

Trencor endorses the principles underlying the Code of Corporate Practices and Conduct in the King Reports on Corporate Governance. Ongoing enhancement of corporate governance principles is a global movement, fully supported by the board which, together with senior management, will continue to adopt, as appropriate, existing and new principles which advance good practical corporate governance and add value to the group's business activities.

The board is of the opinion that the group has, in all material respects and where appropriate, complied with the Code during the year under review.

The salient features of the group's corporate governance are set out below. The King III Report will apply in respect of the group's 2010 annual report.

### **Board of directors**

#### **Composition**

The names and brief résumés of the directors appear on page 69.

The board currently comprises eight directors, three of whom are executive and five non-executive of which four qualify as independent non-executive directors in terms of the King II Report. The directors have considerable experience and an excellent understanding of the group's business.

Board effectiveness reviews were conducted in 2002, 2005 and again in 2008. The board is satisfied with the outcome of the process.

There is a procedure for appointments to the board. Nominations for appointment to the board are formal and transparent and submitted by the nomination committee to the full board for consideration.

#### **Chairman/CEO**

The roles of chairman and chief executive officer are separate. The CEO of the group's operating entity reports to the chairman of that board, who in turn reports to the Trencor board.

The board is satisfied that no one individual director or block of directors has undue power on decision-making.

#### **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.

#### **Meetings**

The board meets regularly on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2009, five meetings were held and these were attended by all members 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 its operating subsidiaries. When appropriate, strategic matters and developments are addressed as well.

The chairman also 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 independent non-executive directors hold separate meetings as and when they deem it appropriate.

#### **Directors' service contracts**

None of the directors are bound by any service contracts. All executive directors have an engagement letter which provides for a notice period of between one and three months to be given by either party.

In terms of the articles of association, 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. The appointment of new directors during the year is required to be confirmed at the next annual general meeting and such new directors are required to retire at such annual general meeting, but may offer themselves for re-election.

#### **Director over age 75**

The nomination committee is required, in terms of its terms of reference, to evaluate the performance of each director who has reached the age of 75 years. Mr N I Jowell has reached that age and the committee has undertaken a review of his performance and has recommended to the board, which has agreed, that he remain as a director.

**Directors' remuneration**

The remuneration paid to the directors during the years ended 31 December 2009 and 2008 was as follows:

	Guaranteed remuneration incl. allowances R'000	Contributions to		Incentive bonuses R'000	Equity compensation benefits R'000	Other R'000	Total remuneration R'000
		Medical aid R'000	Retirement fund R'000				
<b>2009</b>							
<b>Non-executive directors</b>							
H A Gorvy <sup>1</sup>	43	-	-	-	-	-	43
J E Hoelter	776	-	-	-	-	-	776
C Jowell	728	13	-	423	-	-	1 164
D M Nurek	688	-	-	-	-	-	688
E Oblowitz	214	-	-	-	-	-	214
R J A Sparks <sup>2</sup>	100	-	-	-	-	-	100
	2 549	13	-	423	-	-	2 985
<b>Executive directors</b>							
N I Jowell	1 275	25	-	1 057	-	-	2 357
J E McQueen	1 605	25	133	240	103	-	2 106
H R van der Merwe	1 793	28	188	309	103	358	2 779
	4 673	78	321	1 606	206	358	7 242
<b>Aggregate remuneration 2009</b>	<b>7 222</b>	<b>91</b>	<b>321</b>	<b>2 029</b>	<b>206</b>	<b>358</b>	<b>10 227</b>
<sup>1</sup> Resigned 31 March 2009							
<sup>2</sup> Appointed 27 July 2009							
<b>2008</b>							
<b>Non-executive directors</b>							
H A Gorvy	163	-	-	-	-	-	163
J E Hoelter	1 325	-	-	-	-	-	1 325
C Jowell	729	11	-	534	-	-	1 274
D M Nurek	665	-	-	-	-	-	665
E Oblowitz	205	-	-	-	-	-	205
	3 087	11	-	534	-	-	3 632
<b>Executive directors</b>							
N I Jowell	1 495	22	-	1 334	-	-	2 851
J E McQueen	1 794	23	187	433	179	-	2 616
H R van der Merwe	2 166	24	228	600	179	-	3 197
	5 455	69	415	2 367	358	-	8 664
<b>Aggregate remuneration 2008</b>	<b>8 542</b>	<b>80</b>	<b>415</b>	<b>2 901</b>	<b>358</b>	<b>-</b>	<b>12 296</b>

No fees are paid to executive directors for services as director.

**Share options**

The following share options in terms of The Tencor Share Option Plan have been granted to and accepted by executive directors and/or their family trusts:

	Date granted	Number of options at 31/12/2009	Offer price per share (R)	Exercisable as follows	
				between	and
J E McQueen	11/06/04	50 000	12,10	11/06/07	11/06/12
	11/06/04	50 000	12,10	11/06/08	11/06/12
	11/06/04	50 000	12,10	11/06/09	11/06/12
	11/06/04	50 000	12,10	11/06/10	11/06/12
		200 000			
H R van der Merwe*	11/06/04	50 000	12,10	11/06/07	11/06/12
	11/06/04	50 000	12,10	11/06/08	11/06/12
	11/06/04	50 000	12,10	11/06/09	11/06/12
	11/06/04	50 000	12,10	11/06/10	11/06/12
		200 000			

\* The right to exercise the options granted on 11 June 2004 is subject to certain performance criteria being met.

