

26 September 2016

Futuregrowth confirms it is to re-open lending to Land Bank

Following the announcement from The Land and Agricultural Bank of South Africa (Land Bank) today, Futuregrowth Asset Management confirms that it will reopen lending to Land Bank with immediate effect, following a review of its governance and investor protection mechanisms.

This will be subject to agreed amendments and provisions in lending agreements, as well as continual monitoring of Land Bank's governance and finances.

The decision comes after the recent announcement that Futuregrowth had suspended lending to certain State-Owned Enterprises (SOEs) pending a review of their governance structures and independence.

The extensive review included interaction with Land Bank's executive management team and its Board, as well as an assessment of Land Bank's policies, and practical evidence of the appropriate application of these policies. Due diligence showed that currently there is an appropriately constituted board with a balance of skills and experience; a positive and constructive relationship between Board and Executive Authority; and evidenced application of policies and process.

Futuregrowth's due diligence extended further than a desktop review of policy documents by evaluating the practical application of these policies and mandates and requesting evidence of policies in action.

A key focus of the due diligence was the investment/lending process, for example reviewing Land Bank's various credit and investment committees' terms of reference, their composition of investment committees, how conflicts of interest are managed and transaction approval levels.

Land Bank agreed to improve transparency and public disclosure of its governance structures within the organisation, Executive Management, Board and Sub-Board Committee membership and changes therein. Certain areas for improvement were discussed and well received by the Board. Recommendations included amendments to decision-making processes and authority limits for the Board and Sub-committees, more regular and public reporting and the inclusion of specific legal protections in any future bi-lateral loan agreements.

Futuregrowth appreciates the Land Bank's prompt and proactive engagement throughout this process, and their stated ongoing commitment to sound and rigorous governance processes and practices.

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