

# Corporate governance report



## Corporate governance report

PSG Group Ltd (“PSG Group”, “the company” or “the group”) is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles (“King III”). Accordingly, PSG Group’s corporate governance policies have in all material respects been appropriately applied during the year under review. The board does not consider application of all the principles contained within King III appropriate for PSG Group. Where specific principles of King III have not been applied, explanations for these are contained within this

section of the annual report. A detailed analysis of the group’s adherence to King III is available at [www.psggroup.co.za](http://www.psggroup.co.za).

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

### BOARD OF DIRECTORS

Details of PSG Group’s directors are provided on page 12 of this annual report. The board met four times during the year under review. The attendance at these meetings is set out in the table below:

Director	15 Apr 2013	15 Jul 2013	14 Oct 2013	27 Feb 2014
PE Burton	√	√	√	√
ZL Combi	√	√	√	√
J de V du Toit	√	√	√	√
MM du Toit	√	√	√	√
FJ Gouws	√	√	√	√
WL Greeff	√	√	√	√
JA Holtzhausen	√	√	√	√
MJ Jooste (Alt: AB la Grange)	√	√	√	√
JF Mouton (chairman)	√	√	√	√
JJ Mouton	√	√	√	√
PJ Mouton	√	√	√	√
CA Otto	√	√	√	√
W Theron	√	√	√	√

√ Present





PSG Group's memorandum of incorporation requires a minimum of one third of the non-executive directors of the company, as well as non-executive directors having served three consecutive years, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. In addition thereto, newly appointed directors should also retire and offer themselves for re-election by shareholders at the first annual general meeting following their appointment. In accordance with the company's memorandum of incorporation, Messrs PE Burton, ZL Combi, MJ Jooste and W Theron retire and offer themselves for re-election by shareholders.

Executive directors are appointed by the board, with the assistance of the nomination committee, for periods as the board deems fit, and on such further terms as are set out in their letters of appointment. Where appropriate, the chief executive officers and executive directors of subsidiary companies have entered into service contracts with those subsidiaries.

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

Mr JF Mouton fulfils the role of non-executive chairman and Mr PJ Mouton the role of chief executive officer. Mr JF Mouton is not classified as independent in terms of King III because of his substantial indirect

shareholding in PSG Group. During the prior year, Mr J de V du Toit was appointed as lead independent director of PSG Group.

The PSG Group Nomination Committee considers and recommends appropriate appointments of directors to the board. During the prior year, the appointment of Mr FJ Gouws as a non-executive director was recommended in such a manner. No recommendations were made during the current year under review. The appointment of new directors to the board is a matter for the board as a whole and is conducted in a formal and transparent manner. The induction of directors is not conducted through a formal process. This has not been necessary to date as new appointees have been familiar with the group's operations and the environment in which it operates. Consideration will be given to an induction programme for future appointees to the board, should this become necessary.

The board does not conduct regular appraisals of its members and committees. Consideration will be given to same going forward.

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

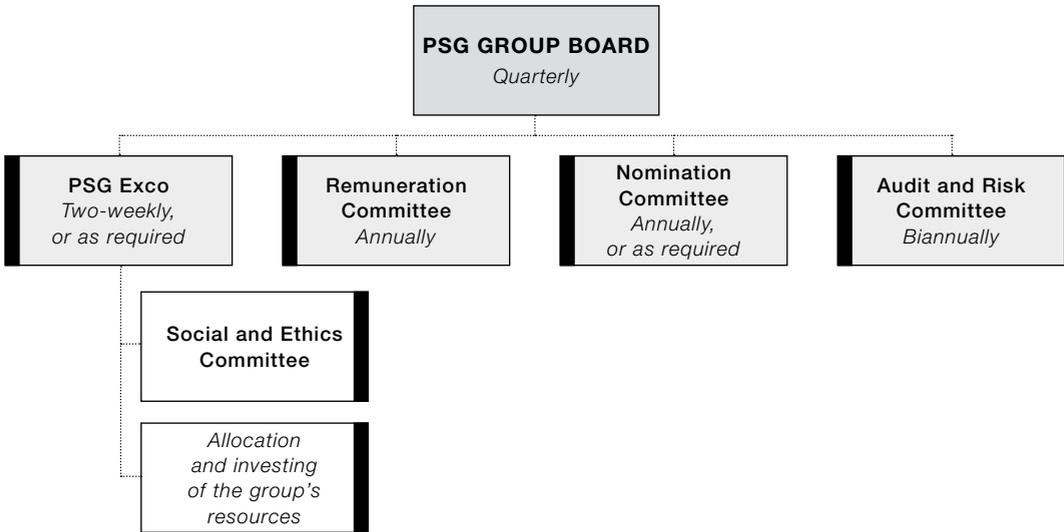
The board's key roles and responsibilities include, inter alia, the following:

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

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

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





**EXECUTIVE COMMITTEE**

The PSG Group Executive Committee (“PSG Exco”) comprises Messrs JF Mouton (non-executive chairman), PJ Mouton (chief executive officer), WL Greeff (financial director), JA Holtzhausen (executive) and CA Otto (independent non-executive). Mr JC Taljaard (tax advisor) attends the PSG Exco meetings as a permanent invitee. The PSG Exco meets regularly, usually every two weeks, and is primarily responsible for the allocation and investing of the group’s resources, including capital.

The major operating subsidiaries and associates all operate on similar principles.

