

CORPORATE GOVERNANCE

Introduction

Trustco Group Holdings Ltd and its subsidiaries (the Group) are committed to the principles of openness, integrity and accountability as advocated in the King II Report on Corporate Governance, 2002. Accordingly, the directors endorse and during the period under review, have applied the Code of Corporate Practices and Conduct ("the Code") as set out in the King Report. In supporting the Code the directors recognize the need to conduct the business of the enterprise with integrity and in accordance with generally accepted corporate practices. The Group is committed to complying with all legislation, regulations and best practices relevant to our business, in every country where we conduct business. Monitoring the Group's compliance with the Code forms part of the mandate of the Group's Audit and Risk Management Committee.

Key governance developments

During the year under review, the following developments were key to the Group's corporate governance process:

- Ongoing compliance with the Code and other industry specific legislation and regulations.
- The Group's code of conduct throughout the operations, which sets out minimum standards of ethical behaviour for all employees of the Group.
- Approval of plans to substantially increase the resources of the compliance monitoring/audit department.
- Ongoing awareness and cognizance of international/emerging governance trends. These are considered for implementation only where appropriate.
- Keeping abreast of all relevant legislation and regulations as well as major developments that could impact on the Group and its operations.

Compliance with the Code

The directors are of the opinion that the Group complies with, and has applied, the requirements of the Code for the year under review.

Application of the Code and approach to corporate governance

All entities in the Group are required to subscribe to the spirit and principles of the Code. In addition, the Code is applied to all operating entities of the nature and size identified in the Code. Whereas the Audit and Risk Management Committee reviews overall Group compliance with the Code and is the focal point of the Group's corporate governance system, the heads of the various divisions and business units within the Group are responsible for ensuring compliance. In addition, the following is undertaken:

- a full and effective review by the Audit and Risk Management Committee of all aspects relating to ongoing corporate governance during the year, and the inclusion of statements in this regard in this annual report; and
- a review of current and emerging trends in corporate governance and the Group's governance systems and benchmarking the Group's governance systems against local and international best practice. In its governance approach, the board believes that, while compliance with the formal standards of governance practice is important, greater emphasis is placed on ensuring effectiveness of governance practice, with greater emphasis being placed on ensuring compliance with the substance of governance over form. The board also seeks to ensure that good governance is practised at all levels in the Group and is an integral part of the Group's corporate culture.

Board of directors and board committees

The Board is accountable for the development and execution of the Group's strategy, operating performance and financial results, all practised within the Group's governance authorities. These governance authorities describe the specific levels of authority and required approvals for all major decisions at both Group and divisional level. It clarifies which executive position, committee or board needs to be consulted prior to taking the decision, which body makes

the decision and which bodies should thereafter be informed of the decision. The Board attempts to balance the often conflicting dynamics of encouraging entrepreneurial behaviour in the Group against the constraints of corporate governance.

The Board is responsible for its own composition, the appointment of the Chairman and the Chief Executive Officer, and the constitution and composition of its sub-committees. The Board has a charter setting out its policies, roles and responsibilities in the execution of its mandate. Each Board Committee also has a charter, or terms of reference.

The Group is governed by a unitary board of directors, assisted by the following Group committees:

- Executive Committee
- Remuneration Committee
- Audit and Risk Management Committee

Each committee acts within agreed terms of reference and the chairman of each committee reports, where appropriate, to the board at its scheduled meetings. Where appropriate, the minutes of the committee are tabled at board meetings. The chairman of the board is a non-executive director. The roles of chairman and Chief Executive Officer are separated, with a clear division of responsibility to ensure a clear distinction of duties and responsibilities between them. The chairman has no executive functions. The role of all directors is to bring independent judgement and experience to the board's decision-making. Directors are advised that they may take independent advice, at the cost of the Company, in the proper execution of their duties as directors. They have direct and unfettered access to the external auditors, professional advisers and the advice of the company secretary. Details of the directors appear on page 62 of this annual report. There are seven directors, of whom four are non-executive independent directors.

