

Corporate Governance

Trencor endorses the principles underlying the King IV Report on Corporate Governance (“the Code” or “the King Report”). Ongoing enhancement of corporate governance principles is a global movement, supported by the board which, together with senior management, will continue to follow and adopt, as appropriate, existing and new principles which advance good practical corporate governance and add value to the company.

The principles recommended by the King Report have been assessed and the disclosure on how each has been applied as well as an explanation why or to what extent some were not applied is contained in a register available on the company’s website.

Save as may be indicated in that register and in this report, the board is not aware of any non-compliance with the Code during the year under review.

The salient features of corporate governance as applied in the group are set out below.

BOARD OF DIRECTORS COMPOSITION

The names and brief résumés of the directors appear on page 84.

Following the various board changes during the year as noted in the directors’ report, the board now comprises seven directors, two of whom are executive (chief executive officer and financial director) and five non-executive of whom four qualify as independent non-executive directors in terms of the King Report.

The board is satisfied that there is a clear balance of power and authority at board level and that no one individual director or block of directors has undue influence on decision-making. The directors have considerable experience and an excellent understanding of the business and are accountable through the board charter, code of ethics and prevailing legislation.

Board effectiveness reviews are undertaken on an annual basis and the board is satisfied with the results of this process.

Nominations for appointment to the board are formal and transparent and submitted by the nomination committee to the full board for consideration.

CHAIRMAN/LEAD INDEPENDENT

The chairman of the board is an independent non-executive director and a lead independent non-executive has also been appointed.

The appointment of the chairman is reviewed on an annual basis.

BOARD DIVERSITY

Trencor recognises the benefits of a diverse board and the board has adopted a formal diversity policy. A diverse board would be able to include and make good use of differences in the skills, regional and industry experience, background, race, gender and other attributes of directors. Thus, in reviewing board composition, the nomination committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, and will consider candidates on merit against objective criteria and with due regard for and balance between the benefits of diversity on the board and the other requirements of the board. In the light of possible further simplification of the corporate structure, voluntary targets have not been set.

PROFESSIONAL ADVICE

All directors have access to the company secretary and management and are entitled to obtain independent professional advice at the company’s expense if required.

COMPANY SECRETARY

The company secretary is Trencor Services Proprietary Limited, a wholly-owned subsidiary of the company, which is mainly responsible for corporate administration of the company’s corporate office functions. Based on the outcome of an annual assessment conducted by the executive committee, the board is satisfied that the specific individual employed by Trencor Services Proprietary Limited to carry out the duties of a secretary of a public company has the requisite competence, knowledge and experience to effectively perform the role as the gatekeeper of good governance.

MEETINGS

The board meets on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2017, five meetings were held and these were attended by all the then directors in person or by telephone/video link.

Board papers are timeously issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the company and each of the operations. When appropriate, strategic matters and developments are addressed.

The chairman meets with non-executive directors, either individually or collectively, on an ad-hoc basis to apprise them of any significant matters that may require their input and guidance. In addition, the non-executive directors may hold separate meetings as and when they deem it appropriate.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service agreement. Executive directors have engagement letters which provide for a notice period of between one and three months to be given by either party.

In terms of the memorandum of incorporation, not less than one-third of the directors are required to retire by rotation at each annual general meeting of the company and may offer themselves for re-election. New directors appointed during the year are required to retire at the next annual general meeting, but may offer themselves for re-election.

DIRECTORS' INTERESTS

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2017 and 2016 was as follows:

	Beneficial		
	Direct	Indirect	Total
2017			
Jimmy McQueen*	49 649	102 133	151 782
David Nurek*	-	10 000	10 000
Eddy Oblowitz	10 000	-	10 000
Ric Sieni	-	-	-
Roddy Sparks*	-	4 000	4 000
Hennie van der Merwe	-	-	-
Herman Wessels*	-	27 859	27 859
	59 649	143 992	203 641
2016			
Jim Hoelter	-	-	-
Jimmy McQueen*	49 649	102 133	151 782
David Nurek*	-	10 000	10 000
Eddy Oblowitz	10 000	-	10 000
Ric Sieni	-	-	-
Roddy Sparks*	-	4 000	4 000
Hennie van der Merwe	-	-	-
Herman Wessels*	-	27 859	27 859
	59 649	143 992	203 641

* Indirect interest represents holdings by associates.

There have been no changes in the above directors' interests between the financial year-end and the date of this report.

