

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 management, will continue to follow and adopt, as appropriate, existing and new principles and practices 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 these have been 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 48.

The board comprises four directors, one executive (chief executive officer and financial director combined in one executive) and three non-executive, all three qualifying as independent 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 every two years and the board is satisfied with the results of this process.

Nominations for appointment to the board are formal and transparent and considered by the full board.

CHAIRMAN/LEAD INDEPENDENT

The chairman of the board is an independent non-executive director and a lead independent non-executive director has 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. In view of the recent simplification of the corporate interests as detailed elsewhere in this and previous annual reports, it is not practical to set voluntary targets or bring on board new directors in order to further diversity aims.

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, the board is satisfied that the specific individual engaged 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, and is independent of the board.

MEETINGS

The board meets on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2021, four meetings were held and these were attended by all directors.

Board papers are timeously issued to all directors prior to each meeting and contain relevant detail to inform members of the financial position and activities of the company. 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 contract. The executive director has an engagement letter which provides for a notice period of two 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 2021 and 2020 was as follows:

| | Beneficial | | Total |
|---------------|------------|------------|--------|
| | Direct | Associates | |
| David Nurek | – | 10 000 | 10 000 |
| Eddy Oblowitz | 10 000 | – | 10 000 |
| Ric Sieni | – | – | – |
| Roddy Sparks | – | 4 000 | 4 000 |
| | 10 000 | 14 000 | 24 000 |

Hennie van der Merwe retired on 11 May 2021. He held no shares in the company.

There have been no changes in the above directors' 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, one of whom is the chairman of the board whose inclusion is necessitated by the board comprising only the minimum of 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 chief executive officer and certain members of management are normally invited to attend meetings of the committee. The external auditors attend 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 two 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.

BOARD 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 47.

NOMINATION COMMITTEE

No meetings were held during the year as the nomination committee was disbanded and its functions, inter alia, to identify and recommend to the board suitable competent candidates for appointment as directors, were taken over by the board itself.

Directors' independence

The board 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 board is satisfied that appropriate succession plans are in place.

EXECUTIVE COMMITTEE

The executive committee comprised two executive directors and met formally three times until it was discontinued on 11 May 2021. The minutes of these meetings were distributed to non-executive directors after each meeting.

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, the committee held two meetings 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 commensurate with that of similarly qualified people in comparable positions.

- 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.

- Members of management who are not executive directors

The company's policy in respect of these managers 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.

- Incentive bonus arrangements for executives and senior management

There are no incentive bonus arrangements due to the activities of the group being such that the contributions of executives to the results or profitability of the company are no longer specifically measurable.

- Retention compensation

In order to retain the services of the executive directors and senior managers, retention compensation was agreed with such persons 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 was fair and reasonable.

The retention compensation amounts paid were as follows, and there are currently no such amounts outstanding:

| | Paid | |
|----------------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| | R'000 | R'000 |
| Executive director | | |
| Hennie van der Merwe | – | 1 000 |
| Senior manager | – | 1 000 |
| Total | – | 2 000 |

- 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.

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 2022, which represents no change to the current remuneration approved from 1 July 2020.

Remuneration benchmarking

The committee previously 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 remuneration paid in respect of the selected positions is in line with the market. In view of the ongoing simplification of the company's interests, no further benchmarking exercise has been conducted.

Directors' remuneration

No fees are paid to executive directors for services as directors. The remuneration paid to directors during the year ended 31 December 2021 and 2020 was as follows:

| | | Contributions to | | | |
|------------------------------------|-------------------------|------------------|------------------|------------------------|--------------------|
| | Guaranteed remuneration | Medical aid | Retirement funds | Retention compensation | Total remuneration |
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| 2021 | | | | | |
| Non-executive directors | | | | | |
| David Nurek | 897 | – | – | – | 897 |
| Eddy Oblowitz | 483 | – | – | – | 483 |
| Roddy Sparks | 460 | – | – | – | 460 |
| | 1 840 | – | – | – | 1 840 |
| Executive directors | | | | | |
| Ric Sieni | 3 488 | 79 | 104 | – | 3 671 |
| Hennie van der Merwe* | 1 015 | 18 | 106 | – | 1 139 |
| | 4 503 | 97 | 210 | – | 4 810 |
| Aggregate remuneration 2021 | 6 343 | 97 | 210 | – | 6 650 |
| 2020 | | | | | |
| Non-executive directors | | | | | |
| Jimmy McQueen** | 142 | – | – | – | 142 |
| David Nurek | 1 098 | – | – | – | 1 098 |
| Eddy Oblowitz | 597 | – | – | – | 597 |
| Roddy Sparks | 511 | – | – | – | 511 |
| Herman Wessels** | 281 | – | – | – | 281 |
| | 2 629 | – | – | – | 2 629 |
| Executive directors | | | | | |
| Ric Sieni | 4 592 | 77 | 332 | – | 5 001 |
| Hennie van der Merwe | 3 971 | 35 | 417 | 1 000 | 5 423 |
| | 8 563 | 112 | 749 | 1 000 | 10 424 |
| Aggregate remuneration 2020 | 11 192 | 112 | 749 | 1 000 | 13 053 |

* Retired 11 May 2021

** Retired 4 June 2020

Value-added tax is included in non-executive directors' remuneration, where applicable.

