REMUNERATION REPORT

REPORT FROM THE REMUNERATION COMMITTEE

1. REMUNERATION WITHIN AN INVESTMENT HOLDING COMPANY

PSG Group Ltd ("PSG Group") is an investment holding company with more than 83% of its total assets represented by independently managed exchange-listed investments, each with its own remuneration committee and policy designed specifically for its business and the industry in which it operates.

An investment holding company is distinctly different from an operational company. It has limited day-to-day operations and its primary focus is to make and help grow investments that will procure long-term value creation for shareholders. The remuneration policy for such an investment holding company therefore needs to be conducive to driving long-term focus and 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 key 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 12 February 2021, 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 long-term value creation for all shareholders through a combination of share price appreciation, cash dividends and other distributions, as circumstances may dictate.

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

PSG Group has provided its shareholders with superior returns over the past 25 years since establishment. Long-term value creation will always depend on, amongst other, PSG Group attracting and retaining the services of talented individuals. To do so, it is imperative that PSG Group's remuneration practices are appropriate and competitive.

PSG Group's three executive directors have each served in their respective current roles for at least 11 years. Over such period, PSG Group's *total return index ("TRI")* is 28,6% p.a. Shareholders have accordingly benefited significantly from the value created, while executive directors have been remunerated commensurately through both their shareholding and long-term incentives due to their interests being materially aligned with those of shareholders.

3. KEY FEATURES OF PSG GROUP'S REMUNERATION POLICY

The Remcom 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 long-term value creation for shareholders.

PSG Group's most significant successes to date emanated from early-stage investing – Capitec and PSG Konsult are prime examples. As with any start-up business, it will likely take years to determine success, and it is accordingly imperative for management to maintain a long-term focus to help achieve this objective. It would 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 ("STI")		
Benchmarking of base salaries	✓	53
Portion of base salary deferred for 12 months	✓	53
Subject to malus/clawback provisions	✓	53
No bonus payments to CEO, CFO and managers	✓	54
Long-term incentives ("LTI") (share options)		
Share options awarded at ruling market price – i.e. participants will only realise value if there is share price appreciation	✓	54
Vesting occurs over time	✓	55
Vesting subject to *financial* performance measures	✓	55
Vesting subject to *non-financial* personal key performance measures	✓	56
Award and vesting subject to minimum shareholding requirements for executive directors (including CEO and CFO), as well as other participants	✓	57
Subject to malus/clawback provisions	✓	57

4. 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 *non-binding advisory* votes at its previous AGM held on 17 July 2020. Shareholders representing 70,6% of the total votes exercisable were in attendance, whether in person, by proxy or authorised representative, and the results from their voting were:

Resolution	For	Against
Non-binding endorsement of remuneration policy	82,4%	17,6%
Non-binding endorsement of implementation report on the remuneration policy	93,0%	7,0%

5. CHANGES MADE TO PSG GROUP'S REMUNERATION POLICY DURING THE PAST YEAR

5.1 Share option strike price adjustments

On 31 August 2020, PSG Group undertook the most significant corporate action in its history by distributing 32 502 856 Capitec Bank Holdings Ltd ("Capitec") ordinary shares, representing approximately 28,1% of Capitec's total issued ordinary share capital, to PSG Group ordinary shareholders as a special dividend by way of a pro rata distribution *in specie*, in the ratio of 14 Capitec shares for every 100 PSG Group shares held ("Capitec Unbundling").

The PSG Group Ltd Supplementary Share Incentive Trust ("SIT") deed ("Trust Deed"), as previously approved by PSG Group shareholders and the JSE, entitles the Remcom to instruct the SIT's trustees to effect such adjustments to the strike prices of awarded but unexercised share options as the Remcom "shall consider fair and reasonable in the circumstances" to take account of, inter alia, special dividends (such as the Capitec Unbundling).

As a result, and in accordance with the JSE Listings Requirements, the Remcom appointed PricewaterhouseCoopers Corporate Finance (Pty) Ltd ("PwC"), the corporate advisory arm of PSG Group's external auditor, as independent expert to calculate the strike price adjustments that may be considered fair and reasonable in order to account for the Capitec Unbundling. Such strike price adjustments were calculated by applying option pricing models to each individual share option award tranche immediately before the Capitec Unbundling and then calculating immediately after the Capitec Unbundling the adjusted strike price necessary so as to ensure that the participant's share options have the same fair value before and after the Capitec Unbundling (i.e. the participant should be in the same position irrespective of the Capitec Unbundling having taken place). It is important to note that the SIT participants did not receive any Capitec shares pursuant to the Capitec Unbundling in respect of their unvested share options – hence the need to adjust the strike prices of such share options following the Capitec Unbundling.

The Remcom has reviewed PwC's recommendations and approved the strike price adjustments proposed by them. The Remcom also submitted a copy of PwC's report to the JSE during January 2021, as required by the Trust Deed and JSE Listings Requirements.

The strike price adjustments pursuant to the Capitec Unbundling are detailed in the table below:

		Share option strike price (R)	
Grant date	**Vesting date**	**Before**	**After**
29 February 2016	28 February 2021	178,29	21,39
28 February 2017	28 February 2021	237,31	39,47
28 February 2017	28 February 2022	237,31	28,68
28 February 2018	28 February 2021	236,13	39,11
28 February 2018	28 February 2022	236,13	28,37
28 February 2018	28 February 2023	236,13	19,50
28 February 2019	28 February 2021	250,56	42,91
28 February 2019	28 February 2022	250,56	32,11
28 February 2019	28 February 2023	250,56	23,05
28 February 2019	28 February 2024	250,56	14,73
28 February 2020	28 February 2022	213,71	22,27
28 February 2020	28 February 2023	213,71	13,65
28 February 2020	28 February 2024	213,71	5,56
28 February 2020	28 February 2025	213,71	(2,51)

5.2 Changes to LTI performance measures and linear vesting model

In terms of PSG Group's existing remuneration policy, the vesting of share options awarded from 28 February 2018 onwards are subject to, inter alia, meeting the following *financial* performance measures:

- The vesting of 50% of share options depends 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 inflation rate plus South Africa's gross domestic product growth rate plus an additional 3%, as measured over the five years immediately preceding such vesting date; and
- The vesting of 50% of share options depends 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 cost of equity over such period.

Important to note is that both the *REPS* growth and *ROE financial* performance measures are earnings-derived metrics.