The number of shares held by the directors and their associates in the issued common stock of Textainer at 31 December 2017 and 2016 was as follows:

	Beneficial		
	Direct	Indirect	Total
2017			
Jimmy McQueen	10 562	-	10 562
David Nurek	10 562	-	10 562
Eddy Oblowitz	-	-	-
Ric Sieni	-	-	-
Roddy Sparks	-	-	-
Hennie van der Merwe	694	-	694
Herman Wessels	-	-	-
	21 818	-	21 818
2016			
Jim Hoelter	-	562 816	562 816
Jimmy McQueen	7 292	-	7 292
David Nurek	7 292	-	7 292
Eddy Oblowitz	-	-	-
Ric Sieni	-	-	-
Roddy Sparks	-	-	-
Hennie van der Merwe	694	-	694
Herman Wessels	-	-	-
	15 278	562 816	578 094

On 18 May 2018, 6 154 restricted share units in Textainer vested in respect of each of Jimmy McQueen and David Nurek. There have been no other changes in the above interests between the financial year-end and the date of this report.

AUDIT COMMITTEE

The audit committee, appointed by shareholders at each annual general meeting, comprises three independent non-executive directors. The committee normally meets at least twice a year, prior to and for purposes of the finalisation of the group's interim and annual results, and at such other times as may be required. The committee is primarily responsible for assisting the board in carrying out its duties in regard to accounting policies, internal controls and audit, financial reporting, identification and monitoring of risk, and the relationship with the external auditors.

In addition to the committee members, the other members of the board and certain other group executives are normally invited to attend meetings of the committee. The external auditors attend all meetings and have direct and unrestricted access to the audit committee at all times. In addition, the committee chairman meets separately with the external auditors on an ad-hoc basis.

During the year, the committee met on four occasions. The meetings were attended by all members.

The audit committee is satisfied as to the expertise and experience of the financial director, and of the finance function as a whole, and that the external auditors are independent in the discharge of their duties. The use of the services of the external auditors for non-audit services requires prior approval by the committee chairman.

Textainer has its own audit committee comprising Textainer board members who are not executives of that entity. The external auditors of Textainer have direct and unrestricted access to its audit committee.

Where appropriate, the internal audit functions are primarily outsourced to suitably qualified independent external parties which are contracted on an ad-hoc basis in terms of specified terms of reference and to report to the executive committee and, if required, the audit committee.

BOARD AND BOARD COMMITTEE TERMS OF REFERENCE

The board is ultimately accountable and responsible for the performance and affairs of the company. In essence, it provides strategic direction, monitors and evaluates operational performance and executive management, determines policies and processes to ensure effective risk management and internal controls, determines policies regarding communication and is responsible for ensuring an effective composition of the board.

COMMITTEES OF THE BOARD

Several committees of the board exist, each with specific terms of reference, to assist the board in discharging its responsibilities. The terms of reference are reviewed on an annual basis. Each committee is satisfied that it has fulfilled its responsibilities in accordance with the committee's terms of reference. The composition of these committees is reviewed on an ongoing basis. The names of the members of the committees appear on page 2 and the various changes during the year are noted in the directors' report.

NOMINATION COMMITTEE

The nomination committee comprises of three independent non-executive directors and identifies and recommends to the board suitable competent candidates for appointment as directors.

The committee meets on an ad-hoc basis. During the year, the committee held one meeting which was attended by all members.

Directors' independence

The nomination committee has conducted the necessary annual assessment and is satisfied as to the independence of each of the independent non-executive directors of the company and, in particular, those who have been in office for more than nine years, having regard to the requirements of the King Report and the provisions of the Companies Act of South Africa.

Succession planning

The nomination committee of the board is satisfied that suitable succession plans are in place.

EXECUTIVE COMMITTEE

The executive committee currently comprises two executive directors and met formally on a regular basis throughout the year and informally as and when required. During the year, ten formal monthly meetings were held which were attended by all the then members. The minutes of these meetings are distributed to non-executive directors after each meeting.

This committee has the authority of the board, which is subject to annual review, to take decisions on matters involving financial risk management and matters requiring immediate action (subject to the approval of the committee chairman or his nominee) and passing of enabling resolutions, which:

- do not have major policy implications; or
- have been discussed with and the support obtained from a majority of board members, save that any dissenting director has the right to call a board meeting; or
- if requiring significant capital expenditure, are in the normal course of business.

REMUNERATION COMMITTEE

The remuneration committee reports directly to the board and comprises three independent non-executive directors. The committee's task is to review the compensation of executive and non-executive directors and senior management of the company. The chief executive officer is usually invited to attend meetings of the committee, but does not participate in any discussion relating to his own remuneration.

