

Steinhoff International Holdings N.V.

## REGULATIONS OF THE AUDIT AND RISK COMMITTEE

Adopted by the Supervisory Board on 1 December 2015

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## **1 Introduction**

- 1.1** These regulations have been adopted by the Supervisory Board pursuant to clause 9.5 of the Regulations of the Supervisory Board.
- 1.2** The Audit and Risk Committee is a standing committee of the Supervisory Board.
- 1.3** These regulations are complementary to the provisions regarding the Supervisory Board and its Committees as contained in applicable laws and regulations and the Articles.
- 1.4** The terms used in these regulations shall have the same meaning as ascribed thereto in the Regulations of the Supervisory Board, except where expressly indicated otherwise.

## **2 Responsibilities**

- 2.1** The Audit and Risk Committee shall be responsible for advising the Supervisory Board, and where applicable the Management Board, as well as preparing the decision-making of the Supervisory Board in relation to any of the responsibilities and proposed resolutions as referred to in clause 4.1 of these regulations.
- 2.2** While the Audit and Risk Committee has the responsibilities and powers set forth in these regulations, it is not the duty of the Audit and Risk Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete or accurate and are in accordance with generally accepted accounting principles and applicable laws and regulations. Neither these regulations nor any activity of the Audit and Risk Committee shall release the Management Board, the Supervisory Board or the External Auditor and the internal audit department from their duties and responsibilities. In carrying out its function, the Audit and Risk Committee shall comment in any way it deems necessary on the financial statements but is not providing any expert or special assurance as to the Company's financial statements or compliance with applicable laws and regulations, or any professional certification as to the External Auditor's work.

## **3 Composition**

- 3.1** The Audit and Risk Committee shall consist of at least three (3) members.
- 3.2** All members of the Audit and Risk Committee must be Supervisory Directors.
- 3.3** All members of the Audit and Risk Committee shall be independent within the meaning of clause 4.4 of the Regulations.
- 3.4** At least one (1) member of the Audit and Risk Committee shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large companies.
- 3.5** The members of the Audit and Risk Committee shall be appointed and may be replaced at any time by the Supervisory Board.
- 3.6** The Supervisory Board shall appoint one (1) of the members of the Audit and Risk Committee as chairman of the Audit and Risk Committee. The Audit and Risk Committee may not be presided over by the Chairman or a former Managing Director.

- 3.7** The term of office of a member of the Audit and Risk Committee will generally not be set beforehand. It will, *inter alia*, depend on the composition of the Supervisory Board as a whole and that of other Committees from time to time.
- 3.8** The Company Secretary shall act as secretary to the Audit and Risk Committee.
- 3.9** In absence of the Company Secretary, his duties and powers under applicable law, as well as these regulations or the Articles, or parts thereof, are exercised by his deputy, to be designated by the Management Board subject to approval of the Supervisory Board.

## **4 Duties and powers**

**4.1** The Audit and Risk Committee has the following duties:

**4.1.1** to supervise and monitor the activities of the Management Board with respect to:

- (i) the operation of the internal risk management and control systems, including supervision of the enforcement of the applicable laws and regulations, and to supervise the operation of codes of conduct;
- (ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the Annual Accounts, forecasts, work of the internal audit department and the External Auditor, etc.);
- (iii) compliance with recommendations and observations of the internal audit department and the External Auditor;
- (iv) the role and functioning of the internal audit department;
- (v) if designated, the role and functioning of the Chief Financial Officer;
- (vi) the policy of the Company on tax planning;
- (vii) relations with the External Auditor, including, in particular, his independence and remuneration (see also clause 5 of these regulations);
- (viii) the financing of the Company; and
- (ix) the application of information and communication technology;

**4.1.2** to discuss with the Management Board the Company's major financial risk exposures and the steps the Management Board has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies;

**4.1.3** to give advice to the Supervisory Board on the nomination by the Supervisory Board to the General Meeting for the appointment of the External Auditor and the responsible lead partner of the audit firm;