The Capitec Unbundling has made the aforementioned *financial* performance measures impractical to use going forward for the following reasons:

- Capitec contributed approximately 70% to PSG Group's consolidated *recurring earnings* and constituted approximately 75% of PSG Group's total *SOTP* assets – occasionally, the investment in Capitec alone was even larger than PSG Group's market capitalisation. The adjustments needed following the Capitec Unbundling to derive at reasonable comparatives for purposes of calculating PSG Group's historic and future *financial* performance are highly complex and open to subjectivity; and
- PSG Group's required change in status to that of an *investment entity* for IFRS purposes with effect from 1 March 2020 (i.e. *REPS* no longer reported with investees no longer consolidated but accounted for at fair value instead, with *ROE* accordingly fluctuating depending on the market movements of the investments) mainly as a result of the Capitec Unbundling, has further necessitated a review of the aforementioned *financial* performance measures.

As such, with due consideration to the significant change in composition of PSG Group's investment portfolio following the Capitec Unbundling and the way in which the performance of the remaining investments is evaluated, and to ensure PSG Group's LTI is conducive to help drive long-term focus and decision-making in order to ultimately deliver on PSG Group's stated objective of long-term value creation for shareholders, the Remcom has investigated various alternative *financial* performance measures for the LTI. After careful deliberation and discussions with major shareholders, the Remcom determined it more appropriate that the vesting of share options awarded from 28 February 2018 onwards be subject to meeting the following *financial* performance measures instead:

- *TRI*
  The vesting of 40% of share options will be subject to PSG Group's *TRI* outperforming the average *TRI* of a peer group of JSE-listed companies that share similar traits to PSG Group and its investees (refer below), as measured over the five years immediately preceding such vesting date.
- *Head office costs*
  The vesting of 40% of share options will be subject to PSG Group's total head office operating and employment costs (net of fee and other income generated, but excluding underwriting and commitment fees earned) for the preceding financial year expressed as a percentage of PSG Group's *SOTP value* upon such vesting date, being less than the average *total expense ratio ("TER")* of South African flexible collective investment schemes (i.e. flexible funds).
- *Gearing*
  The vesting of 20% of share options will be subject to PSG Group's total *SOTP* debt (prudently including any perpetual preference share funding) being less than 20% of its total *SOTP* assets (i.e. a maximum gearing level of 20%) upon such vesting date.

It is furthermore important to note that these are fully-priced and not nil-paid share options. Accordingly, all such share options also have an inherent *financial* performance hurdle, being the strike price. Share options will therefore only have value if the share price is higher than the strike price on the date of exercise of such share options.

The group of peer companies the Remcom determined to be most comparable, as well as the rationale for selecting each constituent, are detailed in the table below –

Company	**Rationale**
Remgro Ltd	Investment holding company
Hosken Consolidated Investments Ltd	Investment holding company
Kap Industrial Holdings Ltd	Investment holding company
Long4Life Ltd	Investment holding company
Alexander Forbes Group Holdings Ltd	Financial services provider operating in a similar segment as PSG Konsult Ltd, which represents 35% of PSG Group's total *SOTP* assets
Advtech Ltd	Private education provider operating in a similar segment as Curro Holdings Ltd ("Curro"), which represents 17% of PSG Group's total *SOTP* assets
Hyprop Investments Ltd	SA-focused property company, with the likes of Curro and Evergreen Retirement Holdings (Pty) Ltd (collectively representing 21% of PSG Group's total *SOTP* assets) having a significant property underpin

- *TRI rationale*
  The Remcom considers the *TRI financial* performance hurdle to be an appropriate *financial* performance measure considering that investors in investment holding companies, such as PSG Group, are ultimately interested in the investment returns generated through a combination of share price appreciation, cash dividends and other distributions. PSG Group's *TRI* accordingly is a sensible metric to measure its *financial* performance, being derived from its share price performance and taking cognisance of distributions. Similarly, the most astute investor of all time Warren E. Buffett of Berkshire Hathaway, starts off his letter to shareholders annually by comparing Berkshire Hathaway's performance since establishment to that of the S&P500. However, with PSG Group and its investees virtually operating exclusively in South Africa, its *TRI* is not realistically comparable to that of an index such as the JSE All Share, which has a significant weighting in rand-hedge shares such as Naspers, Richemont and British American Tobacco whose earnings are dominated by offshore operations. Instead, PSG Group's *TRI* is measured against that of the aforementioned peer group of JSE-listed companies that not only share similar traits to PSG Group and its investees, but who operate mainly in South Africa.
- *Head office costs rationale*
  The total head office operating and employment costs *financial* performance hurdle places additional emphasis on management to conduct PSG Group's investment activities in a cost conscious manner. It is measured against the average *TER* of South African flexible funds to provide PSG Group shareholders with the necessary assurance that the cost to operate PSG Group as an investment holding company is effectively less than what the market charges investors otherwise.
- *Gearing rationale*
  One can generally improve a company's performance by introducing debt into the business, as long as it remains at a responsible level in order not to attract undue risk. PSG Group's maximum gearing *financial* performance hurdle helps to ensure that management does not incur excessive debt to grow the business with irresponsible levels of risk. In recent times, there has been a plethora of corporate collapses or near collapses in South Africa due to excessive gearing levels and accordingly, the Remcom views such a *financial* performance hurdle as a good safeguard there against.

Linear vesting in respect of TRI financial performance measure

Previously, the vesting of share options had a binary outcome dependant on whether the *REPS* growth and *ROE financial* performance measures had been met or not. However, having conducted extensive research, the Remcom observed a general move in the market from binary to linear vesting models and agrees that it is indeed a more equitable model to follow. For example, if the benchmark for the vesting of share options was 15% and the actual performance came in at 14,9%, it is unreasonable to expect that no share options should vest and, if so, it could well lead to a loss of talent which could have a negative impact on the future performance of PSG Group. Accordingly, the Remcom has resolved that those share options awarded from 28 February 2018 onwards which are subject to the *TRI financial* performance hurdle will vest in accordance with the following *linear* vesting model:

- No share options will vest if PSG Group's *TRI* is less than 80% of that of the peer group, as measured over the five years immediately preceding such vesting date; and
- Linear vesting will apply such that –
  - 30% of share options will vest if PSG Group's *TRI* is 80% of that of the peer group;
  - 100% of share options will vest if PSG Group's *TRI* is 120% of that of the peer group;

  as measured over the five years immediately preceding such vesting date.

5.3 Minimum shareholding requirements

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 vesting of share options of executive directors have previously been and continue to be subject to meeting a minimum shareholding requirement. However, in light of the Capitec Unbundling and the resultant significant reduction in PSG Group's ex-Capitec share price, the respective minimum shareholding requirements for the CEO and other executive directors (including the CFO) had to be revised downward from 500% to 300% and from 400% to 200% of their current base salaries, respectively.