During the year, three committee meetings were held which were attended by all members.

The committee, in assessing base salaries and other forms of guaranteed remuneration, takes into account appropriate benchmarking including, where required, input from independent remuneration consultants.

Remuneration policies and practices

Trencor seeks to employ persons of superior ability who will adequately meet the needs of our stakeholders and believes remuneration should be at least commensurate with that of similarly qualified people in comparable positions in like industries and in similar geographic locations.

- Executive directors

Executive directors are paid a guaranteed amount on a cost to company basis, which includes salaries as well as medical aid and retirement fund contributions.

Remuneration is pro-rated in respect of part-time employment.

- Members of management who are not executive directors

The company's policy in respect of these executives is that their guaranteed pay, determined on a cost to company basis, should be attractive compared to levels paid in equivalent positions in other companies. The policy is on the same terms as for executive directors.

- Changes to incentive bonus arrangements for executives and senior management

As reported in the previous integrated annual report, with effect from 1 January 2016, the amounts of the incentive bonuses that were paid to executive directors and senior management in respect of the financial year ended 31 December 2015 have been incorporated into their guaranteed remuneration. With effect from 1 January 2016, executive directors and senior management no longer qualify to receive annual incentive bonuses. This change was effected because the current structure and operations of the group are such that the contributions of executives to the results or profitability of the company are no longer specifically measurable.

- Retention incentives

In order to retain the services of two executive directors and three members of senior management, retention incentives were agreed with such persons whereby amounts will become payable on specified future vesting dates subject to certain terms and conditions. The committee sought advice from leading external remuneration consultants as to the structure and quantum of each of the retention amounts. In the opinion of these external consultants, the quantum of the retention amounts is fair and reasonable.

- Non-executive directors

The remuneration committee recommends the fees payable to non-executive directors to the board which, in turn, proposes such fees to shareholders for approval. These fees are also determined with reference to appropriate benchmarking against comparable companies.

Shareholders will be asked at the forthcoming annual general meeting to approve the proposed annual remuneration payable to non-executive directors in their capacities as such from 1 July 2018, which represents an increase of approximately 6%, plus the VAT attributable to such fees. Shareholders will also be asked to approve an additional payment of R50 000 to the chairman of the audit committee for efforts and time beyond what is normal, relating to the US GAAP/IFRS conversion addressed elsewhere in this integrated annual report.

Remuneration benchmarking

At the beginning of 2017 the committee commissioned external consultants to conduct a job evaluation and a total remuneration benchmarking exercise for selected executive directors and senior management positions. Overall, the results indicated that current remuneration paid in respect of the selected positions is in line with the market.

Directors' remuneration

No fees are paid to executive directors for services as directors of Trencor. The remuneration paid to directors (including by Textainer where applicable) during the years ended 31 December 2017 and 2016 was as follows:

	Guaranteed remuneration R'000	Contributions to		Share based payments* R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000		
2017					
Non-executive directors					
Jim Hoelter	405	-	-	-	405
Jimmy McQueen	476	-	-	283	759
David Nurek	1 831	-	-	675	2 506
Eddy Oblowitz	499	-	-	-	499
Roddy Sparks	466	-	-	-	466
Herman Wessels	468	-	-	-	468
	4 145	-	-	958	5 103
Executive directors					
Jimmy McQueen	2 365	31	177	392	2 965
Ric Sieni	2 791	58	284	-	3 133
Hennie van der Merwe	2 480	53	258	-	2 791
	7 636	142	719	392	8 889
Aggregate remuneration 2017	11 781	142	719	1 350	13 992
2016					
Non-executive directors					
Jim Hoelter	1 275	-	-	345	1 620
David Nurek	1 544	-	-	690	2 234
Eddy Oblowitz	382	-	-	-	382
Roddy Sparks	379	-	-	-	379
Herman Wessels	357	-	-	-	357
	3 937	-	-	1 035	4 972
Executive directors					
Cecil Jowell	1 299	14	-	345	1 658
Neil Jowell	3 018	24	-	345	3 387
Jimmy McQueen	4 020	47	319	690	5 076
Ric Sieni	2 192	43	221	-	2 456
Hennie van der Merwe	965	47	101	-	1 113
	11 494	175	641	1 380	13 690
Aggregate remuneration 2016	15 431	175	641	2 415	18 662

* Award of shares in Textainer for services rendered as directors of Textainer.

