

31 August 2021

Integrated Annual Report, 2021 King IV Application Register

Good corporate governance provides the framework within which we strive to create superior levels of performance to the benefit of all our stakeholders. The board of directors of Trustco Group Holdings Limited (“the board”) believes that achieving the highest standards of corporate governance is key to achieving the group’s vision and strategy as well as creating and sustaining value for the group’s stakeholders.

Transparency, accountability, integrity and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. Achieving this objective demonstrates Trustco’s public accountability and its commitment to conduct its business within ethical standards and outcomes-based strategic objectives.

The board is pleased to present the King IV application report for the year ended 31 August 2021.

Principle 1

The board should lead ethically and effectively.

The group is committed to achieving its goals with integrity, high ethical standards and in compliance with all applicable laws, whilst being a responsible corporate citizen. The board has adopted a code of conduct which is continuously reviewed and sets the tone for an ethical culture within the group. The directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as social, political and physical environment within which the group operates.

Directors attend and participate in meetings and are afforded the opportunity to engage meaningfully in board deliberations and challenge when they have a concern.

Principle 2

The board should govern the ethics of the group in a way that supports the establishment of an ethical culture.

The code of conduct and company policies is included as part of induction for new employees as well as other regular training programmes. Some of the policies are available on the company's website at www.tgh.na. Ethics is part of our recruitment process, evaluation of performance and rewards of employees as well as the sourcing of suppliers.

Directors and officers of the company are committed to always act in good faith and in the best interest of the company. A register of directors' interests is completed annually and updated from time to time when directors confirm their interests. Declaration of interests is a standard agenda item and specific conflict of interests are captured in the minutes.

The board, through the audit and risk committee as well as the social and ethics committee, monitors compliance with Trustco's code of conduct through various reporting channels including its internal audit department and the whistle-blower hotline. Quarterly feedback is given to the relevant committees and the board while sanctions and remedies are in place when ethical standards are breached.

Principle 3

The board should ensure that the organisation is and is seen to be a responsible corporate citizen.

The board considers not only financial performance, but also the impact of the group's operations on society and the environment. The board protects, enhances and invest in the wellbeing of the economy, society and the environment.

The board mandated the social and ethics committee to monitor and oversee corporate citizenship and report to the board in terms of identified areas.

Health and safety compliance is reported to the social and ethics committee and the board for deliberation. During the reporting period, a health and safety consultant was appointed to audit and assist in resolving any health and safety findings.

Principle 4

The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The board is of the view that sound governance practices are fundamental to earning the trust of stakeholders and that this is critical to sustaining performance and preserving shareholder value.

The board is the highest decision-making body in the group. It approves the group's strategy and ensures that it is aligned with the group's values. The board assumes collective responsibility for steering and monitoring strategy implementation and performance targets as well as any risks involved in the implementation of the strategy. It is collectively responsible for the group's long-term success.

The board is accountable to shareholders and strives to balance the interests of the group and those of its various stakeholders. All directors are continuously taking steps to ensure that they have sufficient working knowledge of the group and the industry within the triple context in which it operates. Directors are required to ensure continued development of their competencies to lead effectively and act with due care, skill and diligence and take reasonable diligent steps to become informed about matters for decision-making.

Through the risk management plan, material strategic business and sustainability risks are identified and outlined in the risk register and mitigating controls are implemented to manage the identified risks.

The audit and risk committee reviews documented assessment by management in terms of the going concern on a continuous basis.

Principle 5

The board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

The board is overall responsible for overseeing that reports to stakeholders comply with the necessary legal requirements as well as include true, accurate and reasonable information. This function is delegated to the audit and risk committee and recommended to the board for final approval. Materiality issues are formally determined and reported on accordingly.

The integrated annual report and annual financial statements are prepared in consultation with internal and external advisers to ensure that they comply with the relevant legislation and regulations and to ensure that shareholders and stakeholders alike are able to ascertain whether the affairs of the group are managed competently.

Through the audit and risk committee as well as the social and ethics committee, the board reports on its performance to enable stakeholders to make informed assessments of the group's performance in its short, medium and long-term objectives. External reports, including the integrated annual report, are published on the group's website.

Principle 6

The board should serve as focal point and custodian of corporate governance in the organisation.

