

Sustainability Report

Trencor is an investment holding company listed on the JSE. Its core businesses are the owning, leasing, managing and trading of marine cargo containers worldwide, and related financing activities.

STRATEGY

The group's strategy is to invest in operations that have as their business the provision, management and integration of equipment, services, knowledge and information to facilitate the movement of goods by customers.

This strategy is intended to contribute to the growth and improvement of existing businesses and to include in their activities similar businesses that have the potential to render acceptable returns.

BUSINESS STRATEGIES

The group intends to grow its business profitably by pursuing the following strategies:

- Gain further leverage off the group's position as the largest intermodal container lessor based on fleet size and consistent container purchaser in its industry;
- Pursue attractive acquisitions in its chosen industry;
- Offer purchase and leaseback transactions;
- Renew expiring leases of in-fleet containers as far as possible;
- Grow container resales;
- Continue to focus on further increasing operating efficiency; and
- Ensure adequate access to appropriate sources of capital.

ORIGINS AND HISTORY

Trencor started life in 1929 as a General Motors dealership. In 1929 Trencor's founders converted a Buick sedan to a small truck and started a road transport business which in due course became a leading nationwide carrier. Since then, the company has undergone a number of changes to adjust to changing circumstances.

In 1955 the company listed on the JSE. 1969/70 saw the branching out into road trailer manufacturing through the acquisition of Henred Trailer Manufacturing Company, which subsequently merged with Fruehauf South Africa to form Henred-Fruehauf Trailers.

1977 marked the beginning of manufacturing of dry freight marine cargo containers for the export market. This was later expanded to include the manufacture of folding flatrack containers and stainless steel tank containers. In 1979 Trencor commenced financing the sale of containers on long-term credit. The aggregate sales value of containers so exported from South Africa exceeded US\$1 billion.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the current core activities of the group described above. Today, Textainer, the group company operating since 1979 and listed on the New York Stock Exchange in 2007, is the world's largest lessor on intermodal containers based on fleet size. Textainer leases containers to approximately 400 shipping lines and other lessees, sells containers to more than 1 100 customers and provides services worldwide via a network of regional and area offices, as well as independent depots.

During 2012, as part of a series of transactions implemented by the group over time to restructure the group with the ultimate objective of maximising shareholder value, Trencor's beneficiary interest in Textainer reduced from 60,1% to 48,9% with a view, inter alia, to creating greater liquidity in Textainer's shares (listed on the NYSE). At 31 December 2013 Trencor's beneficiary interest in Textainer was 48,3%.

SUSTAINABILITY STRATEGY

Trencor recognises the interest of both internal and external stakeholders in its organisational and operational performance. As a socially responsible group of companies it embraces the goal of sustainable development.

The group believes that the non-financial aspects of sustainability may ultimately have a financial impact on its business and thus cannot be ignored. Sustainability is therefore important in enhancing shareholder value, quite apart from fulfilling the group's social responsibility.

The group's sustainability strategy focuses on target areas, specific objectives and key performance indicators for each functional area within the group.

MANAGING SUSTAINABILITY

The Trencor board as a whole assumes responsibility for the management of the group in a sustainable and socially responsible manner, relying on report backs from other board committees and management.

SUSTAINABILITY RISK AREAS

The main areas which the group believes it should focus on to ensure its long-term success and sustainability are shareholders, employees, customers, suppliers, regulatory issues, environment and community.

MEASURING PERFORMANCE

Sustainability is measured with reference to the 'value add' and wealth created for the benefit of all of the group's stakeholders over the long-term, through its operations.

Wealth created and distributed during the year ended 31 December 2013 was as follows:

	Rm
Wealth created:	
Total revenue	6 590
Less: costs of goods and services	<u>(2 420)</u>
	4 170
Wealth distributed:	
Employees' compensation	246
Government (direct taxes)	83
Shareholders (dividends)	1 566
Depreciation and amortisation	1 438
Net earnings retained	<u>837</u>
	4 170
Cents per share	
Shareholders	
Growth of shareholder wealth and returns	
Earnings	785
Dividends	230
Trencor share price at year-end	6 900

EMPLOYEES

Trencor and Textainer both have succession plans approved by their respective corporate governance and nomination committees, as well as by their boards.

The group promotes an environment where employees have continuing opportunities for improving their professional skills and enhancing their personal growth through various training and development programmes. The group also offers its employees assistance in continuing their education.

Details of the employee benefits provided by Trencor and Textainer are detailed in the notes to the financial statements.