Engagement with shareholders regarding the company's remuneration policy and implementation report

In the event that either the remuneration policy or implementation report or both are voted against by 25% or more of the voting rights exercised at an annual general meeting, then a shareholder engagement process will be undertaken to ascertain the reasons for the dissenting votes. All legitimate and reasonable objections or concerns will be appropriately addressed and full disclosure of the process followed will be included in following year's remuneration report.

At the annual general meeting held on 11 May 2021, non-binding advisory vote number 1 relating to the endorsement of the company's remuneration policy and non-binding advisory vote number 2 relating to the endorsement of the remuneration implementation report received in excess of 75% support from shareholders. As such, no shareholders engagement process was required to be undertaken.

Remuneration implementation report

Trencor's workforce comprises the employees of Trencor Services Proprietary Limited at Trencor's corporate office currently consisting of only three people, 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. 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. Accordingly, no authority is sought from shareholders 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

No meetings were held during the year as the governance committee was discontinued during the year and its functions, inter alia, in 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, were taken over by the board itself.

Restriction on trading in shares

A formal policy prohibits directors 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 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 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 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 business as a cash company following the simplification of the group, the activities of this committee are limited in scope.

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

During the year, the committee held one meeting 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 page 11.

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 at all times to adhere to this code, and to enhance the reputation of the company. This code is signed by all directors 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 directors. During the year, two committee meetings were held, which were attended by all members.

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

Responsibility for overseeing the management of risk lies ultimately with the board. Management assists the board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis. The identification and mitigation of risk are key responsibilities of management.

The following significant risk exposures have been identified:

- **Exchange rate fluctuations**

TAC is a US dollar-based company and, accordingly, changes in the R/US\$ exchange rate can and do significantly affect the translation of assets, liabilities, income and expenditures into South African rand for the purposes of consolidation and reporting.

In addition, Trencor reports a US\$17 million deposit in respect of restricted cash in an account in Liechtenstein, in support of the Halco Trust indemnity referred to below.

A US\$ denominated indemnity has been provided by Trencor in relation to The Halco Trust, refer to note 21.1.1 to the financial statements.

Sufficient US dollars have been retained in offshore accounts which could serve as a currency hedge against any possible currency exposure under this indemnity.

- **Investment in TAC**

TAC is a cash company. The day-to-day administration and management of the company has been outsourced by the TAC board to Continental Management Limited, a Bermudan entity.

- **Indemnity**

The indemnity referred to above under exchange rate fluctuations is more fully dealt with in note 21.1.1 to the financial statements.

- **Credit risk**

Trencor's only interests are in cash and cash equivalents and restricted cash.

At 31 December 2021, Trencor's local cash deposits of R159 million are with two major South African banks. In addition, Trencor also reports a US\$17 million deposit in an escrow bank account in Liechtenstein. US\$0,3 million of the US\$49 million in TAC is in bank accounts in Bermuda and the remainder is invested in various money market instruments managed on platforms provided by two reputable banking institutions.

The institutions in and through which cash funds are deposited and/or invested and the amounts placed with each institution are reviewed and assessed regularly by the respective managements and boards of TAC and Trencor in order to mitigate and diversify any risk.

- **Listing status**

As previously reported, Trencor updated the JSE on further progress made in respect of its simplification and sought a dispensation to remain listed as a cash company on the JSE, notwithstanding the standard six months limitation allowed by the JSE, for the full indemnity period expiring on 31 December 2024. Such request for a dispensation was based on the benefits to shareholders of remaining listed and the fact that certain cash was not as yet commercially available for distribution to shareholders due to the indemnities.

The JSE confirmed that Trencor could remain listed as a cash company on the JSE for the period up to 31 December 2024.

- **Key dependency service provider**

Trencor has a contract with a key dependency service provider in the field of IT. This contract was concluded with due diligence considered prior to the service provider being selected. Should the contract terminate, other competent service providers in the particular field of expertise are available as a replacement, with minimal disruption to operational efficiency.

- **Staff retention**

As a consequence of Trencor's stated intention of streamlining its corporate structure and the simplification of Trencor's interests, appropriate measures are necessary to ensure the retention of the required knowledge base in the company for as long as may be necessary to complete these processes.

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 has established business continuity procedures that when invoked enable a complete recovery of Trencor's IT network and business systems within specified and acceptable time limits.

STAKEHOLDER COMMUNICATION

An executive or, occasionally, members 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.