

---

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. BACKGROUND

PSG Group Ltd (“PSG Group” or “the company”) is invested in various subsidiaries, joint ventures and associates that operate across a diverse range of industries, which include banking, financial services, education and food and related business, as well as early-stage investments in select growth sectors.

PSG Group 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](http://www.psggroup.co.za).

More than 95% of PSG Group’s total assets comprise investees that are separately listed on the JSE 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 AND SOCIAL MATTERS

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 banking, financial services, education, sustainable energy, and food and related business offerings. Furthermore, we contribute to the development and upliftment of South Africans by creating jobs and contributing financially by way of paying taxes, donations and sponsorships.

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 and South Africa. PSG Group, as an investment holding company, has therefore 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 was 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 the University of Stellenbosch**

We started this initiative in 2007, when PSG Group and Jannie Mouton each donated 100 000 PSG Group shares, currently worth approximately R37m, to provide financial support to gifted, but needy students to study at the University of Stellenbosch. To date, 93 students have received financial support through this scheme with over R5,6m 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 19 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 approximately 2,5m unencumbered PSG Group shares worth more than R467m. PSG Group dividends received from these shares are used to grant bursaries to black learners. Following PSG Group's prospective unbundling of Capitec (refer to the *Letter to Shareholders* on page 6), the PSG Group BEE Education Trust will hold approximately 350 000 shares in Capitec directly.

### **Ruta Sechaba Foundation**

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

The PSG Group BEE Education Trust and Dipeo BEE Education Trust committed approximately R14m in aggregate to the foundation for the 2020 academic year, which has been used to provide over 400 scholarships, bursaries and awards. 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 2019 beneficiaries – five of our grade 12 learners passed with an A-average, and one learner on a sports scholarship was selected as a member of the junior South African national football team that participated in the 2019 COSAFA tournament in Malawi.

### **Amicus Trust**

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

- Bergzicht Training, which provides frail care, childcare and hospitality training. 155 individuals completed their training during the past year, of whom approximately 80% were successfully placed in positions of employment.
- Stellemploy, which provides training in artisan skills, including plumbing, painting and carpentry. 92 individuals completed their training during the past year, of whom approximately 90% were successfully placed in positions of employment.
- Pinotage Youth Development Academy, which provides training in occupations related to the wine, fruit and related industries. 47 individuals completed their training during the past year, of whom approximately 90% were successfully placed in positions of employment.

### **INVESTEES COMPANIES**

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 investee companies:

#### **Capitec**

Capitec's primary CSI focus is on improving financial literacy and education through the Capitec Foundation, an independent non-profit organisation. Below are some of Capitec's initiatives:

- Maths tutor programme: the Capitec Foundation recruits and offers training to university students doing their postgraduate degrees in education to provide them with experience to become mathematics teachers. In the past year four schools, 34 tutors, three mentors and 330 high school learners from the Western Cape benefited from this programme.
- School management development programme by the University of Cape Town ("UCT") and the Graduate School of Business ("GSB"): the programme aims to upskill individuals in leadership roles at schools to improve such schools' performance. During the past year, in excess of 50 school principals participated in this programme.

---

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

- **Teacher development programme:** the teacher development programme is aimed at in-service teachers and to train them towards improving their teaching skills. During the past year, more than 60 teachers participated in this programme. Furthermore, teacher training workshops were held for approximately 200 teachers across KwaZulu-Natal.
- **Employee volunteer projects:** Capitec launched an employee volunteer programme to support and encourage employees to give back to their respective communities. Employees were previously allocated one CSI leave day p.a.; however, this has been increased to three days p.a. due to the uptake and success of the programme. Over and above the leave given, Capitec supports these initiatives by matching funds raised by employees on a rand-for-rand basis.
- **Incubator Support Programme in partnership with the Nelson Mandela University Govan Mbeki Maths Development Centre:** the centre in Port Elizabeth has partnered with the Capitec Foundation to implement a series of innovative mathematics and physical sciences development and support initiatives for secondary school teachers and learners in the Nelson Mandela Bay, Komani and Mthatha districts in the Eastern Cape. During the 2019 calendar year, the programme reached in excess of 300 grade 10 to 12 learners.
- **Donations:** the Capitec Foundation donated R3m in aggregate during the past year to 50 organisations that shelter abused women and children.
- **Ikamva Youth:** Capitec sponsors Ikamva Youth's maths and science camps, aimed at equipping high school learners to do well in their examinations, with over 5 000 high school learners having benefited.
- **GRAD MAG:** Capitec sponsored the printing and distribution of 170 000 copies of this magazine aimed at first-generation first-year students.

