

Sustainability Report

Trencor is an investment holding company listed on the JSE. Its core interests are in the Operations as reflected in the review of operations on pages 9 to 11 of this integrated annual report.

BUSINESS STRATEGIES

The Operations will grow their businesses profitably by pursuing the following strategies:

- Gain further leverage off Textainer's position as one of the largest intermodal container lessors based on fleet size and consistent container purchaser in the container leasing industry;
- Pursue attractive acquisitions in their chosen industry;
- Offer purchase and leaseback transactions;
- Renew expiring leases of in-fleet containers as far as possible;
- Grow container resales;
- Continue to focus on further increasing operating efficiency; and
- Ensure adequate access to appropriate sources of capital.

ORIGINS AND HISTORY

Trencor started business as a General Motors dealership. In 1930 Trencor's founders converted a Buick sedan to a small truck and started a road transport business which in due course became a leading nationwide carrier in South Africa. Since then, the company and the group have undergone a number of changes to adjust to changing circumstances.

In 1955 Trencor listed on the JSE. 1969/70 saw the branching out into road trailer manufacturing through the acquisition of Henred Trailer Manufacturing Company, which subsequently merged with Fruehauf South Africa to form Henred-Fruehauf Trailers.

1977 marked the beginning of manufacturing of dry freight marine cargo containers for the export market. This was later expanded to include the manufacture of folding flatrack containers and stainless steel tank containers. In 1979 Trencor commenced the sale of containers on long-term credit. The aggregate sales value of containers so exported from South Africa exceeded US\$1 billion. The last of these export proceeds were collected in the 2016 financial year.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the current interests described above. Today, Textainer, operating since 1979 and listed on the New York Stock Exchange since 2007, is one of the world's largest lessors of intermodal containers based on fleet size. Textainer leases containers to approximately 320 shipping lines and other lessees, has provided an average of more than 230 000 TEU of new containers per year for the past five years, and has been one of the largest buyers of new containers over the same period. Sales of containers to more than 1 400 customers have averaged more than 120 000 containers per year for the last five years. Services are provided worldwide via a network of 14 regional and area offices, as well as approximately 530 independent depots.

SUSTAINABILITY STRATEGY OF OPERATIONS

Trencor and the Operations recognise the interest of both internal and external stakeholders in their organisational and operational activities and performance. Comprising socially responsible entities, the group embraces the goal of sustainable development.

The non-financial aspects of sustainability may ultimately have a financial impact on the Operations and thus cannot be ignored. Sustainability is therefore important in enhancing shareholder value, quite apart from fulfilling social responsibility.

The sustainability strategy focuses on high level target areas, specific objectives and key performance indicators for each functional area.

MANAGING SUSTAINABILITY

The Trencor board as a whole assumes responsibility for sustainable and socially responsible management through its own board committees and management and through feedback in respect of those Operations that are independently managed.

SUSTAINABLE RISK AREAS

The main areas focused on to ensure the long-term success and sustainability of the Operations are shareholders, employees, customers, suppliers, regulatory requirements, environment and community.

MEASURING PERFORMANCE

Sustainability is measured with reference to the 'value add' and wealth created for the benefit of all stakeholders over the long-term, through the Operations.

Wealth created and distributed during the year ended 31 December 2016 was as follows:

	Rm
Wealth created:	
Total revenue	9 373
Less costs of goods and services	(5 370)
	4 003
	Cents per share
Wealth distributed:	
Employees' compensation	376
Income tax credit	(11)
Dividends	762
Impairment of property, plant and equipment	2 460
Depreciation and amortisation	4 924
Net loss	(4 508)
	4 003

EMPLOYEES

Trencor and the Operations all have succession plans approved by their respective corporate governance and nomination committees, as well as by their boards.

The Operations promote an environment where employees have continuing opportunities for improving their professional skills and enhancing their personal growth through various training and development programmes. The Operations offer their employees assistance in continuing their education.

Details of the employee benefits provided by Trencor and Textainer respectively are provided in the notes to the financial statements included in this integrated annual report.

The Operations aim to maintain open and productive work environments that are responsive to the needs and concerns of the employees. The Operations believe that communication is the key to building successful relationships. The aim is to foster an environment of mutual respect and confidence in which employees can develop their skills and talents.

The company is committed to a policy of non-discrimination. Employees with a disability or life-threatening illness will be allowed to continue working as long as they are able to meet the company's performance standards, and their work does not present a direct threat to their own health or safety, or that of others.

REMUNERATION

The company's remuneration practices and policies are described in the Corporate Governance section of this integrated annual report.

EMPLOYMENT EQUITY

In South Africa, the workforce at 31 December 2016 comprised the employees of Trencor Services Proprietary Limited at Trencor's corporate office consisting of 17 persons: three white male executive directors, three white males and a white female in senior management, one white disabled and one coloured male and one white female in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and one unskilled African woman.