During the past year, the Remcom for the first time also resolved to introduce a minimum shareholding requirement for all other participants of the LTI. With effect from 28 February 2022, the award and vesting of these participants' share options will be subject to the participant retaining at least 60% of all PSG Group shares delivered to him/her on or after 28 February 2021 by way of the exercise of share options on a net-equity-settled basis.

5.4 Base salaries of executive directors (including CEO and CFO)

Last year, the Remcom approved a 5% general salary increase for the financial year ended 28 February 2021. However, the executive directors and senior management voluntarily resolved to sacrifice their approved salary increase considering the business and economic uncertainty brought about by the Covid-19 pandemic.

Following the Capitec Unbundling in terms of which significant value of more than R12bn was unlocked for shareholders, PSG Group has a much smaller market capitalisation which certain stakeholders could argue warrants a reduction in executive pay. However, the Remcom believes it would be extremely unfair to penalise the executive directors for having initiated and concluded a major value-unlocking transaction for the benefit of all PSG Group shareholders, and that it might result in a loss of talent and/or discourage them from pursuing further value-unlocking initiatives if they are going to be penalised for it. Furthermore, it should be noted that while PSG Group's market capitalisation has decreased following the Capitec Unbundling, the executive directors' workload and responsibilities remain unchanged and it could well be argued that the expectation for them to identify and implement further value-unlocking initiatives has in fact increased.

However, with further consideration to the ongoing Covid-19 pandemic and its long-lasting damage to our economy, the executive directors have proposed to the Remcom to sacrifice any potential inflationary increases to their base salaries over the short term. After careful consideration, the Remcom accepted such proposal.

6. PSG GROUP'S SHARE PRICE DISCOUNT TO ITS SOTP VALUE PER SHARE

The PSG Group board receives regular queries as to the reason(s) for the sizeable discount at which PSG Group shares continue to trade to its *SOTP value* per share, as well as the board's plan to reduce/unlock such discount.

One can speculate regarding the reasons for such discount. However, despite the significant value-unlocking initiatives undertaken by the PSG Group board during the past year, most notably the Capitec Unbundling and PSG Group share buy-backs, the discount persists. It is thus determined by market forces and unfortunately outside the direct control of the PSG Group board. That said, the PSG Group board remains focused on pursuing value-unlocking initiatives to the extent possible.

When considering factors which may be contributing to the persisting discount, it should be noted that changes were recently introduced to Section 46 of the Income Tax Act whereby rollover tax relief provisions will no longer apply to future unbundling transactions to the extent of any distribution to so-called *disqualified persons*, which amongst other include any single retirement fund and foreign investor holding more than 5% of the issued share capital of the unbundling company. Accordingly, should PSG Group undertake unbundling transactions in future and to the extent that it has *disqualified persons* as shareholders at such time, it may result in capital gains tax (and potentially dividend withholding tax should a foreign investor hold more than 5% of its issued share capital) payable by PSG Group because of such *disqualified persons* – with the cost thereof effectively and unjustifiably being carried by all PSG Group shareholders, and not just by the *disqualified persons*.

7. FUTURE CONSIDERATIONS

As communicated in the previous two years' remuneration reports and considering further engagement with stakeholders, it is evident that numerous investors do 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 any 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 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 market price of, say R60, the participant will only realise value should the share price increase to above R60 at exercise date. Nil Paid Share Options on the other hand will provide value to the participant even if the share price had declined to below R60 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 Fully Priced 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 R60. 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 R50, 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 certain other companies suggest 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.

8. VOTING AT UPCOMING AGM

Both PSG Group's remuneration policy and its implementation report thereon will again be presented to shareholders for separate *non-binding advisory* votes at PSG Group's upcoming AGM to be held on 9 July 2021. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report thereon 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.

9. CEO VERSUS EMPLOYEE PAY

Given the nature of an investment holding company's operations, the vast majority of PSG Group's head office employees are highly skilled and trained individuals, which include chartered accountants, an engineer, 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)*	2021 R'000
CEO	12 383
Average pay for employees (excluding the CEO)	2 072
Times	**6,0**
CEO	12 383
Average pay for employees (excluding the CEO and CFO)	1 289
Times	**9,6**

* *Excluding all PSG Capital employees.*

10. DEVELOPMENT AND RETENTION OF TALENT

The development and retention of talent are of paramount importance to PSG Group, especially considering the small number of employees (only 13) employed at a head office level and the significance of employee continuity considering PSG Group's long-term value-creation objective.

In summary – the Committee believes that PSG Group's remuneration policy is ideal for an investment holding company with a long-term value-creation objective, is 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 constructive input from shareholders throughout the year.

PE Burton
Remuneration Committee Chairman

Stellenbosch
28 May 2021

REMUNERATION POLICY

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

1.1 As at 28 February 2021, the total employees at head office level, including the three PSG Group executive directors, comprised 33 individuals (no longer including the Grayston Elliot tax advisory division pursuant to a management buy-out during the year under review). However, 20 of these individuals work in the PSG Capital corporate finance advisory division, with only the remaining 13 employees being dedicated full-time to the day-to-day running of PSG Group and PSG Alpha. These 13 individuals comprise the PSG Group CEO and CFO, four managers and seven support staff providing finance, information technology and general administrative support services. It is important to note that PSG Group makes use of PSG Capital's corporate finance and advisory services, thereby allowing PSG Group to have a small staff complement.

1.2 The PSG Capital corporate finance division provides professional services to PSG Group, its investees and to third parties. Considering the extensive services rendered to third parties, this division operates in terms of a revenue-sharing arrangement whereby the division is entitled to a percentage of fee income generated, while being responsible for carrying all its operating and employment costs. The remaining balance essentially constitutes a bonus pool available for distribution to such division's employees, serving as both an incentive and a retention mechanism with a percentage of such bonuses generally deferred and being subject to the employee remaining in this division's service. In the event that such balance is negative (i.e. should the division make a loss) at financial year-end, the division must first generate sufficient future profits to eliminate the loss before its employees become eligible for bonuses again.

1.3 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 only 25% of his base salary p.a. 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 corporate finance division – including any costs associated with his PSG Group share option awards, as well as any discretionary bonus as determined in accordance with their aforementioned revenue-sharing arrangement.