## **PSG Konsult**

PSG Konsult invests in educational and social programmes that create future employment and economic empowerment prospects. Below are a few 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 in close proximity 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 in excess of 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** that currently has 39 graduates enrolled in the programme and nine students supported through bursaries.

## **Curro**

PSG Group has to date invested approximately R2,4bn 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. To date, Curro has saved government more than R10bn in this regard. Its running costs to educate approximately 62 700 learners save the country well over R2bn annually. Curro employs approximately 6 400 people.

## **Optimi (previously FutureLearn)**

Optimi provides accessible learning at scale 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. Optimi currently serves approximately 1 500 schools, more than 22 000 home education and after-school learners (through approximately 1 500 tutors), and more than 100 000 learners in approximately 200 corporate and government institutions. 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 supports 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 donated renewable energy solar panels and battery back-up systems that allow for cost savings and a continuous supply of power. Energy Partners also funds the AmazingBrainz programme used at these crèches. Besides a curriculum that is focused on childhood development, the programme also provides coaching and mentorship to crèche employees to ensure they are equipped and qualified to implement the curriculum. Furthermore, Energy Partners employees also volunteer their time to assist in the maintenance and renovation of the school premises. The goal is to create a haven for children where effective preparation for primary school can take place. In total, approximately 100 kids attend these crèches.

## **ProVest**

ProVest's initiatives are focused on education support, skills development, healthcare and job creation in the communities they operate in. Like many of the group's investees, ProVest believes in education as being the key to addressing some of these challenges, with the majority of its CSI budget directed towards education initiatives. Some of these CSI initiatives include:

- ProVest donated desks and chairs to Grade R learners of the Mafenya Primary School in Rustenburg. The donation will assist in making teaching and learning more conducive for the beneficiaries.
- ProVest donated medical equipment and office furniture to the Chaneng Clinic, which services four villages in the Rustenburg area.

## **Pioneer Foods**

Pioneer Foods is involved in various community projects in education, the environment and food security. These projects focus on vulnerable groups, such as women and the youth in townships and rural communities. The Pioneer Foods Education and Community Trust ("PFECT") also contributed a further R11m to various initiatives. Below are some of their CSI projects:

- PFECT Bursary Programme: the bursaries support disadvantaged students in high schools and tertiary institutions, with 46 students having received bursaries during the past year.
- School Breakfast Nutrition Programme: breakfast cereals are provided daily to approximately 34 000 learners across six provinces.

## **Capespan**

Capespan's initiatives are aimed at improving the quality of life of farmworkers and rural communities in 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:

- Place of Mercy Pre-school Facility: providing early-childhood development education to 150 young children and auxiliary community support services to more than 350 needy families in the Eastern Cape annually.
- Blue Hand Occupational Health Programme: in partnership with local fruit production industry stakeholders and local government, this programme benefits more than 2 000 rural farm workers across the Western and Eastern Cape.
- Community early-childhood development education literacy initiatives in rural areas located in the Northern, Western and Eastern Cape.
- Education skills development of educators and life-skills development of learners at select Department of Basic Education schools in the Western Cape.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

## **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 over the past 11 years through offering three learnership programmes – i) Mixed Farming Programme at NQF level 2, ii) Animal Production Programme at NQF level 3 and iii) Plant Production Programme at NQF level 3, with more than R2m having been invested in the academy during the past year.
- Young Stars Programme: provide, in partnership with the TechnoGirl Trust (an initiative by the Department of Women, Children and People with Disabilities, and supported by the United Nations Children's 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 44 secondary school learners having benefited from this programme during the past year.

## **Zaad**

Zaad's CSI projects focus on training and skills development in the agriculture sector. It includes support of the International Seed Foundation's Legacy Projects, which aim to help construct tunnels for vegetable production, including the provision of water tanks and irrigation systems in the township of Mfuleni in Cape Town.

### **3. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP**

#### *3.1 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 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.

#### *3.2 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.

#### *3.3 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.

#### *3.4 Chief executive officer ("CEO")*

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 16 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 18 and 22 years. Similarly, Messrs Greeff and Holtzhausen are supported by a dynamic team of long-serving and capable employees within their respective roles.

Mr PJ Mouton serves as representative on the boards of all PSG Group's core investees, including Capitec, PSG Konsult, Curro and Zeder. He has no professional commitments other than his role as PSG Group CEO.

### 3.5 Board meetings and attendance

The Board met four times during the past year. The attendance at such meetings is detailed in the table below:

<b>Director</b>	<b>24 Apr 2019</b>	<b>19 Jul 2019</b>	<b>15 Oct 2019</b>	<b>26 &amp; 27 Feb 2020</b>
PE Burton	√	√	√	√
ZL Combi (chairman)	√	√	√	√
FJ Gouws	√	√	√	√
WL Greeff	√	√	√	√
AM Hlobo	√	√	√	√
JA Holtzhausen	√	√	√	√
B Mathews	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√

√ Present

### 3.6 Board performance and independence evaluations

Both the effectiveness and ethical leadership of the Board are continuously considered and any areas of concern are addressed as and when they arise. The Board is assessed annually by the PSG Group Nomination Committee through a formal process that deals with individual directors, including the chairman, the Board as a whole, as well as its various subcommittees. The Board is satisfied that it functions effectively.

The independence of non-executive directors and factors that could potentially impair it are evaluated on an ongoing basis. The Board is satisfied with the independence of all the non-executive directors classified as being independent, including Messrs ZL Combi, PE Burton and CA Otto, who have served on the Board for more than nine years. These individuals have a thorough understanding and valuable knowledge of PSG Group's business and associated risks, and always act in the best interest of all stakeholders.

### 3.7 Race and gender diversity policies adopted by the Board

PSG Group believes that race and gender diversity at board level helps the company to achieve its business goals by providing the Board with an improved understanding of the diversity of South Africa and its people, including the environment in which the group operates. A truly diverse board will include and make good use of differences in age, gender, race, culture, skills, industry experience and other distinctions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

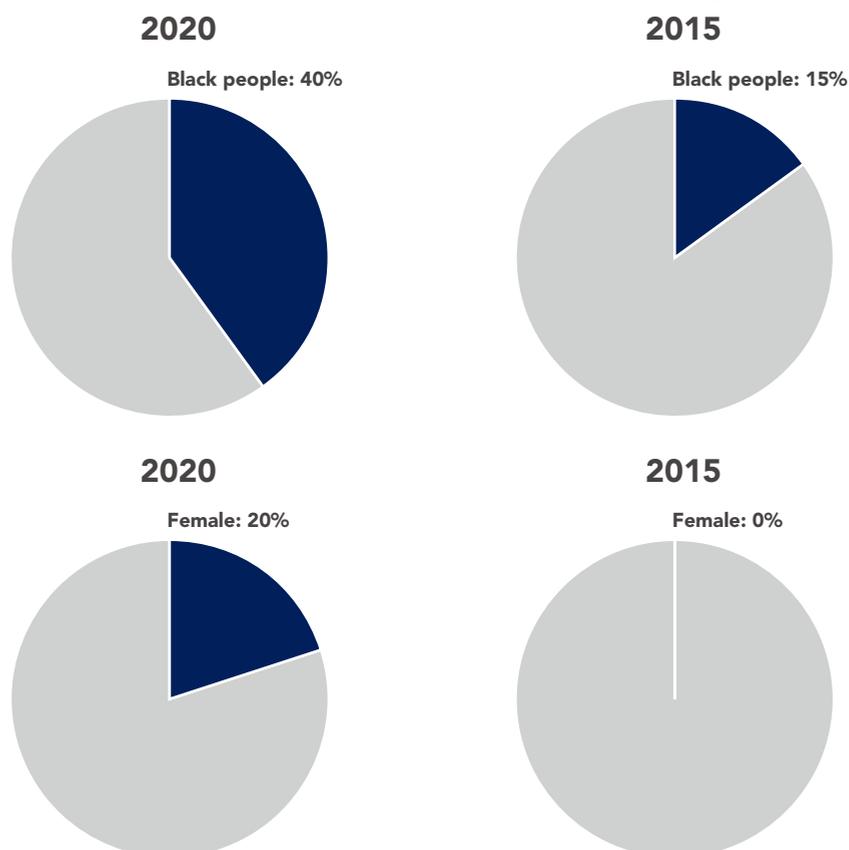
(continued)

The PSG Group Nomination Committee will consider and annually agree on measurable targets for achieving race and gender diversity at board level. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit measured against objective criteria and with due regard for the potential benefits of race and gender diversity.

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

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

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



### 3.8 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.

### 3.8.1 Executive committee (“Exco”)

The Exco is chaired by Mr PJ Mouton (CEO) and further comprises Messrs WL Greeff (CFO) and JA Holtzhausen (executive director). Mr JC Taljaard (tax advisor) attends the Exco meetings as a permanent invitee, while non-executive directors are always welcome to attend.

The Exco meets every month, or more frequently if required, and:

- Is responsible for determining and implementing strategy, as approved by the Board;
- Acts as the PSG Group investment committee;
- Oversees the management of PSG Alpha;
- Acts as PSG Group treasurer – it monitors and manages the capital requirements, gearing and liquidity of PSG Group, and it allocates and invests its resources;
- Monitors the group’s performance and provides strategic input and direction to the underlying companies;
- Facilitates good corporate governance throughout the group; and
- Assumes overall responsibility for the growth and performance of PSG Group.

The Board is satisfied that the authority associated with the day-to-day running of PSG Group is adequately delegated to the executive directors and their teams to ensure the effective management of PSG Group.

### 3.8.2 Remuneration committee

The remuneration committee’s composition, duties, responsibilities and focus areas are comprehensively addressed in the *Remuneration Report* on page 40 of this annual report. Messrs PJ Mouton and WL Greeff are invitees to the remuneration committee meetings. However, they do not form part of the remuneration committee’s formal decision-making process and merely attend to answer any potential questions.

The remuneration committee is satisfied that it operated in accordance with its board-approved charter. Its focus areas for the ensuing year will include the ongoing evaluation and refinement of PSG Group’s remuneration practices to help achieve the company’s stated business objectives – always with due regard to ensure remuneration remains fair and responsible to both the employee and PSG Group shareholders.

### 3.8.3 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.

### 3.8.4 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 13, one, three and eight years, respectively. The committee met twice during the past financial year on 23 April 2019 and 14 October 2019, as well as after financial year-end on 21 April 2020, with all members being present.

Messrs PJ Mouton, WL Greeff, select PSG Group finance employees and the external auditor, PwC, are permanent invitees to the audit and risk committee meetings. However, they do not form part of the audit and risk committee’s formal decision-making process.

The members of the audit and risk committee are invited to attend an annual training course regarding any new legal, regulatory and/or financial reporting standards developments which may affect their roles and responsibilities as members of such committee.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

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 64 of this annual report.

Apart from its normal duties and responsibilities, the audit and risk committee's areas of focus for the ensuing financial year will include the accounting treatment of the potential Capitec unbundling detailed in the *Letter to Shareholders* on page 6 of this annual report.

### 3.8.5 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 19 July 2019, 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.

### 3.9 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, as well as non-executive directors having served for three consecutive years without rotating, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting of the company. In addition, the appointment by the Board of any new director should be confirmed by shareholders at the first annual general meeting following such appointment. Hence, in accordance with the company's memorandum of incorporation, Mr PE Burton, Ms B Mathews and Mr JJ Mouton who retire by rotation and offer themselves for re-election, will be available for election by shareholders at PSG Group's annual general meeting to be held on 17 July 2020.

### 3.10 Company secretary

PSG Corporate Services (Pty) Ltd ("PSGCS") is the appointed company secretary to PSG Group. It acts as conduit between the Board and the company. The company secretary is responsible for Board administration, as well as for liaising with the Companies and Intellectual Property Commission and the JSE. Board members also have access to legal and other expertise when required and at the cost of the company through the company secretary. The Board is satisfied with the availability of legal and other expertise on offer.

The company secretary maintains a professional relationship with Board members, giving direction on matters such as good corporate governance, if required. The audit and risk committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary, and concluded that it had performed all formalities and its duties

timeously and in an appropriate manner. The Board is satisfied that an arm's-length relationship exists with the company secretary.

