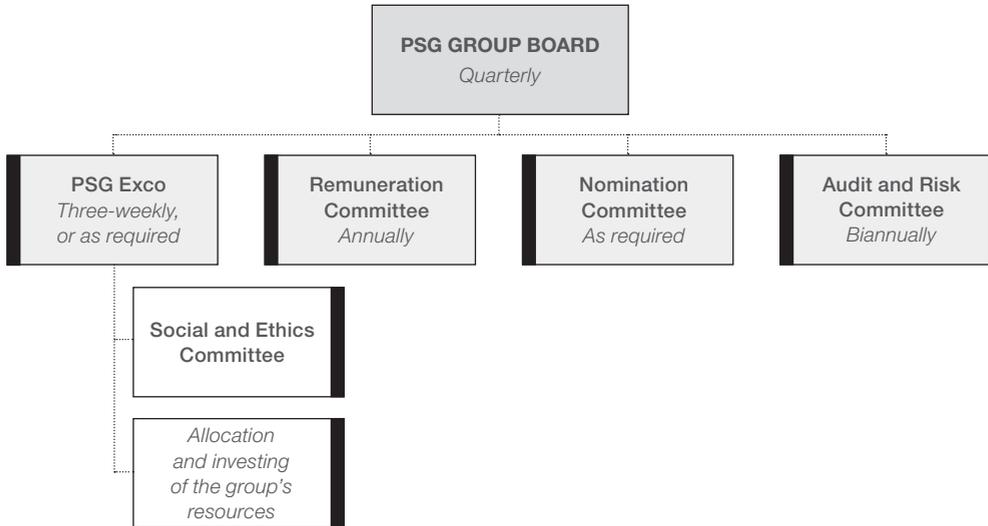
The vast majority of the directors are shareholders in the company.

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

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

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

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



EXECUTIVE COMMITTEE

The PSG Group Executive Committee ("PSG Exco") comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (chief executive officer), WL Greeff (chief financial officer) and JA Holtzhausen (executive). Mr JC Taljaard (tax advisor) attends the PSG Exco meetings as a permanent invitee, while there is a standing invitation for non-executive directors to attend. Mr PJ Mouton serves as chairman. The PSG Exco meets regularly, usually every three weeks, and is primarily responsible for the allocation and investing of PSG Group's resources, including capital.

The major operating subsidiary and associate companies all operate on similar principles.

REMUNERATION COMMITTEE

The remuneration committee comprises Messrs MJ Jooste (chairman), PE Burton and CA Otto. These members are all non-executive directors, with the majority being independent. The committee met once during the past year on 22 February 2017 and all members were present.

PSG Group's remuneration policy is set out on pages 87 to 90, and will be presented to shareholders for a non-binding vote thereon at PSG Group's upcoming annual general meeting.

Executive directors' remuneration is set out on page 50 of this annual report. Due to the limited number of individuals employed at PSG Group's head office level, disclosure of the remuneration of the three highest paid employees who are not directors is not deemed appropriate as such information is sensitive to peer review and adds no value for stakeholders.

For the year ended 28 February 2017, the operating expenses pertaining to PSG Group's head office, inclusive of total employee costs, amounted to approximately 0,13% of PSG Group's *sum-of-the-parts value* as at 28 February 2017.



NOMINATION COMMITTEE

The nomination committee comprises Messrs JF Mouton, PE Burton, ZL Combi, MJ Jooste and CA Otto, all being non-executive directors, with the majority being independent. The nomination committee meets when required and, as previously stated, is responsible for assisting the board with the appointment of directors by making appropriate recommendations in this regard.

In identifying suitable candidates for appointment to the board, the nomination committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at a board level. Ms B Mathews was appointed to the board on 3 May 2016, and the nomination committee will continue to discuss and annually agree all measurable targets for achieving gender diversity on the board.

AUDIT AND RISK COMMITTEE

The audit and risk committee comprises three independent non-executive directors, namely Mr PE Burton (chairman), Ms B Mathews and Mr CA Otto.

The committee met twice during the past financial year:

Director	15 Apr 2016	10 Oct 2016
PE Burton ¹	√	√
J de V du Toit ²	√	n/a
B Mathews	n/a	√
CA Otto	√	√

¹ Chairman at the 10 October 2016 meeting.