Remuneration implementation report

The workforce in South Africa comprises the employees of Trencor Services Proprietary Limited at Trencor's corporate office currently consisting of only 12 persons, thus not meriting a detailed analysis of implementation against our remuneration policy. The committee continues to ensure that competent staff adequate for the company's current needs are retained, and monitors that all aspects of the remuneration policy are properly implemented. The committee is satisfied that the payroll administrator, under the supervision of the financial director, correctly implemented all remuneration payments.

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees. All of these options have been exercised and there are no options currently outstanding.

There is currently no intention to grant further options but the Plan is being maintained in its current dormant state in order that options may be granted in future should the need arise. Accordingly, no authority is sought from shareholders at this stage to place the unissued shares reserved for the Plan under the control of the directors and to authorise the directors to issue such shares.

GOVERNANCE COMMITTEE

The governance committee comprises of three independent non-executive directors. The committee is responsible for making recommendations to the board in all matters relating to the development, evaluation and monitoring of the company's corporate governance processes, policies and principles; the development and implementation of and monitoring compliance with the company's code of ethics and making recommendations to the board on revisions thereto from time to time as appropriate.

During the year, one committee meeting was held, which was attended by all members.

Restriction on trading in shares

A formal policy prohibits directors, officers and employees from dealing in the company's shares from the end date of an interim reporting period until after the interim results have been published and similarly from the end date of the financial year until after the reviewed results have been published. Directors and employees are reminded of this policy prior to the commencement of any restricted period.

In addition, no dealing in the company's shares is permitted by any director, officer or employee whilst in possession of information which could affect the price of the company's shares and which is not in the public domain.

Directors of the company and of its major subsidiaries are required to obtain clearance from Trencor's chairman (and in the case of the chairman, or in the absence of the chairman, from the chairman of the audit or remuneration committee) prior to dealing in the company's shares, and to timeously disclose to the company full details of any transaction for notification to and publication by the JSE.

SOCIAL AND ETHICS COMMITTEE

Given the nature of the company's activities as an investment holding company, the activities of this committee are limited in scope.

The social and ethics committee comprises three independent non-executive directors and two executive directors.

During the year, one committee meeting was held, which was attended by all members.

The main objective of the committee is to assist the board in monitoring the company's performance as a good and responsible corporate citizen by monitoring sustainable development practices.

The committee is responsible for developing and reviewing policies with regard to the commitment, governance and reporting of sustainable development performance and for making recommendations to the board in this regard.

Its role also includes the monitoring of any relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, ethical conduct, the environment, health and public safety, consumer relationships, as well as labour and employment. Refer to the sustainability report on pages 20 to 23.

Code of ethics

The board, management and staff agreed a formal code of ethical conduct which seeks to ensure high ethical standards. All directors and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the company. This code is signed by all directors, managers and employees on an annual basis.

Any transgression of this code is required to be brought to the attention of the board. There were no transgressions during the year under review.

RISK COMMITTEE

The risk committee comprises all the non-executive and executive directors. During the year, two committee meetings were held, which were attended by all the then members.

In addition to the committee members, members of senior management are invited to attend meetings of the committee.

Responsibility for managing risk lies ultimately with the board of directors. The risk committee and executive committee assist the board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis and within the authority conferred upon them by the board. The identification and mitigation of risk is a key responsibility of management and the executive committee.

The following significant risk exposures within the Operations and the possible impacts and the measures taken to mitigate such risks have been identified:

- **Exchange rate fluctuations**

The Operations are largely US dollar-based and, accordingly, changes in the R/US\$ exchange rate can and do significantly affect the translation of assets, liabilities, profits and losses into South African currency for reporting purposes.

For the years ended 31 December 2017 and 2016, 25% and 36% respectively of Textainer's direct container expenses were paid in twenty foreign currencies other than the US dollar. A decrease in the value of the US dollar against non-US currencies in which these expenses are incurred would translate into an increase in those expenses in US dollar terms, which would decrease net income of Textainer and the group.

- **Global economic conditions**

While domestic and global economic growth resumed and has continued following the global financial crisis in 2008 and 2009, the continued sustainability of the US and international growth is uncertain. Any slowdown or reversal of the US and global economic recoveries and trade growth could heighten a number of material risks to our business, results of operations, cash flows and financial condition, as well as our future prospects.