## Directors' interests

The number of shares held by the directors in the issued share capital of the company, other than indirect interests through Mobile Industries Ltd, at 31 December 2009 and 2008 were as follows:

	Beneficial		Total
	Direct	Indirect	
<b>2009</b>			
J E Hoelter	–	–	–
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	–	–
H R van der Merwe	–	–	–
	142 667	153 941	296 608
<b>2008</b>			
H A Gorvy	–	–	–
J E Hoelter	–	–	–
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
H R van der Merwe	–	–	–
	142 667	153 941	296 608

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

Mr J E Hoelter has an indirect beneficial interest in 1 885 146 shares (2008: 1 885 146 shares) representing 4,0% (2008: 4,0%) in the issued common stock of Textainer Group Holdings Ltd, in which Trenchor has a 62,3% interest (2008: 62,6%). Between 11 and 13 March 2009, Mr N I Jowell acquired an indirect beneficial interest in 62 981 shares in Textainer Group Holdings Ltd.

## Board and board committee terms of reference

The board is ultimately accountable and responsible for the performance and affairs of the group. In essence, it provides strategic direction to the group, monitors and evaluates operational performance and executive management of the company and its subsidiary and associate companies, 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 composition of these committees is reviewed on an ongoing basis. The names of the members of the committees appear on page 2.

### Nomination committee

During 2002 the board appointed a nomination committee to identify and recommend to the board, suitable competent candidates for appointment as independent non-executive directors. The committee currently comprises one executive and three non-executive directors, two of whom are independent.

The committee meets on an ad-hoc basis. During the year, the committee held two meetings which were attended by all members.

### Executive committee

The executive committee, comprising the three executive directors and one non-executive director, meets formally on a regular basis throughout the year and informally on a weekly basis. During the year, eleven formal monthly meetings were held which were attended by all members, save for Mr C Jowell who attended ten meetings. 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 for the group, 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 of the existing divisions and operations of the group.

### Audit committee

The audit committee currently consists of four independent non-executive directors and normally meets at least twice a year, prior to 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 chairman of the board, the financial director 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.

During the year, the committee met on two occasions. The meetings were attended by all members. In addition, the committee chairman meets separately with the external auditors on an ad-hoc basis.

The audit committee is satisfied as to the expertise and experience of the financial director 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 the prior approval of the committee.

The main group operating entity, Textainer Group Holdings Ltd, has its own audit committee comprising Textainer board members who are not executives of that entity. This committee submits copies of its minutes and reports to the Trenchor audit committee after each meeting. 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 to perform certain

internal audit functions in terms of specified terms of reference and to report thereon to the executive committee and, if required, the audit committee of the entity concerned. The internal audit function has direct and unrestricted access to the respective audit committees.

The Tencor audit committee has reviewed the group annual financial statements and annual financial statements for the year ended 31 December 2009 and recommended to the board that the said financial statements be approved.

#### Remuneration committee

The remuneration committee reports directly to the board and comprises one independent non-executive director as committee chairman and the chairman of the board. The committee's task is to review the compensation of Tencor's executive and non-executive directors and senior management and to grant options in terms of The Tencor Share Option Plan. Members of the remuneration committee are not eligible for participation under The Tencor Share Option Plan.

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

The committee may, if required, seek the advice of external independent consultants.

#### Governance committee

Subsequent to the year-end, the board established a governance committee comprising two 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 Conduct (the 'Code') and making recommendations to the board on revisions to the Code from time to time as appropriate; and to assess on an annual basis the independence of the company's independent directors.

#### Risk committee

Subsequent to the year-end, the board agreed to establish a risk committee comprising the members of the audit committee and the financial director.

#### Succession planning

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

#### Risk management

Responsibility for managing the group's risks lies ultimately with the board of directors. The executive committee and management at operating levels 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 throughout the group and of the executive committee.

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

- **Exchange rate fluctuations**

Most of our businesses are 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. The long-term export receivables are all denominated in US dollars. The board has decided that these receivables should remain in dollars and should not be hedged into any other currency, save that the executive committee is authorised to sell limited amounts due to be collected forward, into rand, if it believes that it would enhance the rand receipts to do so. Unrealised gains and losses arising on translation at reporting dates of the unhedged portion of the long-term receivables and related valuation adjustments are included in profit and loss and changes in the R/US\$ exchange rate may result in volatility in earnings when expressed in rand.

For the years ended 31 December 2009 and 2008, 38% of Textainer's direct container expenses were paid in 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.

