

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. BACKGROUND

PSG Group Ltd (“PSG Group” or “the company”) is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include financial services, education, banking and food and related business, as well as early-stage investments in select growth sectors.

PSG Group remains committed to:

- Investing in companies that act responsibly in respect of environmental, social and governance matters.
- 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™”). A detailed analysis of PSG Group’s compliance with King IV™ is available at www.psggroup.co.za.

More than 83% of PSG Group’s total assets comprise investees that are separately listed on exchanges and independently managed. These companies are similarly committed to act responsibly in respect of environmental, social and governance matters, and to report thereon to stakeholders in terms of King IV™. Whether listed or not, PSG Group expects all its underlying investees to act responsibly in respect of environmental, social and governance matters and our representatives on the respective companies’ boards of directors and finance/audit and risk committees have been tasked to ensure same.

2. ENVIRONMENTAL

PSG Group believes in responsible investing and supports the notion of protecting our planet through, amongst other, combating climate change by reducing our environmental footprint, both at a PSG Group and investee level.

PSG GROUP

Since PSG Group is an investment holding company with limited operations, its head office comprises only 13 employees dedicated full-time to the day-to-day running of PSG Group and PSG Alpha, a 98,3%-held subsidiary which houses PSG Group’s early-stage investments. PSG Group and its employees continuously aim to reduce their environmental footprint to promote sustainability through various means (as also embraced by many investees) such as to –

- Reduce air and ground travel to limit our carbon footprint by:
 - Making use of virtual electronic means for meetings (and not just owing to Covid-19 remote working arrangements).
 - Holding PSG Group’s results presentations, investor presentations and other meetings by way of virtual electronic means, rather than in-person meetings.
- Reduce paper usage significantly through:
 - Utilising meeting portal software and other electronic means instead of printing out large hardcopy information packs.
 - No longer publishing PSG Group’s financial results in the printed media, to the extent allowed by the JSE Listings Requirements.
 - Conducting internal communication electronically, including placing staff manuals and policy documents online.
- Conserve water and electricity through awareness initiatives and the installation of energy-efficient solutions, such as low-energy LED globes.
- Recycle waste and to dispose of electronic waste in a responsible manner.
- Limit the use of single-use plastic, such as bottled water.

INVESTEES

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 on society at large. All its investees are similarly committed.

With this notion in mind, PSG Group has intentionally not invested in businesses engaged in the production of harmful products or whose operations are detrimental to the environment, but has instead invested in companies providing financial services (PSG Konsult), education (Curro, Stadio and Optimi), banking (Capitec), sustainable energy (Energy Partners), retirement lifestyle villages (Evergreen), and food and related business offerings (via Zeder in Kaap Agri, Zaad, Capespan and Agrivision Africa) – all also making a positive contribution to society.

3. SOCIAL MATTERS

As a good corporate citizen with the best interest of our country and its people at heart, PSG Group contributes significantly to society. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society. PSG Group, as an investment holding company, has therefore primarily directed its corporate social investment (“CSI”) efforts at supporting education on various levels. PSG Group also subscribes to and support social upliftment through broad-based black economic empowerment (“B-BBEE”), having established, funded and invested in various B-BBEE initiatives throughout the years, through which significant value has been created for B-BBEE participants.

Below are some of the CSI initiatives undertaken by PSG Group and its investees. Although this is not a comprehensive list, it illustrates our dedication to making South Africa a better place.

PSG GROUP

A significant theme throughout the group is our contribution to all levels of education – from early-childhood development, all the way through to higher and adult education. We firmly believe in the multiplier effect that education brings, not only to the individual, but to society at large.

The PSG Group/Jannie Mouton Foundation Bursary/Loan Scheme at Stellenbosch University

We started this initiative in 2007, when PSG Group and Jannie Mouton each donated 100 000 PSG Group shares, currently worth approximately R62m in the aggregate (inclusive of the unbundled Capitec shares), to provide financial support to gifted disadvantaged students to study at Stellenbosch University. To date, 101 students have received financial support through this scheme with over R6,4m granted in bursaries and loans. Their fields of study include medicine, law, actuarial science, accounting and investment management.