Board appointments and succession planning

Shareholders appoint the board of Trustco Group Holdings Limited at its Annual General Meeting. In turn, this board appoints the board of the various subsidiaries and monitors and obtains regular feedback. Non-executive

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directors on the Trustco Group Holdings Ltd board are appointed for specific terms and re-appointment is not automatic. All appointments are made in terms of a formal and transparent procedure and are subject to confirmation by the members at the annual general meeting. The Group believes that the board's constitution, in terms of both the number and expertise, is sufficient and appropriate to meet the Group's needs.

Independence

The Board applies the Code's guidelines when considering a director's independence. The Board confirms the independence, as stated in the Code, of all of its non-executive directors.

Retirement of non-executive directors

One third of the directors appointed in terms of the articles of association are subject, by rotation, to retirement and re-election at the annual general meeting. In addition, all directors are subject to election by members at the first annual general meeting after their initial appointment. The directors eligible for re-election at the forthcoming annual general meeting are Me V. de Klerk and Me. M. Nashandi.

Interests in contracts and conflict of interest

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 and are obliged to excuse themselves from discussions or decisions in relation to such matters. Directors are also required to disclose their shareholdings in other companies as well as their other directorships at least annually and to inform the board when any changes occur.

Q. van Rooyen

During the year ended 31 March 2009, Q. van Rooyen has an interest in a management agreement between Next Investments (Pty) Ltd, of which he is a director and Trustco Group International (Pty) Ltd (inc. in Namibia), a subsidiary of the Company. The agreement establishes that when Trustco Group International (Pty) Ltd (inc. in Namibia) performs management work on behalf of Next Investments (Pty) Ltd it must be refunded by way of a management fee.

Q. van Rooyen also lends funds to the Group on which he received 12% interest.

Dr. D. Namwandi

On 16 February 2009, Institute for Open Learning (Pty) Ltd ("IOL") entered into an agreement with The International University of Management ("IUM") whereby IOL obtained the rights to coordinate, administrate and perform other duties expected of an educational institution of selected courses of IUM. In return IOL will pay a fee to IUM. Dr. Namwandi is a director of IUM.

All the above transactions were approved by the Board and were reduced to writing in the form of formal, signed agreements. No other interests in contracts or conflicts of interest were brought to the attention of the Board.

Advice

Directors have unlimited access to the Group Company Secretary, who acts as an adviser to the board and its committees on issues including compliance with rules and procedures, statutory regulations and the Code. The name of the Group Company Secretary is recorded on page 62 of this annual report. Furthermore, any director may, in appropriate circumstances and at the expense of the Group, obtain independent professional advice. The directors are also entitled, with the prior knowledge of the Chief Executive Officer, to have access to senior management and to all relevant Group information.

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership, principal functions and their attendance at the relevant committee meetings are set out below.

Executive Committee (Exco)

Members: Q. van Rooyen (Chairman), J. Jones, F.J. Abrahams, G.R.I. Walters, J. van den Heever, C. van Rooyen, Adv. P.J. Miller

Composition and meeting procedures

Exco is chaired by the CEO and has regular input from executives from operations, sales, finance, actuarial, IT, human resources, compliance and

special projects. Meetings are normally held once a week. The committee is responsible for strategy and operations of the Group within the parameters defined by the board. Where necessary decisions or recommendations of Exco are referred to the Board for final approval, whilst in other instances Exco's authority will be delegated to a sub-committee or particular Exco members.

Remuneration Committee (Remco)

Members: Dr. D. Namwandi (Chairman), V. de Klerk, A.H. Toivo ya Toivo

Composition and meeting procedures

Remco is chaired by an independent director and comprises solely of non-executive directors of Trustco Group Holdings Ltd. The Chief Executive Officer, who is the executive responsible for people management attends the meetings by invitation but does not participate in the committee's deliberations. Meetings are held at least once a year.

Role, purpose and principal functions

Consideration and recommendation to the board on matters such as succession planning, general staff policies, remuneration and benefits, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, the short-term incentive scheme and long-term incentive scheme and Group retirement funds. In considering executive directors' emoluments the committee is cognisant of responsibility, individual performance and the Group's retention strategies. To this end, the committee relies on external market surveys and industry reward levels as benchmarks. Remuneration packages are structured in such a way that short- and long-term incentives are linked to the achievement of business objectives and the delivery of member value. Non-executive directors receive fees for their contribution to the boards and committees on which they serve. Remco recommends proposed fees for approval by the Trustco Group Holdings Ltd board, after due consideration of comparable fee structures and market practices. This committee also performs the functions of a traditional "Nominations Committee".

