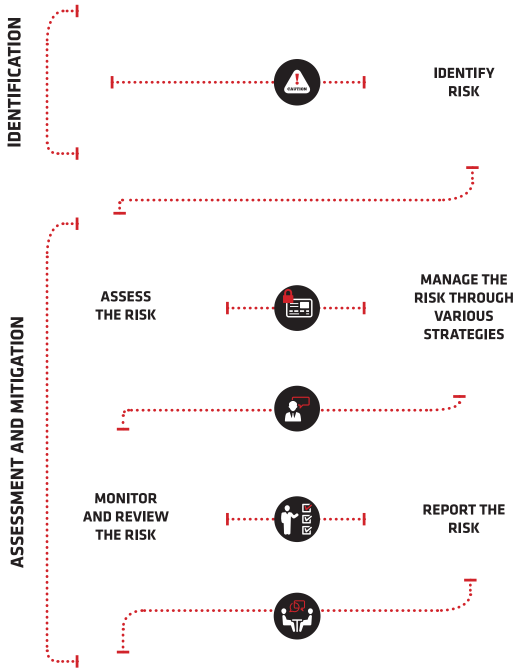
CORPORATE GOVERNANCE

RISK REVIEW



A robust and effective risk management system is crucial to the assessment, monitoring and mitigation of risk identified within the group. The following controls are in place to assist with risk management to ensure the group achieves its strategic and operational goals.

BOARD OVERVIEW
The board of directors is ultimately responsible for the governance of risk in the group, the determination of risk appetite and risk tolerance as well as the implementation, oversight and monitoring through the audit and risk committees. The board discharges its responsibilities for risk management throughout the group governance structure and more specifically the audit and risk committees.

RISK REVIEW
The group maintains effective risk management through internal controls and an assurance framework based on adherence to King IV, the JSE and NSX Listings Requirements, the Namibian and South African Companies Act and the Namcode.

The group continues to remain compliant with all applicable laws and regulations.

RISK MANAGEMENT
Management is accountable to the board for the design, implementation, maintenance, monitoring and integration of the process of risk management in the day-to-day activities of the group. The audit and risk committee is responsible for the oversight of risk management, which includes forming its own opinion on the actual effectiveness of the risk management process in the group operations. This is escalated to the board who further ensures oversight on the framework, policies, opinions and maintenance of the systems of internal controls.

INTERNAL CONTROL SYSTEMS
The adherence of the group to control is governed by approved policies and procedures. These are reviewed on a regular basis by management, internal and external audit as well as management committees. Additional audit and risk committees operate throughout the group in the segments to ensure overall oversight of all risks before being escalated to the board.

INTERNAL AUDIT
During the reporting period, the internal audit function was co-sourced with PwC for Trustco Bank and EY for the remainder of the group. Internal audit is responsible for assisting the board and management to maintain an effective internal control environment by evaluating and testing the controls continuously to determine whether it is effective and adequately designed as well as to recommend improvements. The internal auditors provide the audit and risk committee with assurance on the effectiveness of the internal control systems.

EXTERNAL AUDIT
The group has adopted an Auditors Rotation Policy to ensure the independence of the external auditors. Moore Stephens was appointed as the new auditors for Trustco Group Holdings Limited, the South African and the Mauritian entities. Moore Stephens was also appointed as the auditor for the Sierra Leone operations. BDO remained the auditor for the Namibian operations. The engagement partner of BDO was also rotated in line with the Auditors Rotation Policy. The independence of the external auditors is recognised and reviewed regularly by the audit and risk committee. The Lenders Group of Trustco also performed an independent business review on the group during the reporting period, through PWC South Africa.

CORPORATE GOVERNANCE

THE COMPANY PROCEDURES ALSO ENSURE THAT TRADING IN THE COMPANY'S SECURITIES CANNOT OCCUR WITHOUT COMPLYING WITH A THOROUGH VETTING AND APPROVAL PROCESS AT ALL LEVELS IN THE GROUP

INTEREST
The company has a formal policy on the trading in company shares to ensure that the employees conduct securities dealings in compliance with the JSE LR and insider legislations in terms of the Financial Markets Act (SA) and Financial Intelligence Act (Namibia).

EXTERNAL ASSURANCE

Various external parties are used to assess the adequacy and effectiveness of controls and in certain instances, to provide risk assurance and to ensure compliance, for example environmental, ITC and safety audits.