Akkerdoppies

PSG Group and the PSG Group BEE Education Trust has provided this pre-primary school with ongoing financial support since its establishment in 2008. Akkerdoppies is committed to early-childhood development providing essential education and skills to children from the disadvantaged communities of Stellenbosch. The school has 160 children and employs 18 people. We remain committed to a long-term relationship with this initiative and appreciate their significant positive contribution to the community.

PSG Group BEE Education Trust

This trust owns unencumbered PSG Group and Capitec shares worth more than R784m in total. Dividends received from these shares are used to grant bursaries to black learners.

Ruta Sechaba Foundation

The foundation was established in 2016 and provides academic and sport scholarships to qualifying black learners at Curro and Curro-managed schools. PSG Group was the founder of both the PSG Group BEE Education Trust and Dipeo BEE Education Trust, being the initial donors to the foundation. The foundation is now open to all corporates and individuals who wish to contribute to education in South Africa in a structured manner.

Collectively, the PSG Group BEE Education Trust and Dipeo BEE Education Trust have to date contributed more than R45m to the foundation, with more than 140 beneficiaries having completed Grade 12 with our assistance. Some of these learners are from South Africa’s poorest townships – we aim to give them an opportunity to graduate with a Grade 12 certificate from a high-quality educational institution. We are proud of the academic and sporting achievements of the 2020 beneficiaries –

- 20% of our Grade 12 learners passed with an A-average, while at least 70% of our Grade 12 learners passed with no less than one subject distinction; and
- One of our learners represented the Junior Bafana Bafana (under-17) soccer team at the 2020 Cosafa Cup.

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Amicus Trust

The PSG Group BEE Education Trust continues to provide this initiative with financial support for its training and skill-based programmes in Stellenbosch, which include –

- Bergzicht Training, which provides frail care, childcare and hospitality training. 104 individuals completed their training during the past year, of whom approximately 75% was successfully placed in positions of employment.
- Stellemploy, which provides training in artisan skills, including plumbing, painting and carpentry. 93 individuals completed their training during the past year, of whom approximately 90% was successfully placed in positions of employment.
- Pinotage Youth Development Academy, which provides training in occupations related to the wine, fruit and related industries. 65 individuals completed their training during the past year, of whom approximately 78% was successfully placed in positions of employment.

INVESTEES

It is evident from the aforementioned that PSG Group makes a significant *direct* contribution to society. However, as an investment holding company, with our underlying investments also having various CSI initiatives, PSG Group also makes a substantial *indirect* contribution to society. Below, in no particular order and by no means exhaustive, are some of the CSI projects undertaken by our investees:

PSG Konsult

PSG Konsult invests in educational and social programmes that aim to further employment and economic empowerment. Below are some of their CSI projects:

- Adopt-a-School Project: a programme that supports and enhances the learning and teaching environment in disadvantaged schools, with the aim of addressing inequalities and inadequacies in rural areas. PSG Konsult has adopted four such schools with more than 2 300 learners in total. These schools are located near to the economic hubs, thereby enabling PSG Konsult employees to provide hands-on support.
- Childcare and children's homes are provided with monthly food parcels and funding.
- PSG Konsult has invested more than R27m in the ASISA Enterprise Development Fund since February 2015. This initiative invests in the sustainability of small and medium-sized enterprises ("SMEs") in South Africa. It also supports government's drive for job creation and economic growth.
- Graduate and bursary programme with 39 graduates enrolled and nine students supported through bursaries currently.

Curro

PSG Group has to date invested more than R3bn cash in Curro, the largest private school group in southern Africa. Curro plays an important part in educating the youth. Its business model assists government by carrying part of the significant capital burden of building new schools, while Curro's running costs to educate more than 60 000 learners save the country well over R1bn annually. Curro employs approximately 6 200 people.

Capespan

Capespan's initiatives are aimed at improving the quality of life of farmworkers and rural communities in the fruit production areas where the company operates. CSI initiatives are developed in partnership with local communities, local government and industry stakeholders. Initiatives integrate socio-economic, occupational health and education development activities based on the communities' needs. Below are some of their CSI initiatives:

- Misty Cliffs Farm: Capespan contributed to the construction of a day care and after-school facility comprising two classrooms, a kitchen, ablutions, portico and a fenced-in separate outdoor play area.
- Omdraai Valam Farm: Capespan extended the sports ground facilities to include a clubhouse suitable for staff meetings or training purposes, with a kitchenette for preparation of refreshments during events.
- Covid-19 relief:
 - Capespan made R0,1m available for food relief in the areas where they operate.
 - Capespan distributed more than 20 tonnes of apples to farmworker communities in the Durbanville area, as well as to informal settlement community feeding schemes in the Cape Town metropole impacted by the Covid-19 lockdown measures.