1.4 Accordingly, the PSG Group head office's operating and employment costs are limited to that of the aforementioned 13 employees and 25% of Johan Holtzhausen's base salary. For the year ended 28 February 2021, PSG Group's total head office operating and employment costs (net of fee and other income generated, but excluding underwriting and commitment fees earned) amounted to 0,36% (2020: 0,05%) of PSG Group's *SOTP value* as at the reporting date. Although this percentage has increased following a substantial decline in PSG Group's *SOTP value* pursuant to the Capitec Unbundling and lower fee income earned due to limited mergers and acquisitions activity, by comparison it remains significantly lower than the management fees (including performance fees) generally charged to investors in the local asset management industry. In the case of flexible funds for example, it is generally in excess of 1% p.a. In addition, PSG Group is arguably much more actively involved in the management and growing of its underlying investments compared to the local asset management industry.

2. COMPONENTS OF REMUNERATION

2.1 The remuneration of the aforementioned 13 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	4	Strategy implementation	Long term	Base salary (STI) and share options (LTI)	Five years
Other staff (group no. 1)	1	Operational	Short to long term	Base salary (STI), discretionary bonus (STI) and share options (LTI)	Five years
Other staff (group no. 2)	6	Support (administration)	Short term	Base salary and discretionary bonus (both STI)	One year
Total	**13**				

2.2 Total remuneration incorporates the following components:

Fixed remuneration
Base salary (STI)

2.2.1 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, business complexity and the level of responsibility that the individual assumes.

2.2.2 The payment of 30% of the CEO, CFO and managers' annual base salary is deferred for a period of 12 months, with such deferred payment being subject to:

2.2.2.1 The individual being in PSG Group's service 12 months later, thereby serving as a retention mechanism in addition to the share incentive scheme (LTI) detailed below; and

2.2.2.2 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 that the total deferred salary amount received by the individual during the preceding 12 months be repaid to PSG Group; and

2.2.2.3 Meeting *non-financial* personal key performance objectives, with those of the CEO and CFO detailed below.

2.2.3 Benefits, forming part of total cost to company, are limited to:

2.2.3.1 Group life cover (providing death, disability and dread disease benefits);

2.2.3.2 Membership to a retirement fund; and

2.2.3.3 Membership to a medical aid scheme.

Variable remuneration	
Discretionary bonuses (STI)	
2.2.4	The CEO, CFO and managers do not qualify for discretionary bonuses.
2.2.5	Johan Holtzhausen, an executive director of PSG Group, remains eligible for a discretionary bonus exclusively in terms of PSG Capital's aforementioned revenue-sharing arrangement as its CEO.
2.2.6	PSG Group's operational and support staff remain eligible for discretionary bonuses, subject to meeting both company (i.e. *financial*) and personal (i.e. *non-financial*) performance objectives.

Share incentive scheme (LTI)

2.2.7 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.

2.2.8 In terms of the share incentive scheme, PSG Group share options are awarded to PSG Group's executive directors (being the CEO, CFO and Johan Holtzhausen), managers and other qualifying employees with the primary objectives of retaining their services and to align their interests with those of shareholders.

2.2.9 A key feature of PSG Group's share incentive scheme is that participants will only benefit if there is long-term share price appreciation, driven largely by long-term growth in PSG Group's *SOTP value* per share. This should ultimately depend on sustained *recurring earnings* per share growth from PSG Group's underlying investee companies, management's ability to continuously invest in and help build new businesses with attractive long-term growth prospects, as well as to pursue value-unlocking initiatives when opportune. In line with shareholders, participants in the share incentive scheme will consequently share in the results of any good or bad business decisions.

2.2.10 Importantly, the share incentive scheme also ensures a rolling *long-term* focus for participants, considering the:

- 2.2.10.1 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 *financial* performance measures of which PSG Group's *TRI financial* performance hurdle is measured over a rolling five-year period; and
- 2.2.10.2 Annual share option top-up awards, as detailed below.

Award

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

- 2.2.11.1 The participant meeting his/her *non-financial* personal key performance measures; and
- 2.2.11.2 The participant meeting the minimum shareholding requirement; and
- 2.2.11.3 Malus/clawback provisions.

2.2.12 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 top-up awards, the strike value of previously awarded but unvested share options are taken into account.

2.2.13 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.

Vesting

2.2.14 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. The vesting of such 25% tranches in respect of share options awarded from 28 February 2018 onwards will occur as follows:

2.2.14.1 *40% of share options* will vest on a *linear basis* as detailed below, and be subject to the following conditions:

- The participant remaining in service; and
- The participant meeting his/her *non-financial* personal key performance measures; and
- PSG Group meeting its *TRI financial* performance measure in terms of which its *TRI*, as measured over the five years immediately preceding such vesting date (the *TRI* measurement is over a rolling five-year period due to the vesting of any PSG Group share option award occurring over such five-year period), must outperform the average *TRI* measured over the same period of a peer group of JSE-listed companies that share similar traits to PSG Group and its investees (refer page 47); and
- The participant meeting the minimum shareholding requirement; and
- Malus/clawback provisions.

2.2.14.2 *40% of share options* will vest as detailed below, and be subject to the following conditions:

- The participant remaining in service; and
- The participant meeting his/her *non-financial* personal key performance measures; and
- PSG Group meeting its head office costs *financial* performance measure whereby its total head office operating and employment costs (net of fee and other income generated, but excluding underwriting and commitment fees earned) for the preceding financial year expressed as a percentage of PSG Group's *SOTP value* upon such vesting date, needs to be less than the average *total expense ratio ("TER")* of South African flexible collective investment schemes (i.e. flexible funds); and
- The participant meeting the minimum shareholding requirement; and
- Malus/clawback provisions.

2.2.14.3 *20% of share options* will vest as detailed below, and be subject to the following conditions:

- The participant remaining in service; and
- The participant meeting his/her *non-financial* personal key performance measures; and
- PSG Group meeting its gearing *financial* performance measure whereby its total *SOTP* debt (prudently including any perpetual preference share funding) needs to be less than 20% of its total *SOTP* assets (i.e. a maximum gearing level of 20%) upon such vesting date; and
- The participant meeting the minimum shareholding requirement; and
- Malus/clawback provisions.

Variable remuneration *(continued)*
Share incentive scheme (LTI) *(continued)*

Vesting *(continued)*

2.2.15 Share options which are subject to the *TRI financial* performance measure (refer to paragraph 2.2.14.1 above) will vest in accordance with the following *linear* vesting model:

2.2.15.1 No share options will vest if PSG Group's *TRI* is less than 80% of that of the peer group; and

2.2.15.2 *Linear* vesting will apply such that –

- 30% of share options will vest if PSG Group's *TRI* is 80% of that of the peer group;
- 100% of share options will vest if PSG Group's *TRI* is 120% of that of the peer group;

with PSG Group and the respective peer group companies' *TRIs* measured over the five years immediately preceding such vesting date.