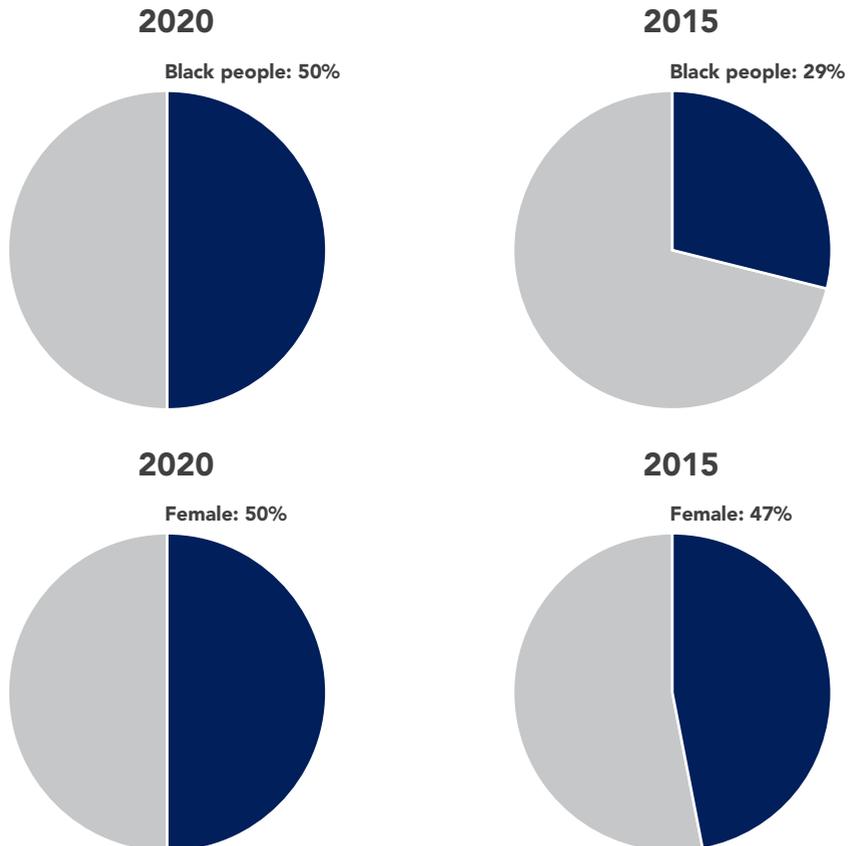
The certificate that the company secretary, herein represented by Mr A Rossouw, is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 65 of this annual report.

### 3.11 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 16 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 14 January 2020 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)

## 3.12 Other policies

Apart from policies mentioned elsewhere in this report, such as the race and gender diversity policies, 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.

## 3.13 Compliance with laws and regulations

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.

## 3.14 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](http://www.psggroup.co.za).

## 4. 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.

## 5. GOVERNANCE MATTERS

### 5.1 Risk management and internal control

The Board acknowledges that it is accountable for PSG Group's process of risk management and systems of internal control. Each of PSG Group's investees similarly has its own board of directors responsible for the risk management and systems of internal control of that company and its business.

Certain of the group's investees, such as Capitec and PSG Konsult, operate in highly-regulated environments and accordingly risk management in those entities are performed by dedicated risk and compliance teams, as well as internal audit functions where appropriate.

The following risk management measures have been implemented at PSG Group and its investees:

- Detailed risk assessments, containing the identified risk(s) together with control(s) implemented to mitigate such risk(s) to the extent possible; and
- Risk control logs, containing details of the occurrence of risk events, together with management's response thereto and, where appropriate, the additional control(s) implemented to help prevent such 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 16 employees. In addition, PSG Group's investees have, where necessary, either established or outsourced their own internal audit functions.

The Board, on recommendation from the audit and risk committee, concluded that the system of internal control and the risk management process at PSG Group level were effective for the financial year under review. The Board is satisfied that there were no material breakdown in controls at either PSG Group or its investees during the past year.

### 5.2 *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.

### 5.3 *Compliance function*

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

### 5.4 *Remuneration governance*

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

### 5.5 *Assurance*

PSG Group, being an investment holding company, does not require assurance in respect of any reports other than its annual financial statements. Such assurance is provided by PwC, PSG Group's external auditor, whose report is included on page 69 of this annual report.

## **6. 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.