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Audit and Risk Management Committee (Armco)

Members: Dr. D. Namwandi (Chairman), M. Nashandi, G.R.I. Walters

Composition and meeting procedures

Two members of Armco are independent and G.R.I. Walters is the only executive member. In addition, the meetings are attended by the CEO, representatives of the external auditors, BDO Spencer Steward (Namibia) and the internal auditor, who attend by invitation. Meetings are held at least three times a year and are also attended by the members of executive management when necessary, including those involved in risk management and control and finance.

Role, purpose and principal functions

Armco assists the board with regard to reporting financial information, the selection and application of accounting policies, monitoring the Group's internal control systems and various compliance-related matters.

Specific responsibilities include:

- reviewing and recommending to the board annual financial statements;
- dealing with matters relating to financial and internal control, accounting policies, reporting and disclosure;
- dealing with the engagement of the external auditors and fees payable to the external auditors;
- approving and ensuring compliance with the Group's policy on non-audit services;
- reviewing and/or approving internal audit, compliance and forensic services policies, plans, reports and findings;
- ensuring compliance with applicable legislation and regulations;
- evaluating the performance of the external auditors;
- reviewing external audit plans, findings and reports;
- assisting the board in the oversight of risk management.

The Group's policy on non-audit services, which is annually reviewed by the Armco, sets out in detail what services may or may not be provided to Trustco Group Holdings Ltd by the external auditors. The policy is largely based on a review of current and emerging trends in corporate governance and the Group's governance systems. The Group's

governance systems are benchmarked against local and international best practice. Armco conducts a formal external auditor evaluation process. This evaluation will occur annually and includes various criteria and standards such as audit planning, technical abilities, audit process/outputs and quality control, business insight, independence and general factors. Armco makes efforts to keep abreast of current and emerging trends in accounting standards which have become a major challenge, particularly with the introduction of International Financial Reporting Standards (IFRS). The Board reviews the performance of the Armco to evaluate how effectively it has discharged its duties as per its terms of reference.

As required by the JSE Listings Requirement 3.84(h), the audit committee has satisfied itself that the Group finance director has appropriate expertise and experience.

Attendance at meetings

The following table sets out the number of meetings held and individual directors' attendance records at the Board and its principal standing committees (based on membership of those committees, rather than attendance as an invitee) during the year.

	Board	Audit & Risk Committee	Remuneration Committee
Number of meetings held	8	3	1
Adv. T.J. Frank SC	4/8	2/3	n/a
M. Nashandi	6/8	3/3	n/a
G.R.I. Walters	8/8	3/3	n/a
Dr. D. Namwandi	8/8	3/3	1/1
V. de Klerk	7/8	n/a	0/1
A.H. Toivo ya Toivo	6/8	n/a	1/1
Q. van Rooyen	6/8	n/a	1/1
F.J. Abrahams	8/8	n/a	n/a
J. Jones	2/8	n/a	n/a

Audit and Risk Management Committee

Adv. T.J. Frank resigned as chairman and Dr. Namwandi was appointed chairman in his place.

Remuneration Committee

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Staff Social Scheme

The Board of Director approved a Staff Social Scheme which became effective on 1 June 2008. The purpose of the social scheme is to contribute to the social wellbeing and health of Trustco staff members and to provide financial security to either the staff member or the family of the staff member by means of life and disability cover.

The scheme comprises of the following:

- Hospitalization
- Maternity and Paternity Benefit
- Life and disability
- Employee Fund
- Annual leave
- Minimum wages

Trustco and the individual staff member will contribute 8.5% monthly towards the scheme as follows:

- A maximum of 8.5% of the monthly basic remuneration of which 5% will be allocated towards an employee fund.
- The contribution to the employee fund of current employees will be phased in commencing with a 1% contribution and escalating with a further 1% every three months to the maximum of 5%.

