

GEN – General – PSG Capital (Pty) Ltd

Censure imposed by the JSE on PSG Capital (Pty) Ltd (“**PSG Capital**”)

The JSE hereby informs stakeholders of the following findings in respect of PSG Capital regarding advice previously provided by it as sponsor during 2015:

1. PSG Capital was the appointed JSE sponsor to African Equity Empowerment Investments Limited (“**AEEI**”) until PSG Capital’s resignation with effect from 31 January 2019.
2. On 19 May 2015, AEEI published a SENS announcement informing shareholders that AEEI, through a subsidiary company, known as Bowwood and Main 180 Proprietary Limited (“**Bowwood**”), would acquire 25% plus one share of the issued share capital of SAAB Grintek Defence Proprietary Limited from SAAB South Arica Proprietary Limited (“**SAAB**”) (“**Acquisition**”). The Acquisition was categorised as a Category 2 transaction in terms of the JSE Listings Requirements necessitating only a SENS announcement.
3. However, in addition to the Acquisition, the SENS announcement and relevant shareholder agreements entered into between the parties in 2015 further included reference to a call option granted by Bowwood to SAAB which entitled SAAB, at its sole discretion, to acquire all of Bowwood's shareholding in SAAB Grintek Defence Proprietary Limited at any time after 60 months from the effective date for a purchase price payable at the market value as agreed or failing agreement, a value determined by an independent valuer (“**Call Option**”).
4. In accordance with the Listings Requirements, the grant of an option that is exercisable at the sole discretion of the option holder is regarded as a transaction and must be categorised at the date of grant of the call option, as if the option had been exercised. In addition, where the total consideration of the transaction is not subject to any maximum, the transaction must be treated as a Category 1 transaction.
5. The grant of the Call Option to SAAB in May 2015, where the consideration was not subject to a maximum value and was at SAAB’s sole discretion, should have been categorised as a Category 1 transaction for which AEEI was required to inform shareholders in the 19 May 2015 SENS announcement that the Call Option was subject to shareholders’ approval and furthermore, AEEI was required to

dispatch a circular to shareholders, within 60 days of the SENS announcement, to obtain their approval of the Call Option prior to the issue of the Call Option, which AEEI did not do.

6. In December 2020, SAAB exercised the Call Option and Bowwood disposed of the subject shares without the requisite approval of AEEI's shareholders and in contravention of the requirements governing Category 1 transactions.
7. PSG Capital, in its role as the former sponsor to AEEI, incorrectly advised AEEI in 2015 that the Listings Requirements were applicable to the exercise and implementation of the Call Option and not when the Call Option was granted, as is required in the Listings Requirements.
8. Accordingly, the JSE found PSG Capital to be in breach of paragraph 2.8(h) of the Listings Requirements for its failure to discharge its responsibilities as AEEI's sponsor in 2015 with due care and skill which failure directly resulted and/or contributed to AEEI's failure to comply with important provisions of the Listings Requirements.
9. Sponsors play an important role in ensuring that issuers meet all the criteria stipulated in the Listings Requirements. Sponsors also play a critical role in assisting and guiding issuers in complying with the Listings Requirements, especially on matters which require investors to exercise important voting rights. SENS announcements must contain all relevant information to ensure that investors and potential investors are made aware of pertinent events that are being proposed by an issuer. The JSE therefore places significant reliance on a sponsor fulfilling this role to ensure proper regulation of the market. PSG Capital breached its responsibilities in respect of its advice to AEEI.
10. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose this public censure against PSG Capital.

27 January 2022