The group aims to maintain an open and productive work environment that is responsive to the needs and concerns of the employees. The group believes that communication is the key to building successful relationships. The aim is to foster an environment of mutual respect and confidence in which employees can develop their skills and talents.

The group is committed to a policy of non-discrimination. Employees with a disability or life-threatening illness will be allowed to continue working as long as they are able to meet the company's performance standards, and their work does not present a direct threat to their own health or safety or that of others.

REMUNERATION

The company's remuneration practices and policies are described in the Corporate Governance section of the integrated annual report.

CUSTOMERS

Through ongoing interaction with its customers the group believes it is able to provide an excellent product and service to its customers.

Our customers are mainly international shipping lines, but we also lease containers to freight forwarding companies and the US military.

A global sales and customer service force is responsible for developing and maintaining relationships with senior management at our customers. Our senior sales people have considerable industry experience and we believe that the quality of our customer relationships and level of communication with our customers represent an important advantage.

SUPPLIERS

Trencor acknowledges that to remain competitive and offer a comprehensive product range, goods also need to be sourced internationally. This includes establishing business relations with suppliers and manufacturers in developing countries where production cannot always be monitored. Trencor will not tolerate any violation of human rights and basic social standards of which it may become aware. At the same time Trencor respects local laws, norms and culture provided they are not in conflict with fundamental ethical and human rights. Workplace standards of suppliers are monitored, where possible, and corrective action proposed when deemed appropriate, although the ability to influence change is often limited.

REGULATORY MATTERS

Both Trencor and Textainer, as public listed companies, are subject to rules and regulations established and monitored by the regulatory bodies in the jurisdictions in which they are registered or operate. Both companies are in compliance with these rules and regulations.

EMPLOYMENT EQUITY

The group's South African workforce at 31 December 2013 comprised the employees of Trencor Services (Pty) Ltd at the group's corporate head office consisting of 18 persons: four executive white male directors, four white males in senior management, one white disabled and one coloured male and one white female in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and one unskilled African woman.

PROPRIETARY INFORMATION TECHNOLOGY

Textainer has developed proprietary IT systems that allow for the monitoring of container status offering its customers a high level of service. The systems include internet based updates regarding container availability and booking status.

ENVIRONMENT

Textainer is subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management of hazardous substances and wastes and the cleanup of contaminated sites.

In addition to environmental regulations affecting container movement, shipping, movement and spillage, environmental regulations also impact container production and operation, including regulations on the use of chemical refrigerants due to their ozone depleting and global warming effects.

Containers are made essentially of steel and timber and are constantly re-usable for 10-13 years per container. This contrasts with break-bulk where packaging material is typically only used once resulting in much more depletion of natural resources such as timber, for crates and cardboard, and other packaging material. Furthermore, break-bulk results in the damage and deterioration of the environment because of the indiscriminate discarding of waste and packaging material. Huge quantities of world trade are involved and so the benefit to the environment and the preservation of natural resources resulting from the use of containers is immense.

It is accepted that the use of shipping containers has promoted world trade because of the efficiency and effective logistics of their deployment as opposed to break-bulk. As the world's largest lessor of shipping containers we believe that we make a major contribution to the growth in world trade.

The factors mentioned above not only benefit the world community but because of their extensive benefits to our customers and their customers, in turn, all the way down the supply chain and the logistic framework, the company and its shareholders are strengthened and sustainability enhanced.

COMMUNITY

During the year under review, monetary assistance was granted to the Community Chest Western Cape, an organisation which provides assistance to various community and welfare organisations, which the group has supported since 1974. Financial support was also provided to The Red Cross War Memorial Children's Hospital, a highly specialised children's health care facility in the Cape well known for its excellence in child care and treatment on the African continent. Other organisations supported were St. Luke's Hospice, Accelerate Cape Town, National Sea Rescue Institute, MaAfrika Tikkun, Foodbank, Darling Trust, WWF South Africa, the Make a Difference Foundation, Business Against Crime, SPCA, Bicycling Empowerment Network and the Bird Life Society. In addition, donations were made to the University of the Western Cape, Stellenbosch University, University of Cape Town and the Cape Peninsula University of Technology.

EXTERNAL ASSURANCE

No external assurance has been sought on any of the elements of this report. The board confirms, to the best of its knowledge and belief, the accuracy and integrity of the information provided in this report. The group anticipates providing independent assurance of the material aspects of this report in the future.