The board acts as focal point and custodian of corporate governance of the group. A clear division of responsibilities between the directors is maintained to ensure that no single director has unfettered decision-making powers. A delegation of authority policy is in place and reviewed regularly to ensure the necessary authority to management to implement and execute the strategy.

The directors have access to the advice and services of the company secretary. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties as directors. Board committees are also entitled to obtain independent professional advice on any issue within the ambit of their scope and subject to follow a board approved process.

A board work plan and terms of references of the committees are in place to ensure that all relevant governance matters are being dealt with during a year. Feedback in respect of the delegated task is provided at the next meeting and recorded in the minutes of that meeting.

Principle 7

The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

As at 31 August 2021 the board consisted of four independent non-executive directors, and two executive directors. Subsequent to the reporting period, another independent non-executive director was appointed. The board's composition is in line and in accordance with the principles of King IV, being that a majority of directors are non-executive and all of the non-executive directors are independent.

The chairman of the board is independent, and his role is separate from the chief executive officer. The chief executive officer and financial director are members of the board. The board composition is reviewed on an annual basis to ensure that it complies with the relevant legislation, regulations and policies.

The non-executive directors have the necessary skills and experience to provide judgment that is independent of management on matters relating to strategy, performance, resources, transformation, diversity, equity employment, standards of conduct and evaluation of performance. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Board appointment and re-election process

The board has a formal and transparent policy regarding the appointment of directors to the board. While the appointments are a matter for the board, the authority to oversee the nomination and to carry out the interview process have been delegated to the remuneration and nomination committee. At least one-third of non-executive directors rotates every year.

Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly. The remuneration and nomination committee also consider broad diversity factors, including gender, race, culture, age, field of knowledge, skills and experience, in its assessment in line with its broad diversity policy.

The management of the board and executive succession process is crucial to its sustainability. The remuneration and nomination committee ensure that, as directors retire, candidates with the necessary experience are identified to ensure that the board's competence and balance is maintained and enhanced, taking into account the group's current and future needs.

The role of the board in formulating and prioritising the company's strategy remains a focus area, as well as the mix of financial and operational information to support the measurement of the strategy. The succession planning for the chairman of the board, the board members, board committees, as well as the executive team, are continually developed.

The non-executive directors derive no benefit from the company other than their fees and emoluments as proposed by the board through the remuneration and nomination committee and approved by shareholders at the group's annual general meeting.

Independence and conflicts - During the year ended 31 August 2021, none of the independent non-executive directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in the annual financial statements.

Directors are required to inform the board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflict of interest, in accordance with the conflict of interest policy that is in place.

A standard agenda item is included for members to declare whether any of them have any conflict of interest in respect of a matter on the agenda. This is minuted accordingly.

When categorising the non-executive directors as independent, the interests, position, association or relationship was taken into consideration. Independent non-executive directors serving for longer than nine years are subjected to a rigorous review of their independence and performance by the board. The board makes full disclosure regarding individuals serving for more than nine years to enable shareholders to make their own assessment of directors. The directors who served for a long period, was subjected to an independency test, and an assessment was conducted by the remuneration and nomination committee to ensure that he was still independent in line with the requirements of King IV.

The chairman

The chairman's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. He provides overall leadership to the board and the chief executive officer without limiting the principle of collective responsibility for board decisions.

He is also chairman of the Nomination Portion of the Remuneration Committee (NOMCO). The role of the chairman and chief executive officer are documented in the board charter.

Principle 8

The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assists with balance of power and the effective discharge of its duties.

The group seeks to maintain strong corporate governance structures and processes by working within a clearly defined governance framework, thus enabling the delivery of a sustainable business to all our stakeholders. The governance framework promotes the establishment of a board subcommittee structure with the intention of supporting the board in the execution of its duties. The board has delegated specific authority to each subcommittee, while still enabling elective control as well as preserving its accountability. Roles and responsibilities for each committee are defined, and the board has approved terms of reference for the various subcommittees.

Principle 9

The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The board assumes responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members. Self-evaluations were conducted by the board and its subcommittees in terms of its performance and areas for improvement identified.

Principle 10

The board should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.