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- New employees will contribute the full 8.5% from the date of employment.
- Employees appointed for a period of longer than 5 years will benefit from 20% of the company's contribution towards the employee fund escalating with 10% annually on the initial appointment date.

Borrowing powers

The Board may in its discretion borrow or raise from time to time such amounts as it deems fit for the Company's purposes, provided that it will be obliged to procure the aggregate principal amount at any one time outstanding in respect of monies so borrowed or raised by the Company and/or all its subsidiaries shall not exceed the aggregate of the issued and paid up capital of the Company and the amounts standing to the credit of all distributable and non-distributable reserve accounts, including share premium account and share capital redemption reserve fund but excluding any provision for taxation, any reserve created by the writing up of any assets of the Company after the acquisition of such assets by the Company and any reserve created by the writing up of any asset of any subsidiary of the Company after the date on which such subsidiary became a subsidiary of the Company.

Risk management

Risk-taking, in an appropriate manner, is an integral part of business. Success relies on optimising the trade-off between risk and reward. In the course of conducting its business, the Group is exposed to a variety of risks, including credit, market, operational, strategic and reputational risk. The long-term sustained growth, continued success and reputation of the Group are critically dependent on the quality of risk management. Risk management is one of the Group's core capabilities and management is committed to applying international best practice and standards. The Group's risk philosophy is underpinned by its objective of member value creation through sustainable profitable growth, in a manner that is consistent with members' expectations of the Group's risk-bearing capacity and its risk appetite. The Group's objective in this regard is to ensure that a quality risk management culture is sustained throughout its operations. The culture

is built on the following main elements:

- Adherence to the value system of the Group;
- An integrated holistic risk management approach to achieve optimal business decision-making;
- Pro-active risk management;
- A risk awareness culture via management and the business units;
- Disciplined and effective risk management processes and controls, and adherence to risk management standards and limits; and
- Compliance with the relevant statutory, regulatory and supervisory requirements. The management of risk is fundamental to the Group's business and allows management to operate more effectively in an environment characterised by uncertainty and risk.

The Group risk management approach is that all risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the Group's risk appetite. Risk management in the Group is guided by several principles, the most important being:

- integrity and reliability of the financial and operational information that is used internally and for public reporting;
- safeguarding and maintenance of assets;
- detection and minimisation of fraud, potential liability, loss and material misstatement;
- compliance with applicable laws, regulations and policies;
- efficient and effective operations;
- the assignment of appropriate responsibility and accountability;
- the adoption of a framework for integrated risk management;
- comprehensive risk assessment and measurement; and
- independent review.

Responsibility and accountability

Excellence in risk management is based on a culture in which management makes risk identification, risk management and the establishment and maintenance of an efficient control environment, an integral part of its regular activities. Overall risk management policies, risk appetite and tolerances are set on a comprehensive, organisation-wide basis by senior

management, and reviewed with and (where appropriate) approved by the board of directors. These policies, appetites and tolerances are clearly communicated throughout the Group and apply to the various divisions and wholly owned subsidiaries.

Board and executive management responsibility

The board is responsible for approving the Group's risk appetite annually. This risk appetite is translated into risk limits per division and/or subsidiary and per risk type. Adherence to these limits is monitored and culminates in a risk profile for the Group. The board of directors is responsible for the Group's systems of financial and operational internal control. To fulfil this responsibility, the executive directors ensure that management maintains accounting records and is continually developing and continues to maintain systems of internal control that are appropriate. Control measures have been put in place to identify and monitor the risk referred to above. Internally controls are founded on the basis that directors and employees are required to maintain the highest ethical standards. The Group's organisational structure incorporates suitable segregation of authority, duties and reporting lines and promotes effective communication of information. Defined control activities include documented policies and procedures as well as budgeting and forecasting disciplines with comparison of actual results against these budgets and forecasts. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel. The effectiveness of the systems of internal control in operations is monitored continually through reviews and reports from senior executives and divisional managers, the internal and the external auditors. Furthermore, management has various control self-assessment processes in place to supplement the existing structures for evaluating the systems of internal control. For the year under review none of the above reviews indicated that the systems of internal control were not appropriate or satisfactory. Furthermore no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors.