

APPLICATION OF PRINCIPLES IN KING III

PSG Group Ltd (“PSG Group”) is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles (“King III”). The board does not consider application of all principles contained within King III appropriate for PSG Group. The table presented below sets out all the principles contained within King III, as well as comments on PSG Group’s application of same. This document should be read in conjunction with PSG Group’s latest annual report.

1 – Not applied / will not be applied.

2 – In process / partially applied.

3 – Full application.

Nr	Principle	Stage of maturity	Comments
1.	Ethical leadership and corporate citizenship		
1.1	The board should provide effective leadership based on an ethical foundation.	3	Applied. Ethics form part of the values of the company and the board. The board provides effective leadership based on an ethical foundation.
1.2	The board should ensure that the company is, and is seen to be, a responsible corporate citizen.	3	Applied. Projects for corporate social investments are regularly assessed and the board ensures that the company is a responsible corporate citizen.
1.3	The board should ensure that the company’s ethics are managed effectively.	3	Applied. Ethical principles are always applied during decision-making.
2.	Board and directors		
2.1	The board should act as the focal point for and custodian of corporate governance.	3	Applied. The board as a whole is responsible for effective corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	3	Applied. Strategy, risk, performance and sustainability are considered collectively by the board in the decision-making process.
2.3	The board should provide effective leadership based on an ethical foundation.	3	Applied. Ethics form part of the values of the company and the board.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	Applied. The board ensures that the company is a responsible corporate citizen and in line with the image the company would like to project.
2.5	The board should ensure that the company’s ethics are managed effectively.	3	Applied. Ethics are the responsibility of the board as a whole.
2.6	The board should ensure that the company has an effective and independent audit committee.	3	Applied. The audit committee consists of three independent non-executive directors.

2.7	The board should be responsible for the governance of risk.	3	Applied. The board as a whole is responsible for risk governance.
2.8	The board should be responsible for information technology governance.	3	Applied. The board as a whole is responsible for information technology governance in the company.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	Applied. Compliance with all applicable laws and adherence to non-binding rules, codes and standards form part of the values of the company.
2.10	The board should ensure that there is an effective risk-based internal audit function.	1	Not applied. 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, subsidiary and associates have their own internal audit departments and that the current system of internal control and risk management processes for the group are effective.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	3	Applied. The board monitors stakeholders' perceptions, in light of the importance of the company's reputation.
2.12	The board should ensure the integrity of the company's integrated report.	3	Applied. Due care is applied during the completion of the integrated report to ensure its integrity.
2.13	The board should report on the effectiveness of the company's system of internal controls.	3	Applied. This is reported on in the company's annual report.
2.14	The board and its directors should act in the best interests of the company.	3	Applied. The board acts in the best interests of the company.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act of South Africa.	3	Applied. This will be considered, if applicable.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	3	Applied. Mr JF Mouton fills the role of non-executive chairman and Mr PJ Mouton the role of CEO. Mr JF Mouton is not classified as independent in terms of King III because of his substantial indirect shareholding in PSG Group. Accordingly, Mr J de V du Toit has been appointed as lead independent director.
2.17	The board should appoint the chief executive officer and establish a framework	3	Applied. The Board has appointed a CEO and a framework for the delegation of power has been established.

	for the delegation of authority.		
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	3	Applied. The majority of directors are non-executive. 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 that the current composition of its board ensures a balance of power and authority.
2.19	Directors should be appointed through a formal process.	3	Applied. The board has appointed a nomination committee to assist with the appointment of directors by making appropriate recommendations in this regard. The nomination committee comprises six non-executive directors, with the majority being independent. The final appointment of directors is a matter for the board as a whole and is conducted in a formal and transparent manner.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	2	Partially applied. 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 the group operates. Consideration will be given to an induction programme for future appointees. Directors have unlimited access to the company's resources regarding training and development.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	3	Applied. PSG Corporate Services (Pty) Ltd has been appointed as the company secretary, having access to competent, suitably qualified and experienced employees.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	2	Partially applied. The board does not conduct annual appraisals of its members and committees. Consideration will be given to same going forward.
2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	3	Applied. Committees make recommendations which are approved at board level.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	3	Applied. Given that PSG Group directors also serve on the boards of subsidiaries, the board is of the view that it is not necessary to formulate a governance framework between PSG Group and its subsidiaries. The situation will be continuously monitored.
2.25	Companies should remunerate directors and executives fairly and	3	Applied. The board is of the view that directors and executives are remunerated on a basis being fair and reasonable to both the employee

	responsibly.		and company.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	3	Applied. The remuneration of directors is disclosed in the directors' report (included in the annual report). Due to the limited number of individuals employed at a group level, disclosure of the remuneration of senior executives who are not directors is not deemed to be appropriate as such information is sensitive to peer review and adds no value to stakeholders.
2.27	Shareholders should approve the company's remuneration policy.	2	Partially applied. After careful consideration, the board is of the view that its remuneration committee, consisting of three independent non-executive directors, are best placed, having specific industry knowledge, to determine and approve the company's remuneration policy. This will be monitored and to the extent that circumstances change, the board will reconsider the application of this principle.
3.	Audit committees		
3.1	The board should ensure that the company has an effective and independent audit committee.	3	Applied. The audit and risk committee consists of three independent non-executive directors.
3.2	Audit committee members should be suitably skilled and experienced independent, non-executive directors.	3	Applied. Audit and risk committee members are suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director.	3	Applied. The audit and risk committee is chaired by an independent non-executive director.
3.4	<p>The audit committee should oversee the integrated reporting (integrated reporting, financial, sustainability and summarised information).</p> <p>The audit committee should be responsible for evaluating the significant judgements and reporting decisions affecting the integrated report.</p> <p>The audit committee's review of the financial reports should encompass the annual financial statements, interim reports, preliminary or provisional</p>	3	Applied. Performed by the audit and risk committee.

	result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents.		
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	3	Applied. The audit and risk committee ensures that a combined assurance model is applied.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	3	Applied. The audit and risk committee has satisfied itself in this regard.
3.7	The audit committee should be responsible for overseeing the internal audit function.	3	Applied. 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, subsidiary and associated companies have their own internal audit departments and that the current system of internal control and risk management processes for the group are effective.
3.8	The audit committee should be an integral component of the risk management process.	3	Applied. This forms part of the audit and risk committee's role and function.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	3	Applied. This forms part of the audit and risk committee's role and responsibilities.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	3	Applied. Reported at board level and in the annual report.
4.	The governance of risk		
4.1	The board should be responsible for the governance of risk.	3	Applied. Governed by the board as a whole.
4.2	The board should determine the levels of risk tolerance.	3	Applied. Risk levels are discussed at board level.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	3	Applied. Performed by the audit and risk committee.

4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	Applied. The board has delegated to management the responsibility to design, implement and monitor the risk management plan, and management has done so to the satisfaction of the board.
4.5	The board should ensure that risk assessments are performed on a continual basis.	3	Applied. The board performs risk assessments on a continual basis.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	3	Applied. All risk factors within the current business model are continually monitored.
4.7	The board should ensure that management considers and implements appropriate risk responses.	3	Applied. Responses are monitored and preventative measures implemented to the extent possible.
4.8	The board should ensure continual risk monitoring by management.	3	Applied. Risk-monitoring forms part of planning and decision making and is continuously performed.
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	3	Applied. This occurs at board level.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	3	Applied. Disclosed in the annual report and further disclosures are assessed when needed.
5.	The governance of information technology (IT)		
5.1	The board should be responsible for IT governance.	3	Applied. The Board is responsible for IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	3	Applied. Objectives are aligned.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	3	Applied. As IT does not play a significant role in the sustainability of PSG Group's 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.
5.4	The board should monitor and evaluate significant IT investments and expenditure.	3	Applied. As IT does not play a significant role in the sustainability of PSG Group's business at a group level due to its nature and size, the investment and expenditure in IT at group level

			are insignificant.
5.5	IT should form an integral part of the company's risk management.	3	Applied. IT is considered as part of risk management.
5.6	The board should ensure that information assets are managed effectively.	3	Applied. The board is comfortable with the current practice.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	3	Applied. The audit and risk committee assists the board in carrying out its responsibilities.
6.	Compliance with laws, codes, rules and standards		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	Applied. The board considers compliance with applicable laws, codes, rules and standards and changes thereto.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	3	Applied. The board and each individual director have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.
6.3	Compliance risk should form an integral part of the company's risk management process.	3	Applied. Compliance duty forms part of the risk management process.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	3	Applied. This is performed by the PSG Group executive committee, which consists of three executive and two non-executive directors.
7.	Internal audit		
7.1	The board should ensure that there is an effective risk-based internal audit.	3	Applied. 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, subsidiary and associates have their own internal audit departments and that the current system of internal control and risk management processes for the group are effective.
7.2	Internal audit should follow a risk-based approach to its plan.		
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.		
7.4	The audit committee should be responsible for overseeing internal audit.		
7.5	Internal audit should be		

	strategically positioned to achieve its objectives.		
8.	Governing stakeholder relationships		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	3	Applied. The board monitors stakeholders' perceptions in light of the importance of the company's reputation.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	3	Applied. Stakeholder relationships are critical for the company and performed by the executive team.
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	3	Applied. All stakeholders are considered during decision-making.
8.4	Companies should ensure the equitable treatment of shareholders.	3	Applied. Equitable treatment of shareholders is important and considered during decision-making.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	3	Applied. Communication with stakeholders is the responsibility of the board, PSG Group's executive committee and the company secretary.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	3	Applied. The board is informed of any disputes to ensure speedy and effective resolutions.
9.	Integrated reporting and disclosure		
9.1	The board should ensure the integrity of the company's integrated report.	3	Applied. Due care is applied during the compilation of the integrated report to ensure its integrity.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	3	Applied. The company reports on sustainability matters as part of its corporate governance section in the annual report.
9.3	Sustainability reporting and disclosure should be independently assured.	1	Not applied. Due to the nature of its business (i.e. investment holding company), PSG Group will not obtain independent assurance over its sustainability reporting.