**REMUNERATION COMMITTEE**

The remuneration committee comprises Messrs MJ Jooste (chairman), PE Burton, MM du Toit and CA Otto. These members are all independent non-executive directors. The committee met once during the past year and all members were present.

Each major group subsidiary and associate has its own remuneration committee chaired by an independent non-executive director.

The remuneration committee operates in accordance with a board-approved charter and is primarily responsible for overseeing the remuneration and incentives of the executive directors as well as providing strategic guidance to the other remuneration committees in the group. It takes cognisance of both local and international best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the company.

Due to the limited number of individuals employed at group level, disclosure of the remuneration of the three highest paid employees who are not directors is not deemed to be appropriate as such information is sensitive to peer review and adds no value to stakeholders.





**NOMINATION COMMITTEE**

The nomination committee comprises Messrs JF Mouton (chairman), PE Burton, J de V du Toit, MM du Toit, MJ Jooste and CA Otto, all being non-executive directors, with the majority being independent. The nomination committee met once during the past financial year and all members were present. As stated previously, the nomination committee is responsible for assisting the board with the appointment of directors by making appropriate recommendations in this regard.

**AUDIT AND RISK COMMITTEE**

The audit and risk committee comprises three independent non-executive directors, namely Messrs J de V du Toit (chairman), PE Burton and CA Otto.

The committee met twice during the past financial year:

Director	12 Apr 2013	11 Oct 2013
PE Burton	√	√
J de V du Toit	√	√
CA Otto	√	√

√ Present

A report by the PSG Group Audit and Risk Committee has been provided on page 36 of this annual report. The audit and risk committee operates in accordance with a board-approved charter. Once a year, the members of the audit and risk committee attend a training course regarding any new legal, regulatory and/or financial developments, which may affect their roles and responsibilities as members of the audit and risk committee. Mr J de V du Toit has been the chairman of the audit and risk committee for the past five years, while Messrs PE Burton and CA Otto have served as members for seven years and two years respectively.

**SOCIAL AND ETHICS COMMITTEE**

The PSG Exco, which comprises five directors with two being non-executive, has also been tasked as the committee with the responsibility of monitoring the company's activities having regard to any relevant legislation, legal requirements and prevailing codes of best practice with matters relating to, inter alia:

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

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

**COMPANY SECRETARY**

PSG Corporate Services (Pty) Ltd is the company secretary of PSG Group. The company secretary acts as conduit between the board and the group. The company secretary is responsible for board administration, liaison with the Companies and Intellectual Property Commission and the JSE Ltd. Board members also have access to legal and other expertise, when required and at the cost of the company, through the company secretary.

The company secretary has to date maintained a professional relationship with board members, giving direction on good corporate governance and independent advice as and when required. The audit and risk committee has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary and has noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The board is satisfied that an arm's length relationship exists.

The declaration by the company secretary in terms of section 88(2)(e) of the Companies Act, 71 of 2008, is presented on pages 37 and 80 of this annual report.





### **EXECUTIVE DIRECTORS' REMUNERATION**

The remuneration of the executive directors of PSG Group is dealt with in the directors' report on page 40 of this annual report.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

### **INTERNAL AUDIT**

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

### **GOVERNANCE OF INFORMATION TECHNOLOGY**

PSG Group has an appointed information technology ("IT") manager who is responsible for IT governance at group level. All the major subsidiaries and associates are responsible for IT governance in their respective business environments.

As IT does not play a significant role in the sustainability of our business at a group level due to its nature and size, the investment and expenditure

in IT at group level are insignificant. The board is accordingly satisfied that the current systems of IT governance at group level are appropriate.

### **INTEGRATED REPORTING AND DISCLOSURE**

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

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

### **SUSTAINABILITY**

#### **Stakeholder relations**

PSG Group subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders. PSG Group has a dedicated team addressing enquiries from stakeholders.

The group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a businesslike manner – frank, open and with mutual respect.

#### **Safety, health and environment**

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

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

#### **Social responsibility**

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

Education is one of the most basic needs of society. We thoroughly believe that an educated community will sustainably improve the long-term





well-being of society. PSG Group has therefore directed its corporate social investment efforts at supporting education on various levels. PSG Group also subscribes to social upliftment through black economic empowerment ("BEE"), and supports same having invested in various BEE initiatives. PSG furthermore pays all its taxes regularly and encourages government to spend its receipts responsibly.

PSG Group has no political affiliations or any exposure in this regard.

Refer to the chairman's letter on page 3 of this annual report for more details regarding PSG Group's corporate social investments.

#### **Human resources**

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

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

#### **Employee participation**

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

#### **Employment equity**

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

#### **Ethics**

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

#### **Products and product development**

PSG Group acts as investor for own account, as financier and finance conduit for the group. Group companies develop their own specialist product ranges, such as insurance, investment, broking, financial planning, asset management, investor support products and education services. The group also provides legal, financial and regulatory support and advice to listed and non-listed clients.

#### **Distribution**

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

A meaningful volume of cross-selling into the various client bases is already taking place and continues to be a priority for growth.

#### **Financial Sector Charter**

The group endorses the principles of the Financial Sector Charter, and its implementation enjoys the attention of senior management in the group.

#### **Financial reporting**

PSG Group provides financial reports to its shareholders twice a year. Details regarding significant transactions undertaken are reported as required by the Listings Requirements of the JSE Ltd.

