

## RISK DISCLOSURE

The PSG Group Ltd (“PSG Group”) Board of Directors (“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 such 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 is performed by dedicated risk and compliance teams, complemented by internal audit functions where appropriate.

The following risk management measures have been implemented as a minimum 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 to reduce the impact thereof.

On the recommendation of the audit and risk committee, the PSG Group Board has decided not to establish an internal audit function at a 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 PSG Group Board, on recommendation from the PSG Group Audit and Risk Committee, concluded that the systems of internal control and the risk management process at a PSG Group level were effective for the financial year ended 29 February 2020. The PSG Group Board is satisfied that there was no material breakdown in controls at either PSG Group or its investees during the past year.

Pursuant to paragraph 8.63(s) of the JSE Listings Requirements, please find below a description of immediately identifiable material risks at a PSG Group level. The risk disclosure contained herein should be read together with PSG Group’s 2020 annual report and in particular, the *Letter to shareholders*, *Review of operations* and *Environmental, social and governance report* contained therein.

<b>Key risks</b>	<b>Risk description</b>	<b>Risk response</b>
Government-imposed lockdown in response to the COVID-19 pandemic	Extreme shock to an already fragile South African economy, thereby hampering economic growth	Focused management teams, clear long-term strategy, healthy liquidity, conservative gearing, etc.
Reputational risk	All other risks have an indirect impact on our reputation as a public company listed on the JSE Ltd	Open and honest communication, full disclosure, etc.
Investment and performance risk	Poor financial performance	Well diversified investment portfolio exhibiting attractive growth potential, constant monitoring of investees’ performance, representation on investees’ boards/audit committees to help determine and drive strategy and ensure good corporate governance, etc.
New investment and strategic risk	Undesirable investments, poor sector performance, insufficient remedial action taken in respect of poor performance, etc.	Well diversified investment portfolio, predefined limits for capital at risk, highly skilled investment team, due diligences

		on new investments, constant monitoring of investees' and sector performance, representation on investees' boards/audit committees to help determine and drive strategy and ensure good corporate governance, etc.
Accounting risk	Inaccurate accounting for significant transactions, inaccurate management information, etc.	Honest and hardworking finance team with appropriate skills and experience, budgetary control processes, technical accounting updates with the external auditor and group financial manager, ongoing communication with external auditor, continuous independent tax advice obtained, etc.
Compliance risk	Inadvertent transgression of laws or regulations	Continuous independent tax and legal advice obtained, as well as continuous interaction with our corporate advisors and sponsors to ensure ongoing regulatory compliance, etc.
Information technology risk	Cyber-attacks, loss of data, business continuity, etc.	PSG Group head office is not a live-system environment; however, strong security measures, continuous awareness training of personnel, regular scheduled data back-ups, off-site storage, etc.
Market risk (including funding risk)	Changes impacting adversely on market prices (interest rate, exchange rate, etc.), political instability, availability of funding, etc.	PSG Group does not take short-term positions, market conditions are monitored by management on an ongoing basis, has conservative gearing policy, hedging of interest rate exposure, budgetary control processes (including cash flow forecasts), continuous monitoring of debt covenants, etc.
People risk	Loss of key management personnel	Appropriate long-term incentives offered to key management, create a dynamic working environment and culture, promote work/life balance, support personal goals, etc.