² Chairman at the 15 April 2016 meeting.

√ Present

A report by the PSG Group Audit and Risk Committee has been provided on page 47 of this annual report. The audit and risk committee operates in accordance with a board-approved charter, which is available from the company secretary for inspection. Once a year, the members of the audit and risk committee attend a training course regarding any new legal, regulatory and/or financial developments which may affect their roles and responsibilities as members of the audit and risk committee. During the past year, Mr PE Burton replaced Mr J de V du Toit as chairman of the audit and risk committee and Ms B Mathews was appointed as member. Messrs PE Burton and CA Otto have served as members of the audit and risk committee for 10 years and five years, respectively.

SOCIAL AND ETHICS COMMITTEE

The PSG Group Social and Ethics Committee, which comprises the members of the PSG Exco and Mr CA Otto (chairman), is responsible for monitoring the company's activities, having regard to any relevant legislation, legal requirements and prevailing codes of best practice with matters relating to, inter alia:

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

The PSG Group Social and Ethics Committee is satisfied with the social and ethical matters relating to PSG Group and its subsidiaries.



COMPANY SECRETARY

PSG Corporate Services (Pty) Ltd is the appointed company secretary of PSG Group. The company secretary acts as conduit between the board and PSG Group. The company secretary is responsible for board administration, and 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 company secretary has to date maintained a professional relationship with board members, giving direction on good governance and independent advice as and when 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 has noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The board is satisfied that an arm's-length relationship exists.

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, is on page 47 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of PSG Group. Each group company has its own board of directors who is responsible for the risk management and internal control of that company and its business.

Detailed risk assessments and management plans have been implemented throughout the group to ensure that risk is properly managed. The board, on recommendation by the audit and risk committee, concluded that the system of internal control and the risk management process were effective for the financial year under review. The group operates in a highly regulated environment. Compliance officers have been appointed at each of the group's key operating subsidiary and associate companies to ensure compliance with legislation and codes that govern the group's day-to-day operations.

INTERNAL AUDIT

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

GOVERNANCE OF INFORMATION TECHNOLOGY

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

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

INTEGRATED REPORTING AND DISCLOSURE

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

PSG Group applies the principles of integrated reporting to the extent that such are considered appropriate.



SUSTAINABILITY

Stakeholder relations

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. PSG Group has a dedicated team addressing enquiries from stakeholders.

PSG Group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a business-like manner – frank, open and with mutual respect.

Safety, health and environment

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

We encourage all our people to live healthy lifestyles and act responsibly at all times.

Social responsibility

PSG Group's social responsibility areas of endeavour are socio-economic, the youth and education in a wide sense. The long-term aim is to make a contribution to the advancement of stability in South Africa.

Education is one of the most basic needs of society. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society. PSG Group 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 invested in various BEE initiatives. PSG Group furthermore pays all its taxes regularly and encourages government to spend its receipts responsibly.

PSG Group has no political affiliations.

Refer to the chairman's letter on page 2 and the corporate social investment section on page 14 of this annual report for more details regarding PSG Group's corporate social investments.

Human resources

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

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

Employee participation

In order to retain and attract entrepreneurs, PSG Group has a philosophy of encouraging management and key employees to acquire a meaningful interest in the company and/or its underlying businesses. A significant percentage of employees are shareholders in PSG Group, participants in the share incentive scheme and shareholders in subsidiary and associate companies. Employees are co-owners of the business and are treated as such, with transparent communication being a priority.



Employment equity

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

Ethics

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

Products and product development

PSG Group acts as investor for own account and as financier for the group. Subsidiary and associate companies develop their own specialist product ranges across a diverse range of industries, which include banking, education, financial services, food and related business, as well as early-stage investments in growth sectors. The group also provides legal, taxation, financial and regulatory support and advice to listed and unlisted clients.

Distribution

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

Financial Sector Charter

PSG Group endorses the principles of the Financial Sector Charter and its implementation is overseen by senior management in the group.

Financial reporting

PSG Group reports its financial results to its shareholders twice a year, as and when required by the JSE Listings Requirements, and additionally when considered appropriate for the benefit of all stakeholders.