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

Non-financial personal key performance measures

2.2.17 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/divestment opportunities for PSG Group and its investees	20	5
Implementation of investment/divestment 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 internal financial control environment and appropriate risk management processes, as well as promoting BEE 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, whilst enhancing shareholder returns	15	25
Total	**100**	**100**

Minimum shareholding requirements

2.2.18 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 vesting of share options are subject to meeting the following minimum shareholding requirements –

2.2.18.1 *Executive directors:* must hold PSG Group shares on such award/vesting date to the value of at least 300% (CEO) or 200% (other executive directors) of his/her current base salary.

2.2.18.2 *Other participants:* with effect from 28 February 2022, the award and vesting of such participants' share options will be subject to the participant retaining at least 60% of all PSG Group shares delivered to him/her on or after 28 February 2021 by way of the exercise of share options on a net-equity-settled basis.

2.2.19 In the case of a new executive director being appointed, the Remcom will allow sufficient time for such director to reach the required minimum shareholding level.

2.2.20 In the event of any major corporate action, the Remcom will duly re-evaluate the reasonability of the minimum shareholding requirement applicable to executive directors for the LTI.

Exercise of share options

2.2.21 Participants to the SIT have a 180-day period following vesting date in which to exercise share options. Such period may under certain circumstances be extended with the permission of the SIT trustees, for example when in a closed period.

2.2.22 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 PSG Group the after-tax gain made pursuant to the vesting and exercise of his/her share options during such period of the transgression.

2.2.23 The SIT no longer provides loan funding to participants to assist them with the exercise of share options.

2.2.24 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 on the unrealised gain upon exercise of such share options), 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 the related Section 8C income tax payable in cash to SARS on the participant's behalf).

2.2.25 As an alternative to issuing shares to settle its obligation to participants, PSG Group in its sole discretion has the option to settle such obligation in cash, provided that the participant will remain in compliance with the minimum shareholding requirement.

Termination of service

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

2.2.27 In the case of the death, permanent disability, compulsory retirement or retrenchment of a participant (i.e. good leaver), 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.

2.2.28 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.

The proposed fee structure of PSG Group's non-executive directors for the financial year ending 28 February 2022, which will be presented to shareholders for approval at PSG Group's upcoming AGM on 9 July 2021, is set out in the table below (excluding value-added tax, to the extent applicable):

	Annual fee 2021 R	Annual fee 2022 R	*Change %*
PSG Group Board			
Chairman	650 000	**676 000**	*4,0*
Member	266 250	**276 900**	*4,0*
PSG Group Audit and Risk Committee			
Chairman	186 375	**193 830**	*4,0*
Member	159 750	**166 140**	*4,0*
PSG Group Remuneration Committee			
Chairman	79 875	**83 070**	*4,0*
Member	53 250	**55 380**	*4,0*
PSG Group Social and Ethics Committee			
Chairman	31 950	**33 230**	*4,0*
Member	21 300	**22 150**	*4,0*

PSG Group 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 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 amended remuneration policy, containing certain changes to the LTI pursuant to the Capitec Unbundling detailed on page 45, for the year ended 28 February 2021.

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 PSG Group's remuneration policy on page 52. The table below sets out such *non-financial* personal key performance measures, as well as the Remcom's assessment and rating of the performance of the CEO and CFO there against.

Non-financial **personal key performance measure and assessment**	**Weighting (%)**		**Rating (%)**	
	CEO	**CFO**	**CEO**	**CFO**
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. This was also evident in the critically important role that the CEO and CFO played to proactively help identify and address the challenges brought about by the Covid-19 pandemic at both a PSG Group and investee company level during the past year. • In line with PSG Group's strategic objective to unlock value for its shareholders when opportune, the CEO and CFO were instrumental in the decision to undertake the Capitec Unbundling during the year under review in terms of which significant value was unlocked for PSG Group shareholders, as detailed in the *Letter to Shareholders* (page 6). For more detail, also refer to the *Letter to Shareholders* (page 6) 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.	40	25	100	100

Non-financial **personal key performance measure and assessment**	**Weighting (%)**		**Rating (%)**	
	CEO	**CFO**	**CEO**	**CFO**
Assessing investment/divestment opportunities for PSG Group and its investees The Remcom is satisfied that the CEO and CFO suitably assessed investment/divestment opportunities (whether accepted or rejected) for PSG Group and its investees in accordance with its board-approved strategy. Furthermore, the CEO and CFO continue to identify, formulate and drive certain potential value-unlocking strategies. In this regard, the CEO and CFO were instrumental in the strategic decision to undertake the Capitec Unbundling during the year under review in terms of which significant value was unlocked for PSG Group shareholders.	20	5	100	100
Implementation of investment/divestment decisions taken by the PSG Group Executive Committee/Board The Remcom is satisfied with the implementation of investment and divestment 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. This includes the implementation of the Capitec Unbundling during the year under review.	–	5	–	100
Ensuring that sound corporate governance is entrenched at PSG Group and its investees – including maintaining a strong internal financial control environment and appropriate risk management processes, as well as promoting BEE 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 BEE transformation within PSG Group and its investee companies, as well as at PSG Group board level. For more detail, refer to the *Environmental, Social and Governance Report* (page 30).	10	20	100	100
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.	5	15	100	100

<table>
<thead>
<tr><th rowspan="2">Non-financial personal
key performance measure and assessment</th><th colspan="2">Weighting (%)</th><th colspan="2">Rating (%)</th></tr>
<tr><th>CEO</th><th>CFO</th><th>CEO</th><th>CFO</th></tr>
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<tbody>
<tr><td>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 investors bi-annually.
• Investors are provided with formal feedback at PSG Group’s AGM.
• 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.</td><td>10</td><td>5</td><td>100</td><td>100</td></tr>
<tr><td>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:

• Capital is always allocated with due regard to enhancing shareholder returns while managing the associated risk appropriately.
• There is a relentless focus on effective cash flow management and planning on both a current and forward-looking basis to ensure a healthy liquidity position, which remains a key priority and entrenched in the PSG Group culture.
• PSG Group has always had a conservative gearing policy and compliance with all gearing covenants, whether internally or externally imposed, remains non-negotiable.
• In accordance with PSG Group’s liquidity and gearing policies, and to allow for the Capitec Unbundling during the year under review, PSG Group early-settled its only remaining term debt comprising redeemable preference shares amounting to R1bn. Following the redemption, PSG Group’s only ongoing funding obligation comprises the bi-annual preference dividend payable in respect of the perpetual (i.e. non-redeemable) preference shares issued by PSG Financial Services. In addition, in order to maintain a healthy liquidity position post the Capitec Unbundling, PSG Group retained 4,9m Capitec shares, of which 3,3m shares have subsequently been sold during the financial year ended 28 February 2021 for a cash consideration (net of costs and tax) of R2,9bn.
• As detailed on page 47, the Remcom also introduced a maximum gearing financial performance measure as award and vesting condition to PSG Group’s LTI following the Capitec Unbundling during the year under review.
For more detail, refer to the Letter to Shareholders (page 6).</td><td>15</td><td>25</td><td>100</td><td>100</td></tr>
<tr><td>Weighted average rating (%)</td><td></td><td></td><td>100</td><td>100</td></tr>
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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:

	STI						LTI	
	Base salary							
Audited R'000	**Approved**	**Deferred for 12 months[1]**	**Prior year deferral paid out[1]**	**Paid during the year[2]**	**Discretionary performance-based bonus[3]**	**Total short-term remuneration**	**Gains from exercise of share options**	**Total remuneration**
For the year ended 28 Feb 2021								
WL Greeff	**10 695**	**(3 209)**	**3 414**	**10 900**		**10 900**	**518**	**11 418**
JA Holtzhausen	**10 695**	**(3 209)**	**3 414**	**10 900**		**10 900**	**532**	**11 432**
PJ Mouton	**12 383**	**(3 715)**	**3 952**	**12 620**		**12 620**	**674**	**13 294**
	33 773	**(10 133)**	**10 780**	**34 420**	**–**	**34 420**	**1 724**	**36 144**
For the year ended 29 Feb 2020								
WL Greeff	10 695	(3 209)	3 243	10 729		10 729	30 374	41 103
JA Holtzhausen	10 695	(3 209)	3 243	10 729	4 000	14 729	30 418	45 147
PJ Mouton	12 383	(3 715)	3 755	12 423		12 423	34 893	47 316
	33 773	(10 133)	10 241	33 881	4 000	37 881	95 685	133 566

1 *The 30% 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 i) malus/clawback provisions, ii) the executive director remaining in PSG Group's service and iii) the executive director meeting non-financial personal key performance measures.*

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 long-term value creation for shareholders. PSG Capital's CEO, also serving as an executive director of PSG Group, remains eligible for a discretionary performance-based bonus in terms of PSG Capital's revenue-sharing arrangement.*

1.1.1 *Base salary and discretionary performance bonuses*

Benchmarking

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

For this purpose, PwC's most recent *Practices and Remuneration Trends Report – Executive Directors* (published in August 2020) containing comprehensive independent market research on the remuneration of executive directors was, amongst other, consulted.

Having given due consideration to numerous factors, including benchmarking, the Remcom concluded that the PSG Group CEO and CFO's base salary is market-related and fair to both the individual and shareholders. *It is important to note that the CEO and CFO do not qualify for performance bonuses.* So when comparisons are made, the total STI packages of the peer group are taken into consideration.

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 market capitalisation (net of treasury shares) as at year-end:

Reporting date	STI Rm	Market capitalisation as at year-end Rm	STI as percentage of market capitalisation as at year-end %
28 Feb 2017[1]	**19**	**54 166**	**0,03**
28 Feb 2018	**21**	**46 967**	**0,04**
28 Feb 2019	**22**	**56 684**	**0,04**
29 Feb 2020	**23**	**40 699**	**0,06**
28 Feb 2021	**23**	**13 955**[2]	**0,16**

[1] *Only in 28 February 2017 did the CEO and CFO qualify and receive both a base salary and a discretionary bonus (i.e. prior to the implementation of PSG Group's current remuneration policy in terms of which PSG Group's CEO and CFO no longer qualify for discretionary bonuses).*

[2] *Decrease in market capitalisation owing to the Capitec Unbundling (refer page 45). However, if PSG Group's market capitalisation is adjusted with the market value of the unbundled interest in Capitec at year-end, the percentage is 0,04%.*

Base salary increases

Base salary increases are determined with reference to the South African consumer price 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% above South Africa's current consumer price inflation rate of approximately 3%, the Remcom has approved 4% as the general base salary increase for the financial year commencing 1 March 2021. However, with further consideration to the ongoing Covid-19 pandemic and its long-lasting damage to our economy, the executive directors have proposed to the Remcom to forfeit any potential inflationary increases to their base salaries over the short term (they also forfeited their increase in the previous financial year). After careful consideration, the Remcom accepted such proposal.

Discretionary bonuses

PSG Group's support staff remain eligible for discretionary bonuses, subject to meeting company and personal key performance measures. The total of such discretionary bonuses paid amounted to approximately R0,1m (2020: R0,7m) for the year ended 28 February 2021.

1.1.2 LTI

Share incentive scheme
The three executive directors have all served in their current capacity for at least 11 years and have accordingly participated in the share incentive scheme over this period.

Gains from exercise of share options
The significant prior year *gains from exercise of share options* included in the *total (single-figure) remuneration* table on page 62 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 importantly so, vice versa.

The vast majority of *gains from exercise of share options* realised by executive directors during the prior year ended 29 February 2020 (included in the *total (single-figure) remuneration* table on page 62) related to the vesting of share options awarded on 28 February 2014, and was due to the increase in PSG Group's share price from R83,23 (30-day VWAP as at 28 February 2014) to R265,08 (closing share price on exercise date being 30 April 2019) – during which period other shareholders benefited commensurately, with the share price excluding dividend payments having increased by 26% p.a.

The information below illustrates that PSG Group has provided its shareholders with above-market returns over the past five years, despite obvious challenging trading conditions. PSG Group's success is in part owing to it attracting and retaining the services of talented individuals, which is only achievable if PSG Group's remuneration practices are appropriate and competitive.

When evaluating PSG Group's performance over the long term, we believe one should focus on the *TRI* as measurement tool. The *TRI* 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.

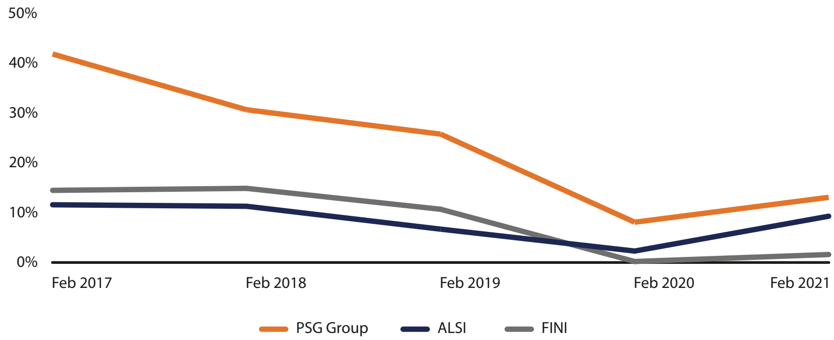
PSG Group's *compound annual growth rate ("CAGR")* of its *TRI* as at 28 February 2021 was 13,1% p.a. over the past five years, compared to the JSE All Share Index's ("ALSI") 9,3% p.a. and the JSE Financial Index's ("FINI") 1,6% p.a. Had you thus purchased R100 000 worth of PSG Group shares on 29 February 2016, and reinvested all your dividends, your investment would be worth around R185 000 as at 28 February 2021. The same investment with dividends reinvested in either the ALSI or FINI over the same period, would be worth R156 000 (15,7% lower) or R108 000 (41,6% lower), respectively.