- **Decrease in activity – effect on long-term receivable collections**

Declines in lease rates, utilisation and residual values of equipment in the container industry can adversely affect the cash flows of container owners and could impair the ability of these companies to meet their obligations to the group and its export partners under the long-term export contracts. Conversely, improved market conditions may enhance their ability to meet these obligations. Tencor's in-depth understanding of the industry and many of the main participants enable the company to closely monitor the activities of these entities and, where necessary, take whatever action may be required to protect the group's and its export partners' interests. Changes in market conditions in the industry require the company to make appropriate fair value adjustments from time to time to recognise the changes in the timing and possible non-receipt of instalments due under these long-term export contracts.

- **Access to credit**

During 2009, the global financial crisis, particularly affecting the credit markets as well as equity markets, accelerated and the global recession deepened. Global containerised cargo volume contracted significantly on most trade routes although there has been some improvement since the second half of 2009. Though we cannot predict the extent, timing or ramifications of the global financial crisis and the global recession, we believe that the downturn in the world's major economies and the constraints in the credit markets have heightened or could heighten a number of material risks to our business, results of operations, cash flows and financial condition, as well as our future prospects, including the following:

- 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

Textainer to offer lease concessions and lead to a reduction in the size of its customers' container fleets.

- Credit availability and access to equity markets – Continued issues involving liquidity and capital adequacy affecting lenders could affect Textainer's ability to fully access its credit facilities or obtain additional debt and could affect the ability of its lenders to meet their funding requirements when Textainer needs to borrow. Further, the 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 Textainer is unable to obtain credit or access the capital markets, its business could be negatively impacted.
- Credit availability to our customers – We believe that many of our customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund their operations. As a consequence, if our customers lack liquidity, it would likely negatively impact their ability to pay amounts due to us. Many of these and other factors affecting the container industry are inherently unpredictable and beyond our control.

#### • Interest rates

Textainer has outstanding borrowings under a revolving credit facility, a secured debt facility and outstanding bonds payable. All of these outstanding amounts are denominated in US dollars and are subject to variable interest rates. Textainer has a firm policy that long-term lease business should be financed with fixed rate debt and master lease (short-term) business should be financed with variable rate debt. Interest on loans raised to purchase containers leased out under long-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 lease are at variable rates. Textainer has 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 Inter Bank 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 is 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. Textainer does not apply hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective; it accounts 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 34,8% of its total owned and managed fleet's 2009 lease billings. Lease billings from Textainer's 25 largest container lessees by lease billings represented 75% and 76% of total owned and managed fleet's container leasing billings in 2009 and 2008 respectively.

A single lessee accounted for 12% of Textainer's lease rental income for 2009 (2008: 10%). Two single lessees accounted for 19% and 16%, respectively, of Textainer's accounts receivable, net, as at 31 December 2009 and one single lessee accounted for 17% of Textainer's accounts receivable, net, as at 31 December 2008.

A default by any of these major customers could have a material adverse impact on our business, results from operations and financial condition.

#### • 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 of the containers in the on-hire fleet that are owned by Textainer, 74,4% are on long-term lease. 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.

#### • Declining residual values 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.

### Information resources management

Trencor, like other organisations, is reliant on information technology to effectively and efficiently conduct its business. The group's 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 as far as possible 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 'patches' issued by vendors as and when vulnerabilities are discovered.

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

### Group strategy statement

In 2005 the board confirmed the group strategy statement as published in earlier annual reports. In view of changes in strategic direction since then, in particular the decision to focus on our global marine container operations (mainly Textainer) as the group's core business, the board has revised the group strategy as follows:

1 Trencor's strategy is to invest in operations that have as their business:

The enablement of the controlled movement of goods by providing, managing and integrating the use of equipment, services, knowledge and information.

2 We aim to do this by:

- providing a global and integrated set of offerings through owning, managing and/or leasing of assets used by customers in the controlled movement of goods; and
- pursuing investment in related information and communication technologies and appropriate forms of information management.

3 This strategy is intended to contribute to the growth and improvement of those existing businesses already involved in the movement of goods, and to include in their activities similar businesses that have the potential to render acceptable returns.

### Code of ethics

The board, management and staff agreed a formal code of ethical conduct in 1998 which seeks to ensure high ethical standards. All directors, managers and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the group. The code is signed by all directors, managers and senior employees at least every three years.

Any transgression of the code is required to be brought to the attention of the governance committee. There was no transgression during the year under review.

### Restriction on trading in shares

A formal policy prohibits directors, officers and employees from dealing in the company's shares and those of Mobile, from the date of the end of an interim reporting period until after the interim results have been published and similarly from the end of the financial year until after the reviewed annual 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 Ltd.

### 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 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. Trencor also publishes a trading update in respect of the quarters ending March and September each year, in addition to the interim results and reviewed results announcements for the periods ending June and December respectively. 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 (<http://www.trencor.net>) containing financial and other information, including interim, reviewed and annual results.

### Community investments

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. In addition, assistance was provided to ORT-Tech, an organisation which, inter alia, adds value to the work of the Education Department to implement Revised National Curriculum Statements on Technology for its project at the Secondary School in Modderdam, Cape Town. 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 ORT-Jet, St Luke's Hospice, Accelerate Cape Town, National Sea Rescue Institute, MaAfrica Tikkun and Foodbank.