There is a delegation of authority policy which set out matters which are strictly reserved for board and management approvals and prescribe authority thresholds for different board committees. The delegation of authority policy is reviewed annually by the board. The board has delegated authority to the chief executive officer to run the day-to-day affairs of the company.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

The focus of risk management in Trustco is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management. The board assume overall responsibility for the governance of risk by setting direction for how risk should be approached and addressed. The top risks are presented and discussed on a quarterly basis and are considered when making decisions.

Management throughout the group are responsible to implement and execute effective risk management.

Principle 12

The board should govern technology and information in a way that supports the group settings and achieving its strategic objectives.

The risks to the business encompass areas such as the world IT component, exchange rates, political and economic factors, local and international competition, legislation and national regulations, interest rates, people skills, and general operational and financial risks. The major risks are the subject of the ongoing attention of the board and are given particular consideration in the annual strategic plan, which is approved by the board.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. Performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the group promotes ongoing commitment to risk management, and control by participating in externally organised risk management and safety systems.

The board assumes responsibility for the governance of technology and information by setting the direction for how technology and information should be approached. The board recognises the importance as it is inter-related to the strategy, performance and sustainability of the group.

This is achieved through the working of the IT steering committee, reporting to the board via the audit and risk committee. The group IT function ensures the integration of people, technology, information and processes across the group. Technology and information risks are integrated into one IT risk register and reported on quarterly. The external auditors conducted an audit on the IT systems and findings were addressed during the reporting period.

Principle 13

The board should govern compliance with applicable laws and adopted non-binding rules, codes, standards in a way that supports the group being ethical and a good corporate citizen.

The board assumes responsibility for the governance of compliance with applicable laws and adopted, non-binding rules and code of standards. This function is delegated to the social and ethics committee with financial compliance overseen by the audit and risk committee.

Part of the shared services segment is a compliance department, consisting of legal, company secretary and the internal audit department. Subsidiary companies, divisions and other entities have access to the compliance department which report to the audit and risk committee and the board. Relevant training is provided to these employees to not only understand the obligations, but also the rights and protection it affords.

The board receives assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards from procedures performed by the internal auditors. No penalties were paid during the reporting period for non-compliance with any statutory obligation.

Principle 14

The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The remuneration and nomination committee ensures that the group's remuneration policy is aligned with its strategy and it also reviews and approves the remuneration of executive directors and senior management.

The remuneration report and policy are set out in the integrated annual report. A non-binding advisory vote in the remuneration policy and implementation report is tabled at the annual general meeting for shareholder adoption.

Executive and prescribed officer remuneration comprises a combination of guaranteed remuneration and variable remuneration (short-term remuneration and long-term incentives). The directors, executives and employees are remunerated responsibly in line with the remuneration policy. The board is satisfied that the remuneration policy achieves its objectives. Refer to the remuneration report in the integrated annual report for more information.

Principle 15

The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The board has delegated the audit and risk committee with the responsibility of overseeing the effectiveness of assurance arrangements within the group. The committee ensures that internal controls are effective and adequately reported on for arrangements within the group. Internal controls have been established not only over financial matters, but also operational, compliance and sustainability issues.

The audit and risk committee and the board consider and identify the risk of each and every acquisition, investment or transaction. Assurances are currently obtained from audits performed by internal and external auditors together with tests performed by management on a regular basis.

The board assumes responsibility for the integrity of the external reports presented by the group via the audit and risk committee and sets out the direction on how assurance in this regard should be approached and addressed.

Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time.

The board recognises its responsibility for the governance of stakeholder relations within the group. Transparent communication and engagement with stakeholders are vital to ensure that the principles on stakeholder management are adopted in line with King IV. The board ensures that shareholders are equitably treated and that the interests of minority shareholders are adequately protected. The board encourages shareholders to attend the annual general meeting to engage with the board and management.

Trustco's investor relations programme includes communications with shareholders through interim and annual reports, meetings and presentations.

It is the policy of the group to pursue dialogue with institutional investors based on constructive engagement and the mutual understanding of objectives, taking due regard of statutory, regulatory and other directives, regulating the dissemination of information by companies and by their directors. To achieve this dialogue, presentations are made to analysts, investors and the press, and some one-on-one meetings are held with investors and analysts to communicate the strategy and performance of the group. The quality of this information is based on the standards of promptness, relevance and transparency.