Below table and graph compare PSG Group's rolling five-year *TRI* growth to that of the ALSI and FINI for each of the comparative periods, illustrating that PSG Group has consistently outperformed the market:

	Rolling five-year TRI growth[1]		
	PSG Group	**ALSI**	**FINI**
Reporting date	**%**	**%**	**%**
28 Feb 2017	**41,9**	**11,6**	**14,5**
28 Feb 2018	**30,7**	**11,3**	**14,9**
28 Feb 2019	**25,8**	**6,7**	**10,7**
29 Feb 2020	**8,1**	**2,3**	**0,2**
28 Feb 2021	**13,1**	**9,3**	**1,6**

[1] *Calculated based on independent Bloomberg data.*

Rolling five-year TRI performance graph



Financial performance measures

Pursuant to the Capitec Unbundling and as explained in the Report of the Remcom on page 44, the Remcom introduced new *financial* performance measures applicable to share options awarded on or after 28 February 2018. It is evident from the calculations below that all of the *financial* performance measures applicable to such share options had been met upon the vesting date of 28 February 2021, and that 100% of such share options had accordingly vested.

- *TRI – applicable to 40% of such share options*

  The table below sets out PSG Group's rolling five-year *TRI* performance against the average rolling five-year *TRI* performance of a peer group (as detailed on page 47), for the five-year period ended 28 February 2021 (i.e. the latest vesting date), as well as for comparative purposes the five-year periods ended 28 February 2017, 28 February 2018, 28 February 2019 and 29 February 2020. It is evident that PSG Group outperformed such new *financial* performance measure in each of the past five years:

	Rolling TRI performance measured over the preceding five years[1]	
Measurement date	**PSG Group %**	**Peer group %**
28 Feb 2017	**41,9**	**21,9**
28 Feb 2018	**30,7**	**16,6**
28 Feb 2019	**25,8**	**8,5**
29 Feb 2020	**8,1**	**(7,7)**
28 Feb 2021[2]	**13,1**	**6,3**

[1] *Calculated based on independent Bloomberg data.*

[2] *PSG Group's TRI was 208% of that of the peer group as at 28 Feb 2021. Accordingly, being more than the required 120% for 100% of share options subject to such financial performance measure to vest, 100% of such share options vested in terms of the linear vesting model.*

- *Head office costs – applicable to 40% of such share options*

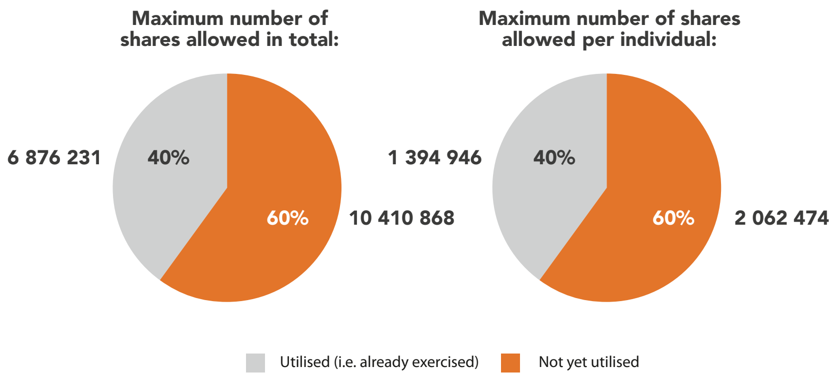
  For the year ended 28 February 2021, PSG Group's total head office operating and employment costs (net of fee and other income generated, but excluding underwriting and commitment fees earned) amounted to 0,36% of PSG Group's *SOTP value* as at the reporting date, being less than the average *total expense ratio ("TER")* of South African flexible collective investment schemes (i.e. flexible funds) of 1,4%, and accordingly such *financial* performance measure had been met upon the vesting date.

- *Gearing – applicable to 20% of such share options*

  As at 28 February 2021, PSG Group's total *SOTP* debt (prudently including any perpetual preference share funding) amounted to 5,4% of its total *SOTP* assets, being well within the maximum allowable gearing level of 20%, and accordingly such *financial* performance measure had been met upon the vesting date.

Extent of the share incentive scheme

PSG Group shareholders previously approved the maximum absolute 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 for such purpose up to 28 February 2021, revised to only include shares actually delivered (for example, in the case of share options settled on a net-equity basis (being fully paid-up shares delivered to settle the SIT's obligation to participants net of the strike value and Section 8C tax paid), only such net number of shares delivered have been included), expressed as a percentage of the maximum number of shares that may be utilised for purposes hereof:



At 28 February 2021, the share incentive scheme had 25 participants, comprising the executive directors, managers and other qualifying head office employees (including employees forming part of the PSG Capital division – however, the IFRS 2 share-based payment expense associated with such share options are carried by the PSG Capital division, as explained on page 52).

At 28 February 2021, the total number of share options that had already been awarded but remained either unvested or unexercised amounted to 2 704 643, representing 1,3% of PSG Group's total number of shares in issue (net of treasury shares). However, assuming that all share options are settled on a net-equity basis, the dilution to PSG Group shareholders should be significantly less than aforementioned 1,3%.