Kaap Agri

Kaap Agri's CSI projects focus on training and skills development in the agriculture sector. Below are some of their CSI initiatives:

- Kaap Agri Academy: has empowered emerging farmers and farmworkers through offering a learnership programme in mixed farming at NQF level 2. The academy also trains farmworkers in a range of regulatory short courses. Kaap Agri's investment in the academy during the past year was approximately R1m.
- Young Stars Programme: provides, in partnership with the TechnoGirl Trust (an initiative by the Department of Women, Children and People with Disabilities, and supported by the United Nations International Children's Emergency Fund ("UNICEF")), job shadowing opportunities, career guidance and mentorship to learners.
- Kaap Agri Bursary Programme: aims to use education to break the cycle of poverty for both learners and their families, with 43 secondary school learners and three university students having benefited from this programme during the past year. The investment in secondary and tertiary education amounted to R1,4m during the past year.
- Covid-19 relief:
 - In partnership with the Gift of the Givers foundation, 69 water storage tanks to the value of R0,2m were donated to assist the country during the Covid-19 pandemic. These tanks have a storage capacity of 138 000 litres and were distributed to informal settlements throughout areas such as Garies, Calvinia, Sutherland and Graaff-Reinet, as well as to Tygerberg Hospital in Cape Town.
 - Four of Kaap Agri's Agrimark stores partnered with the Goedgedacht Trust, a farm-based community support organisation in Malmesbury, to create a self-quarantine facility for people infected with the coronavirus. The centre has been able to accommodate up to 34 patients at a time.
 - Kaap Agri, in partnership with other agri businesses and industry organisations, assisted needy communities in the Swartland region. More than 52 tonnes of bread flour were donated to families in dire need and to relief and support organisations to assist those impacted by the Covid-19 pandemic.

Zaad

Zaad's CSI projects focus on the development of emerging agriculture, including the distribution of vegetable garden kits to under-privileged schools, sponsorship of seeds for the planting of maize in the Ncora region of the Eastern Cape, as well as the establishment of 29 micro agri-distribution depots in previously disadvantaged areas.

TLG

TLG's CSI projects focus on social and economic development through making donations to various initiatives described below:

- Bright Star Life Skills Training Project: is coordinated by Badisa Tygerberg and aimed to provide life skills training to foster children.
- TLG contributed approximately R1,3m to learnership initiative programmes, employees' training and development as well as bursaries towards tertiary education for children of employees of the TLG group.
- People Opposing Poverty in Society: distributed food parcels to impoverished communities of Gqeberha.
- Genesis Nutrition: distributed high-energy protein meals to the less fortunate children of Dalweide Primary School.
- Reach for a Dream Foundation: has for the past 30 years been fulfilling the dreams of children of all races, colour and creed who are faced with life threatening illnesses.

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Optimi

Optimi provides accessible learning solutions to learners in any environment using a unique “GuidED Learning” model and ecosystem, empowering learners to realise their full potential. It focuses on education innovation that ultimately ensures quality and affordable learning at scale. Optimi currently serves approximately 1 500 schools, more than 25 000 home education and after-school learners (through more than 2 000 tutors), as well as more than 100 000 adult learners (directly or through approximately 500 corporate and government institutions).

The Optimi group has conducted several CSI initiatives in education over the past year, including:

- A project to offer 30 weekend tutoring sessions of two hours each for mathematics, physical science and accounting to Grade 10 girls at Bona Lesedi Secondary School in Mamelodi, through its B-BBEE investment partner Utolo Education Investments.
- Training offered to approximately 50 teachers at Bona Lesedi Secondary School.
- Donation of books to disadvantaged learners in Mpindweni in the Eastern Cape.
- Provision of free CAMI education licenses to various schools in the Phokeng area.
- Provision of free resources (content, software and online lessons) during the Covid-19 lockdown.
- Adoption of Bathabile Primary School in Olievenhoutbosch for Mandela Day, providing them with free books and resources, teacher training, and school infrastructure improvements.
- Matric for Madiba through Afrika Tikkun, sponsoring several adult learners to achieve Matric.