- **Containerised cargo volume growth**

A contraction or slowdown in containerised cargo volume growth or negative containerised cargo volume growth would likely create a surplus of containers, lower utilisation, higher direct costs, weaker shipping lines going out of business, pressure for lease concessions and lead to a reduction in the size of customers' container fleets. High utilisation of containers and fleet growth may not be sufficient to provide revenue and income growth if increased competition or other factors keep container lease rates low for prolonged periods.

- **Credit availability and access to equity markets**

Continued issues involving liquidity and capital adequacy affecting lenders could affect the ability to fully access credit facilities or obtain additional debt and could affect the ability of lenders to meet their funding commitments. Further, high level of volatility in the equity markets may make it difficult for Textainer to access the equity markets for additional capital at attractive prices, if at all. If the company is unable to obtain credit or access the capital markets, its business could be negatively impacted. Additionally, in recent years the returns provided from lease transactions have been lower due to increased competition in part caused by increased debt financing access for the container leasing industry. Lower container returns may limit the ability to access funds for investment in additional new containers.

- **Credit availability to customers**

It is believed that many customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund their operations. As a consequence, if these customers lack liquidity, it would likely negatively impact their ability to pay amounts due to Textainer and TAC.

Many of these and other factors affecting the container industry are inherently unpredictable and beyond the control of the Operations.

- **Lessee defaults may harm Textainer's and TAC's businesses, results of operations and financial condition by decreasing revenue and increasing storage, repositioning, collection and recovery expenses**

Textainer's and TAC's containers are leased to numerous container lessees. Lessees are required to pay rent and to indemnify the owners for damage to or loss of containers. Lessees may default in paying rent and performing other obligations under their leases. A delay or diminution in amounts received under the leases (including leases on managed containers), or a default in the performance of maintenance or other lessee obligations under the leases could adversely affect Textainer's or TAC's businesses, results of operations and financial condition and their ability to make payments on their debt.

When lessees default, Textainer or TAC may fail to recover all of their containers, and the containers that they do recover may be returned to locations where they will not be able to quickly re-lease or sell them on commercially acceptable terms. Historically these companies have recovered a very high percentage of their containers from defaulting lessees. Textainer believes that there is a continued risk of lessee default in 2018. If a material amount of future recoveries from defaulting lessees continue to deviate from historical recovery experience, Textainer's or TAC's financial performance and cash flow could be severely adversely affected.

- **Interest rates**

Textainer and TAC have various borrowing facilities, all of which are denominated in US dollars and borrowings made under the facilities may be subject to variable interest rates. Textainer and TAC have firm policies that term lease (i.e. long-term) business should be financed with fixed rate debt and master lease (i.e. short-term) business should be financed with variable rate debt. Interest on loans raised to purchase containers for term leases (usually of five years' duration at fixed rates) is swapped into fixed interest rate contracts of a similar term, while loans raised to purchase containers for master leases are at variable rates. Textainer and TAC have entered into various interest rate swap and cap agreements to mitigate the exposure associated with variable rate debt. The swap agreements involve payments to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London InterBank Offered Rate. There can be no assurance that these interest rate caps and swaps will be available in the future, or if available, will be on satisfactory terms. If Textainer and TAC are unable to obtain such interest rate caps and swaps or if a counterparty under the interest rate swap and cap agreements defaults, the exposure associated with the variable rate debt could increase. Neither Textainer nor TAC applies hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective; they account on the basis that the net result of the marked-to-market valuation of these instruments is flowed through profit or loss. This may result in volatility of earnings.

- **Credit risk concentration**

Textainer's customers are mainly international shipping lines which transport goods on international trade routes. Once containers are on-hire to a lessee, Textainer does not track their location. The domicile of the lessee is not indicative of where the lessee is transporting containers. The business risk for Textainer in its international operations lies with the creditworthiness of the lessees rather than the geographic location of the containers or the domicile of the lessees.

Textainer's five largest customers accounted for approximately 49,5% of its total owned and managed fleet's 2017 lease billings (2016: 48,1%). Lease billings from Textainer's 20 largest container lessees by lease billings represented 80,0% of total owned and managed fleet's container lease billings in 2017 (2016: 78,9%).

Textainer's largest lessee accounted for 14,4% of lease rental income during 2017 (2016: 12,0%). The second largest lessee accounted for 13,6% of lease rental income in 2017 (2016: 14,0%). Textainer had no other lessee greater than 10%. These lessees individually accounted for 13,1% and 12,9% of gross accounts receivable in 2017 (2016: 9,0% and 9,1%).

A default by any of these major customers could have a material adverse impact on Textainer's business, results from operations and financial position.