Unvested or unexercised share option awards

The table below contains the unvested or unexercised share option awards of PSG Group's executive directors as at 28 February 2021:

Audited		Number of share options as at 29 Feb 2020	Number of share options during the year: Awarded	Number of share options during the year: Vested[1]	Market price per share on vesting date[2] R	Strike price per share option[2]: Before Capitec Unbundling R	Strike price per share option[2]: After Capitec Unbundling R	Date granted	Number of share options as at 28 Feb 2021	Gains from exercise of share options during the year R'000	Value of unvested share options as at 28 Feb 2021[3] R'000
WL Greeff		14 350		(14 350)	172,91	136,84		28/02/2015	**–**	**518**	
		27 435		(13 718)	172,91	178,29	21,39	29/02/2016	**13 717**		**627**
	[4]	72 292		(18 073)	172,91	236,13	19,50 to 39,11	28/02/2018	**54 219**		**2 067**
	[4]	185 877				250,56	14,73 to 42,91	28/02/2019	**185 877**		**7 234**
	[4]	131 082				213,71	(2,51) to 22,27	28/02/2020	**131 082**		**7 521**
	[4]		209 756				67,12	26/02/2021	**209 756**		
		431 036	209 756	(46 141)					**594 651**	**518**	
JA Holtzhausen		14 745		(14 745)	172,91	136,84		28/02/2015	**–**	**532**	
		26 440		(13 220)	172,91	178,29	21,39	29/02/2016	**13 220**		**605**
	[4]	72 889		(18 222)	172,91	236,13	19,50 to 39,11	28/02/2018	**54 667**		**2 084**
	[4]	185 807				250,56	14,73 to 42,91	28/02/2019	**185 807**		**7 232**
	[4]	131 084				213,71	(2,51) to 22,27	28/02/2020	**131 084**		**7 521**
	[4]		208 896				67,12	26/02/2021	**208 896**		
		430 965	208 896	(46 187)					**593 674**	**532**	
PJ Mouton		18 674		(18 674)	172,91	136,84		28/02/2015	**–**	**674**	
		41 997		(20 998)	172,91	178,29	21,39	29/02/2016	**20 999**		**960**
		63 152		(21 051)	172,91	237,31	28,68 to 39,47	28/02/2017	**42 101**		**1 391**
	[4]	113 018		(28 255)	172,91	236,13	19,50 to 39,11	28/02/2018	**84 763**		**3 232**
	[4]	227 700				250,56	14,73 to 42,91	28/02/2019	**227 700**		**8 862**
	[4]	183 503				213,71	(2,51) to 22,27	28/02/2020	**183 503**		**10 529**
	[4]		349 875				67,12	26/02/2021	**349 875**		
		648 044	349 875	(88 978)					**908 941**	**674**	
		1 510 045	768 527	(181 306)					**2 097 266**	**1 724**	

[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 2021. Such right will be exercised within the 180-day exercise window.*

[2] *Share options exercised during the period under review were exercised prior to the Capitec Unbundling taking effect. Pursuant to the Capitec Unbundling, shares options' strike prices were adjusted as detailed on page 45.*

[3] *Based on the 30-day volume weighted average PSG Group share price of R67,12 as at 28 February 2021.*

[4] *Vesting subject to additional requirements, including financial and non-financial performance measures.*

Loan funding – share incentive scheme

PSG Group's executive directors previously received loan funding in terms of the share incentive scheme. It should be noted that the Remcom previously decided that no new loan funding be granted for the foreseeable future for prudency purposes, while existing loan funding be phased out in accordance with the existing loan repayment terms.

PSG Group's executive directors settled their remaining loan funding in full during the year ended 28 February 2021. These loans accrued interest at the South African Revenue Service fringe benefit rate. PSG Group shares were pledged and ceded in security and needed to cover the related outstanding loans by at least 300% (2020: 300%) at all times.

The table below provides the outstanding loan balances and related security cover (i.e. value of PSG Group shares pledged and ceded 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	**2021**	2020
WL Greeff	–	4 013
JA Holtzhausen	–	13 397
PJ Mouton	–	–
Total loans	**–**	**17 410**
Security cover		
WL Greeff	–	2 325%
JA Holtzhausen	–	598%
PJ Mouton	–	–

All loan balances due by participants other than the executive directors were settled during the year ended 29 February 2020.

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					Total remuneration
	Fees	Fees	Base salary	Discretionary performance-based bonus	Gains from exercise of share options	Total	
For the year ended 28 Feb 2021							
PE Burton	**564**	702				**702**	**1 266**
ZL Combi	**725**	899				**899**	**1 624**
FJ Gouws[1,2]			5 537	23 211	3 202	**31 950**	**31 950**
AM Hlobo	**426**					**–**	**426**
B Mathews	**426**					**–**	**426**
JJ Mouton	**266**					**–**	**266**
CA Otto	**479**	747				**747**	**1 226**
	2 886	2 348	5 537	23 211	3 202	**34 298**	**37 184**
For the year ended 29 Feb 2020							
PE Burton	**564**	695				**695**	**1 259**
ZL Combi	**725**	1 000				**1 000**	**1 725**
FJ Gouws[1,2]			5 507	21 093	20 412	**47 012**	**47 012**
AM Hlobo	**426**					**–**	**426**
B Mathews	**426**					**–**	**426**
JJ Mouton	**266**					**–**	**266**
CA Otto	**479**	1 024				**1 024**	**1 503**
	2 886	2 719	5 507	21 093	20 412	**49 731**	**52 617**

[1] *Mr FJ Gouws is the CEO of PSG Konsult, a subsidiary. The total performance-based bonus earned on a PSG Konsult level was R24m (2020: R21,2m), of which the payment of 70% (2021: R16,8m; 2020: R14,9m) is unconditional, while the payment of 15% each (2021: R3,6m; 2020: R3,2m) is subject to malus/clawback provisions and conditional on the director remaining in service for one and two years, respectively.*

[2] *R266 250 (2020: R266 250) was paid to PSG Management Services (Pty) Ltd, a wholly-owned subsidiary of PSG Konsult, for Mr FJ Gouws's services as PSG Group non-executive director.*

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:

Audited	Number of share options as at 29 Feb 2020	Number of share options during the year: Awarded[1]	Number of share options during the year: Vested	Market price per share on vesting date R	Strike price per share option R	Date granted	Number of share options as at 28 Feb 2021	Gains from exercise of share options during the year R'000	Value of unvested share options as at 28 Feb 2021[2] R'000
FJ Gouws	223 795		(223 795)	7,90	7,27	01/04/2015	**–**	**141**	
	5 167 789		(2 583 895)	7,90	6,81	01/04/2016	**2 583 894**	**2 816**	**5 995**
	2 367 419		(789 140)	7,90	7,59	01/04/2017	**1 578 279**	**245**	**2 431**
	3 750 000		(937 500)	7,90	8,74	01/04/2018	**2 812 500**		**1 097**
	4 000 000				10,15	01/04/2019	**4 000 000**		**(4 080)**
		4 800 000			7,13	01/04/2020	**4 800 000**		**9 600**
	15 509 003	4 800 000	(4 534 330)				**15 774 673**	**3 202**	

[1] *On 28 April 2021, Mr FJ Gouws accepted a further 8,5m PSG Konsult share options at a strike price of R9,08 per share, being the 30-day volume weighted average PSG Konsult share price as at 31 March 2021.*

[2] *Based on the 30-day volume weighted average PSG Konsult share price of R9,13 as at 28 February 2021.*