COMPLIANCE

The group faces complex challenges as a leading financial services group that diversified into various industries. It can only comply with all requirements, on all levels, with the different regulatory bodies in the different segments if a proper risk management system is in place and adhered to at all times. The compliance function identifies, assesses, advises, monitors and reports on the compliance risk of the group and its subsidiaries, as well as legal risk in terms of the potential impact of changes in laws and regulations. The company secretarial department, senior management with the assistance of the group CAE, internal audit and the legal department manage compliance with relevant laws and regulations. Any compliance issues or risks identified are monitored and reported to the ARC.

WHISTLE BLOWING

Trustco has an established anonymous reporting facility for whistle-blowing. This facility enables employees and other stakeholders to report fraudulent, corrupt or unethical behaviour related to any of the group's activities without fear of victimisation and retribution. There were no cases where significant fraud or theft incidents were reported during the period under review.

PRICE SENSITIVE INFORMATION

No director, officer, employee or associate of any of the aforementioned, may deal either directly or indirectly in the company's shares on the basis of unpublished price sensitive information regarding the company's business or affairs. In addition to the above, no director, officer, employee or associate of any of the aforementioned in possession of price sensitive information may trade in the company's securities during closed periods.

The company also has a formal policy on trading in company shares which has been adopted to ensure that the securities dealings by employees are conducted in compliance with the JSE LR and insider legislation in terms of the Financial Markets Act (SA) and Financial Intelligence Act (Namibia). The company procedures also ensure that trading in the company's securities cannot occur without a thorough vetting, compliance and approval process at all levels throughout the group. The directors, senior management and their associates also have an additional policy that aligns the procedures for trading in the group's securities with the JSE LR.

DIRECTORS DECLARATIONS AND CONFLICT OF INTEREST

Declarations on conflict of interest are done annually as per the Declaration of Conflict Policy of the group. All directors are required to assess any potential conflict of interest and bring such circumstances to the attention of the chairman of the board.

PROHIBITED PERIODS

Closed periods are from the end of the interim and annual reporting periods up to the announcement of financial results for the respective periods or while the company is under a cautionary announcement. The company has a repurchase program in place that allows the company or its subsidiaries to acquire securities during these periods. Trustco did not issue shares for cash during the year under review under its general authority, but issued shares in terms of the Riskowitz Value Fund specific issue of shares for cash transaction.

PRINCIPAL RISKS

Type of risk	Impact	Mitigating strategies	Focus for the next reporting period
Credit risk is the probable risk of loss resulting from a borrower's failure to repay a loan or meet contractual obligations	The realisation of credit risk can cause a considerable loss in revenue and a decline in total asset value. The implementation of IFRS 9 will have a significant impact on the provision for the nonperforming loans within the group	Stringent credit assessments and procedures, overseen by Trustco Bank, Trustco Finance and the group credit committee	Proactive monitoring of nonperforming loans on a continuous basis
Market risk is expressed as the potential loss of capital in securities investments due to changes in risk factors in the financial markets	Reduced returns to shareholders	Continuously update and inform shareholders	Enhancement of reporting and updates to shareholders
Liquidity risk is expressed as the inability to meet short term financial demand as it becomes due. This usually occurs due to the inability to convert a security or fixed asset to cash without loss of capital and/or income in the process	Inability to raise equity and debt to finance new projects and/or meet obligations	The board and senior management engaged in a combined strategic planning and budget presentation session for the next reporting period to align the group strategy with the budget and to ensure pro active approach to cash flow management	Enhance pro active cash flow management procedures
Operational risk is expressed as a loss resulting from inadequate or failed internal processes, people, systems or as a result of unexpected external events	Disruption of the optimal functionality of operations and business activities	Operational risk is mitigated through a network of effective internal controls, policies, procedures and the internal audit department	Identify and optimise current processes and procedures
Reputational risk is the potential that adverse publicity, whether accurate or not, will impact as a loss of trust and confidence in the integrity of the company	It can adversely affect a company's ability to maintain existing, or establish new business relationships and continued access to sources of funding	Delivery of quality service to customers, prompt responses to complaints, claims and adherence to strong governance principles	Delivery of quality service to customers, prompt responses to complaints and claims and adherence to strong governance principles