- **Container ownership**

Ownership of containers entails greater risk than management of containers for container investors. In 2017, Textainer decreased the percentage of containers in its fleet that it owns from 81,0% at the beginning of the year to 78,8% at the end of the year. The number of containers in Textainer's owned fleet increases its exposure to financing costs, financing risks, changes in *per diem* rates, re-leasing risk, changes in utilisation rates, lessee defaults, repositioning costs, storage expenses, impairment charges and changes in sales price upon disposition of containers. The number of containers in the owned fleet fluctuates over time as new containers are purchased, containers are sold into the secondary resale market, and other fleets are acquired.

- **Decrease in container fleet utilisation**

A decline in utilisation, for example due to a reduction in world trade or in container traffic on particular routes or an oversupply of competitors' containers, could result in reduced revenue, increased storage expenses and thus lower profit. In order to reduce volatility in revenue and earnings Textainer, together with most leasing companies, has grown the percentage of containers on long-term leases over the past 10 years, while the percentage on master leases has declined. As at 31 December 2017, approximately 78% of the Textainer on-hire fleet was on long-term leases, compared to approximately 67% 10 years ago. Textainer has also developed a very active used container trading operation and thus has an effective infrastructure to dispose of containers that have reached the end of their economic lives, on the best available terms. Textainer monitors containers due to come off lease and manages their disposal or re-lease.

- **Container off-hires in low demand locations**

A build-up of off-hire containers in low demand locations where they cannot easily be on-hired again could lead to decreased utilisation, reduced revenue, higher storage costs and the possibility of having to ship the equipment, at considerable cost, to positions where it can be leased out. To reduce this exposure, Textainer is increasingly placing containers into long-term leases and also negotiating more favourable lease terms that limit the number of containers that lessees may off-hire in low demand areas. It also regularly repositions containers from low to high demand locations.

- **New container prices**

Changes in the prices of new container equipment have an impact on lease rates. In general, declining new container prices lead to softening in rates, while increasing prices may result in upward pressure on lease rates. If a downturn in new container prices is sustained, the lease rates of older, off-lease containers would also be expected to decrease as would the prices obtained for containers sold at the end of their useful life. If a reduction in the price of new containers is sustained such that the market lease rate or resale value for all containers is reduced, this trend could harm Textainer's and TAC's businesses, results of operations and financial condition, even if this sustained reduction in price would allow those companies to purchase new containers at a lower cost.

- **Value of containers**

The ultimate return from the ownership of a container will depend, in part, upon the residual value at the end of its economic life. The market value of a used container depends upon, among other things, its physical condition, supply and demand for containers of its type and remaining useful life in relation to the cost of a new container at the time of disposal and the location where it will be sold. A decline in residual values of containers can adversely affect returns from container ownership and cash flows.

- **Reporting standards**

Trencor reports its results in accordance with IFRS while Textainer and TAC report in accordance with US GAAP. This may cause the reporting of Textainer and TAC's results by Trencor to differ from that which is reported in the financial results of those companies. These differences may result in an inability to reconcile the results of these companies, market confusion and an inconsistent market reaction when these companies report.

INFORMATION RESOURCES MANAGEMENT

Trencor, like other organisations, is reliant on information and technology to effectively and efficiently conduct its business. The IT systems, policies and procedures are reviewed on an ongoing basis to ensure that effective internal controls are in place to manage risk and promote efficiencies, and to comply with universally accepted standards and methods. Attention is continuously focused on maximising the benefits whilst minimising the risks associated with all aspects of the IT portfolio as they apply to business operations.

Security policies and procedures for employees and the use of technologies such as enterprise and personal firewalls, antivirus systems, intrusion monitoring and detection are applied, as well as frequent application of software security updates issued by vendors as and when vulnerabilities are discovered.

Trencor corporate office has established procedures that when invoked enable a complete recovery of the IT network and business systems within specified time limits. Textainer and TAC have their own business continuity plans.

STAKEHOLDER COMMUNICATION

Members of the executive committee of the board meet on an ad-hoc basis with institutional investors, investment analysts, individuals and members of the financial media. Discussions at such meetings are restricted to matters that are in the public domain.

Shareholders are informed, by means of announcements on the Stock Exchange News Service, press announcements and releases in South Africa and/or printed matter sent to such shareholders, of all relevant corporate matters and financial reporting as required in terms of prevailing legislation. In addition, such announcements are communicated via a broad range of channels in both the electronic and print media. The company maintains a corporate website (www.trencor.net) containing financial and other information, including interim, reviewed and annual results.