CUSTOMERS

Through ongoing interaction with their customers the Operations believe they are able to provide an excellent product and service to their customers on a sustainable basis.

The customers of the Operations are mainly international shipping lines, but they also lease containers to freight forwarding companies and the US military.

Textainer leases containers to more than 320 shipping lines and other lessees, including each of the world's top 20 container lines, as measured by the total TEU capacity of their container vessels. Textainer has a long track record in the industry, operating since 1979, and has developed long-standing relationships with key industry participants. Its top twenty customers, as measured by revenues, have leased containers from it for an average of 29 years.

Global sales and customer service forces are responsible for developing and maintaining relationships with customers' senior management. Senior sales people in the Operations have considerable industry experience and the quality of their customer relationships and level of communication with their customers represents an important advantage.

SUPPLIERS

Trencor acknowledges that to remain competitive and offer a comprehensive product range, goods and services need to be sourced globally by the Operations. This includes establishing business relations with suppliers and manufacturers in developing countries where production cannot always be monitored by the Operations. Textainer and TAC currently purchase almost all their containers in China. The Operations will not tolerate any violation of human rights and basic social standards of which they may become aware. At the same time the Operations respect local laws, norms and culture provided these are not in conflict with fundamental ethical and human rights. Workplace standards of suppliers are monitored by the Operations, where possible, and corrective action proposed when deemed appropriate, although the ability to influence change is often limited.

REGULATORY MATTERS

Both Trencor and Textainer, as public listed companies, are subject to rules and regulations established and monitored by the regulatory bodies in the jurisdictions in which they are registered, listed and/or operate. Both companies are in compliance with these rules and regulations.

PROPRIETARY INFORMATION TECHNOLOGY

Textainer has developed proprietary IT systems that allow for the monitoring of container status offering its customers a high level of service. The systems include internet-based updates regarding container availability and booking status.

ENVIRONMENT

Textainer is subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management of hazardous substances and wastes and the cleanup of contaminated sites.

In addition to environmental regulations affecting container movement, shipping, movement and spillage, environmental regulations also impact container production and operation, including regulations on the use of chemical refrigerants due to their ozone depleting and global warming effects.

Containers are made essentially of steel and timber and are re-usable for 10 to 20 years per container, depending on the container type. This contrasts with break-bulk where packaging material is typically only used once resulting in much more depletion of natural resources such as timber, for crates and cardboard, and other packaging material. Furthermore, break-bulk results in the damage and deterioration of the environment because of the indiscriminate discarding of waste and packaging material. Huge quantities of world trade are involved and so the benefit to the environment and the preservation of natural resources resulting from the use of containers is immense.

The floors of dry containers are plywood made from timber that may include tropical hardwoods. Due to concerns regarding de-forestation and climate change, many countries have implemented severe restrictions on the cutting and exporting of this wood. Accordingly, container manufacturers have switched a significant portion of production to alternatives such as birch, bamboo and other farm grown wood. Alternative designs are also evaluated to limit the amount of plywood required and the possible use of synthetic material.

The insulation foam used in the walls of certain refrigerated containers requires the use of a blowing agent that requires the use of chlorofluorocarbons. Manufactures are phasing out the use of this blowing agent in manufacturing.

The container industry in China has always used the solvent-based paint. New regulations in China for the container industry require solvent-based paint systems to be phased out, due to restrictions on volatile organic components used in solvent paints. To comply with these new regulations, new water borne paint systems have been developed and will be used by container manufacturers. All factories in China had to be compliant by 1 April 2017.

It is accepted that the use of shipping containers has promoted world trade because of the efficiency and effective logistics of their deployment as opposed to break-bulk. With Textainer being one of the world's largest lessors of shipping containers, we believe that we make a major contribution to the growth in world trade.

The factors mentioned above not only benefit the world community but because of their extensive benefits to the Operations' customers and their customers, in turn, all the way down the supply chain and the logistic framework, the company and the interest of its shareholders are strengthened and sustainability enhanced.

COMMUNITY

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. 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 include St. Luke's Hospice, National Sea Rescue Institute, Afrika Tikkun, FoodForward SA, WWF South Africa, Make a Difference Foundation, Business Against Crime, SPCA, BirdLife South Africa, Cape Philharmonic Orchestra, SA Institute for Race Relations, SaniSistas, Smartstart and the Abagold Development Trust. In addition, donations were made to the University of the Western Cape, Stellenbosch University, University of Cape Town and the Cape Peninsula University of Technology.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ('B-BBEE')

Trencor's B-BBEE certification is available on the company's website.

EXTERNAL ASSURANCE

No external assurance has been sought on any of the elements of this report. The board confirms, to the best of its knowledge and belief, the accuracy and integrity of the information provided in this report.