With our investment in Optimi, we look to further contribute to education in South Africa, while also creating business opportunities for entrepreneurs and educators who can embrace their passion for education while building a profitable business.

Energy Partners

Energy Partners continues to support the Pearl Project community development initiative in the Helderberg area. The initiative focuses on early-childhood development and has established three crèches that serve the local community. Energy Partners has supported the Pearl Project through donating renewable energy solar panels and battery back-up systems that allow for cost savings and a continuous supply of power. Energy Partners has also provided much needed financial support towards the construction of the Pearl Project early childhood development centre in Macassar.

Energy Partners further provides funding to Develop Dental, a registered non-profit organisation determined to eradicate oral diseases and reduce the prevalence of dental decay, the most common chronic disease world-wide, by increasing oral health awareness among children, youth and their families. Their focus is on empowering children and youth in under-resourced communities to make healthier choices concentrating on nutrition, health education and personal development.

Energy Partners’ employees volunteer their time to support both these initiatives.

ProVest

The plight of the communities where ProVest operates increased during the Covid-19 crisis. ProVest stepped up its CSI initiatives in response thereto:

- Contributed food parcels to the Royal Bafokeng Platinum Food Bank to support indigent families.
- Donated food parcels to employees in the Eastern Limb, Limpopo to ease the burden due to a lack of income.
- Donated hand sanitizer stands to six community clinics and five traditional offices in Ga-Sekhukhune, Limpopo.
- Developed Pix-Animated videos to educate learners about Covid-19 safety protocols at school and at home. These videos were donated to schools in the Rustenburg and Steelpoort areas, and were personalised in terms of the school corporate colours and logos to make it more relatable to learners.
- Donated a self-heating industrial washing machine to the Ngwaabe Clinic to assist the frontline healthcare workers with their laundry at the facility.
- Sponsored branded clothing to Sekhukhune SAPS Women Network and Men for Change to ensure that participants are visible as they raise awareness on the spiralling incidents of gender-based violence.

Evergreen

Evergreen's focus has been and will continue to be the safety of its residents given the additional challenges stemming from the Covid-19 pandemic. Evergreen's residents and staff are always exceptionally willing to assist in any community improvement initiatives and have focused on:

- The knitting of jerseys and beanies for the Jabulani Day Care Centre. Wool donated by Evergreen to the residents of the village knitting group resulted in 125 jerseys with matching beanies being handed over to these children.
- Our Santa Shoe Box initiative resulted in 75 gift boxes filled with toiletries and Christmas treats and decorated by residents, being donated to under-privileged children.
- On Shoe the World Day, residents and staff donated old shoes to various institutions ranging from children's homes to retirement homes.

CA&S

The CA&S group operates in various geographical areas throughout southern Africa and its CSI initiatives are mainly focused on education, children and the elderly in the communities in which they operate. Below are some of the CSI projects that CA&S supports:

Botswana

- The Gamodubu Trust Fund manages an orphanage accommodating 60 disadvantaged children in Gamodubu Village. CA&S held a Covid-19 protocol-controlled Christmas party for the children and donated food, clothes, school shoes and some special toys to ensure the children have a memorable day.
- CA&S contributed cash, food items and sanitiser to the Botswana Covid-19 Disaster Fund to assist government's lockdown initiatives and the people of Botswana.

Namibia

- Fast-moving consumer goods were donated to the following worthy causes:
 - AZAR, an initiative aimed at supplying and distributing basic resources such as food, toiletries, basic medicine and warm blankets to those in need.
 - Ladies in Action, an organisation aimed at promoting empowerment through education, cultural exchange, relief and self-help projects.
 - Praise & Worship, an initiative reaching out to those in need within the rural areas of Namibia.
 - Tanidare Empowerment Centre, which reaches out to the elderly and HIV/AIDS positive people in Katutura, Windhoek, and also runs a soup kitchen feeding about 65 people twice a week.

South Africa

- The Potato Foundation aims to improve the lives of children by providing educational opportunities and facilitating feeding schemes. They have a pay-it-forward philosophy in that all beneficiaries of funds or donations must in turn give back to their community. They do this by volunteering at the Potato Foundation Soup Days and various other projects and initiatives.

Eswatini

- Through the #MakingADifference Campaign, CA&S in partnership with Premier Eswatini, distributed over 470 food hampers and 1 000 masks to those in need.
- The Luke Commission provides free, compassionate, comprehensive healthcare to the most isolated and underserved populations of Eswatini.

Stadio

The Stadio group services more than 30 000 students across a diverse range of more than 90 accredited programmes, ranging from undergraduate (higher certificates, diplomas and degrees) to postgraduate programmes (honours, masters and doctorates).

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Overall, the Stadio group spent R24m on bursaries, scholarships and discounts to students, and further engaged with students during Covid-19 to enter into various payment extensions, where necessary. Various other initiatives across the Stadio group, to name a few, include:

- Engagement with the Home of Hope for Girls through Milpark Education's Social Responsibility and Environmental Management module which is an integrated part of the curriculum and provides students with the opportunity to closely work with a charity organisation.
- AFDA's collaboration on plays, running workshops and broadcasting 'English in Action' through interactive radio to classrooms in underprivileged rural and peri-urban schools.
- Support of A-CARE-DEMICS initiative, being an outreach platform to schools and charities. It included knitting scarves, beanies, boot cuffs and gloves, as well as items for new-born babies at Tygerberg Hospital, and providing sanitary towels and sweets to Tygerberg Hospital Children's Trust and Alpha Primary School in Morning Star.
- Various support initiatives for staff through Milpark's longstanding staff enrichment programme in the School of Financial Planning and Insurance.
- Donations to various mental handicap associations, old age homes, orphanages, youth programmes and community development programmes.

4. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

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

The Board comprises 10 directors of whom 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 4 and 5 of this annual report. The Board is satisfied with its diversity from an age, gender, race and culture perspective, 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.

4.2 *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 long-term value creation for shareholders.

4.3 *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.

4.4 *Chief executive officer ("CEO")*

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 17 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 19 and 23 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 PSG Konsult, Curro and Zeder. He has no professional commitments other than his role as PSG Group CEO.

4.5 Board meetings and attendance

The Board met four times during the past year to consider standard matters. However, it met a further three times to deal with matters pertaining specifically to the Capitec unbundling. The attendance at the four meetings to consider standard matters is detailed in the table below:

Director	22 Apr 2020	16 Jul 2020	6 Aug 2020*	11 Aug 2020*	17 Aug 2020*	14 Oct 2020	23 Feb 2021
PE Burton	✓	✓	✓	✓	✓	✓	✓
ZL Combi (chairman)	✓	✓	✓	✓	✓	✓	✓
FJ Gouws	✓	✓	A	✓	A	✓	✓
WL Greeff	✓	✓	✓	✓	✓	✓	✓
AM Hlobo	✓	✓	✓	✓	✓	✓	✓
JA Holtzhausen	✓	✓	✓	✓	✓	✓	✓
B Mathews	✓	✓	✓	✓	✓	✓	✓
JJ Mouton	✓	✓	✓	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓	✓	✓	✓
CA Otto	✓	✓	✓	✓	✓	✓	✓

* Special board meeting pertaining to the Capitec unbundling

✓ Present

A Apology – however, the director provided the Board with his comments on the matters at hand prior to the meetings

4.6 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 dealing 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.

4.7 Broader diversity policy adopted by the Board

PSG Group believes that 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, field of knowledge, industry experience and other distinctions.

The PSG Group Nomination Committee will consider and agree on measurable targets for achieving broader diversity at board level, to the extent deemed necessary. 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, inter alia, race and gender diversity.

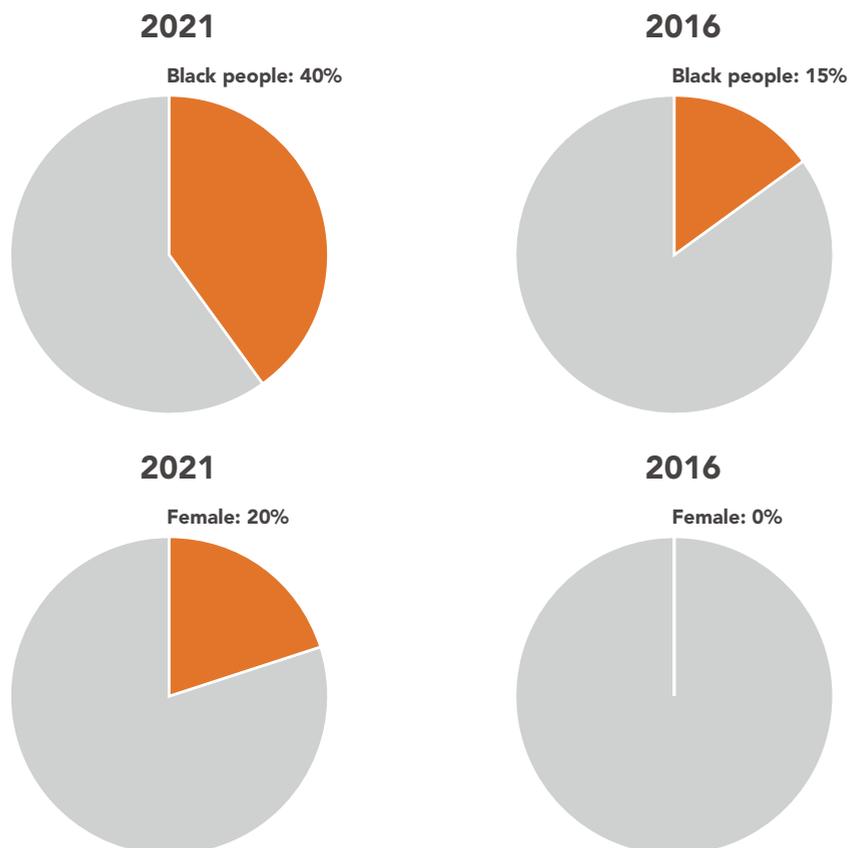
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PSG Group's level of compliance against its voluntary targets is as set out in the table below:

Percentage of directors	Actual	Target
Black people	40%	≥30%
Female	20%	≥10%

The Board continues to make a concerted effort to transform from, inter alia, a race and gender perspective:



4.8 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.

4.8.1 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 A Rossouw (as representative of PSG Corporate Services (Pty) Ltd ("PSGCS"), being the appointed company secretary to PSG Group) 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.

4.8.2 Remuneration committee

The remuneration committee's composition, duties, responsibilities and focus areas are comprehensively addressed in the Remuneration Report on page 44 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.

4.8.3 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.

4.8.4 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, who have served as members of the audit and risk committee for 14, two, four and nine years, respectively. The committee met three times during the past financial year on 21 April 2020, 13 October 2020 and 21 January 2021, as well as after financial year-end on 16 April 2021, with all members being present. The meeting on 21 January 2021 was specifically convened to consider the appointment of Deloitte as replacement external auditor to PricewaterhouseCoopers in terms of Mandatory Audit Firm Rotation, whose appointment is subject to PSG Group shareholder approval at the upcoming annual general meeting on 9 July 2021.

Messrs PJ Mouton, WL Greeff, select PSG Group finance employees and the external auditor 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 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 72 of this annual report.

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Apart from its normal duties and responsibilities, the audit and risk committee's areas of focus for the ensuing financial year will include engagement with the new external auditor, Deloitte, should their appointment be approved by PSG Group shareholders at the upcoming annual general meeting.

4.8.5 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 13 July 2020, with all members being present.

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.

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, as detailed above.

The social and ethics committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

4.9 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 PSG Group's 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, including 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. Hence, in accordance with the company's memorandum of incorporation, Messrs FJ Gouws and CA Otto, as well as Ms AM Hlobo, who retire by rotation and offer themselves for re-election, will be available for re-election by shareholders at PSG Group's annual general meeting to be held on 9 July 2021.

4.10 Company secretary

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 for liaising with the Companies and Intellectual Property Commission and the JSE. Board members also have access to legal and other expertise when required in such capacity 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 Board, via 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 its duties timeously and in an appropriate manner. The Board is satisfied that an arm's-length relationship exists with the company secretary.

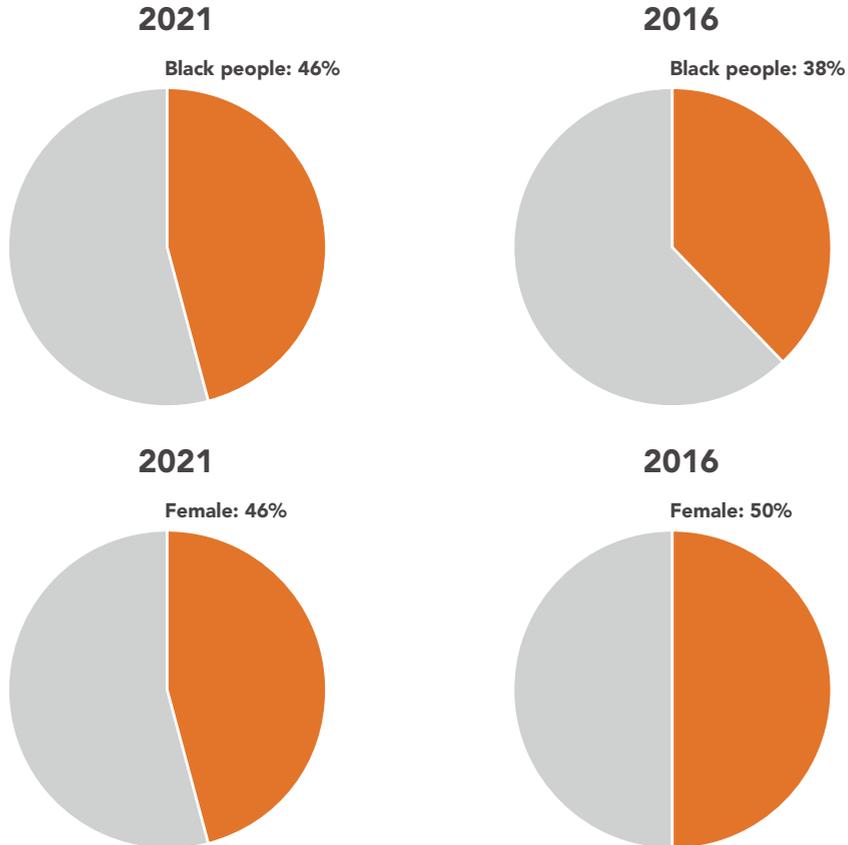
The certificate that the company secretary, herein represented by Mr A Rossouw, is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 73 of this annual report.

4.11 Transformation

PSG Group is committed to creating and maintaining an environment that provides equal opportunities for all its employees, with a view to promote transformation. 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 disadvantaged.

The 13 employees at head office 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 13 January 2021 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.

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

4.12 Other policies

Apart from policies mentioned elsewhere in this report, such as the broader diversity policy, PSG Group previously adopted and continues to apply, inter alia, the following policies:

- Anti-money laundering policy;
- Dealing in securities policy;
- Price sensitive information policy; and
- Whistleblowing policy.

Such policies are available for information purposes from the company secretary.

4.13 Compliance with the Companies Act of South Africa and memorandum of incorporation

The PSG Group directors have confirmed that, to the best of their knowledge, PSG Group i) complied with the provisions of the Companies Act of South Africa, and ii) operated in accordance with its memorandum of incorporation, during the year under review.

4.14 Material risks

A description of all immediately identifiable material risks which are specific to PSG Group, its industry and/or its issued ordinary shares are available at www.psggroup.co.za.

5. STRATEGY, PERFORMANCE AND REPORTING TO STAKEHOLDERS

PSG Group has set out its strategy, as well as feedback on its performance there against, in the *Letter to Shareholders* on page 6 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.

6. GOVERNANCE MATTERS

6.1 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 PSG Konsult, operate in highly regulated environments and accordingly risk management in those entities is 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 events 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 13 employees. In addition, PSG Group's major 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 systems 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.

6.2 *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 by all.

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.

6.3 *Compliance function*

PSG Group has not appointed a dedicated compliance officer as it has continuous access to the inhouse corporate finance advisory and legal expertise of PSG Capital. If required, PSG Group will 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.

6.4 *Remuneration governance*

Remuneration governance is comprehensively addressed in the *Remuneration Report* contained on page 44 of this annual report.

6.5 *Assurance*

PSG Group, being an investment holding company, does not require independent assurance in respect of any reports other than its annual financial statements. Such assurance is provided by PSG Group's external auditor, whose report is included on page 77 of this annual report.

7. 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.