**4.1.4** where necessary, to make proposals to the Supervisory Board on the policy applied in respect of the independence of the External Auditor and possible (potential) conflicts of interests between the External Auditor and the Company;

- 4.1.5 to prepare meetings of the Supervisory Board where the Management Report, the Annual Accounts, the quarterly figures or half-yearly figures of the Company are discussed;
- 4.1.6 undertake an annual assessment of the functioning of the Audit and Risk Committee, report these findings to the Supervisory Board; and
- 4.1.7 to prepare the decision-making of the Supervisory Board in relation to any of the responsibilities and proposed resolutions as referred to in this clause 4.1.
- 4.2 The following annexes to these regulations contain further details on some of the duties of the Audit and Risk Committee described in clause 4.1 of these regulations:
- Annex 1** - Supervision of External Auditor and internal audit department;
- Annex 2** - Supervision of financial reporting and publications;
- Annex 3** - Supervision of compliance with applicable laws and regulations;
- Annex 4** - Financing and finance-related strategies; and
- Annex 5** - List of information to be included in the report of the External Auditor.
- 4.3 Upon reasonable prior notice to the Management Board, each member of the Audit and Risk Committee has access to all relevant books, records and buildings and premises of the Company and its Subsidiaries and the authority to interview officers and employees of the Company and its Subsidiaries to the extent necessary or useful for the proper performance of his duties. Members of the Audit and Risk Committee shall exercise this right in consultation with the chairman of the Audit and Risk Committee and the Company Secretary.
- 4.4 The Audit and Risk Committee shall be provided with the information it needs to perform its duties properly. The Audit and Risk Committee may be assisted by experts, officers or other external advisors. The reasonable costs of such assistance shall be for the account of the Company, provided that the Management Board has granted its approval thereto, which approval shall not unreasonable be withheld.
- 4.5 The Audit and Risk Committee may only exercise such powers as are explicitly attributed or delegated to it by the Supervisory Board and may never exercise powers beyond those exercisable by the Supervisory Board as a whole. The Supervisory Board remains collectively responsible for decisions prepared by the Audit and Risk Committee.
- 4.6 Each member of the Audit and Risk Committee may attend meetings of the audit committees of Subsidiaries.
- 5 Duties regarding the External Auditor**
- 5.1 The Audit and Risk Committee shall act as the principal contact for the External Auditor if he discovers irregularities in the content of the financial reports.
- 5.2 The remuneration of the External Auditor shall be approved by the Supervisory Board on the recommendation of the Audit and Risk Committee and after the consultation with the Management Board.

- 5.3** The instruction(s) by the Management Board to the External Auditor to provide non-audit services shall be approved by the Supervisory Board on the recommendation of the Audit and Risk Committee.
- 5.4** The Audit and Risk Committee shall determine how the External Auditor should be involved in the content and publication of financial reports of the Company other than the Annual Accounts.
- 5.5** The Audit and Risk Committee shall request that the External Auditor includes in his report the matters which the External Auditor wishes to bring to the attention of the Management Board and the Supervisory Board in relation to his audit of the Annual Accounts and the related audits, which in any event will include the matters listed in Annex 5.
- 5.6** Supplementary to the Management Board's assessment thereof, once every four (4) years the Audit and Risk Committee shall conduct a thorough assessment of the functioning of the External Auditor. The main conclusions of this assessment shall be communicated to the General Meeting for the purpose of assessing the nomination for the appointment of the External Auditor.
- 5.7** The Audit and Risk Committee and the External Auditor shall be involved in drawing up the work schedule of the internal audit department. They shall also take cognisance of the findings of the internal audit department. The internal audit department shall have access to the External Auditor and the chairman of the Audit and Risk Committee.

## **6 Meetings**

- 6.1** The Audit and Risk Committee shall meet as often as deemed necessary for the proper functioning of the Audit and Risk Committee. The Audit and Risk Committee shall meet at least four (4) times each financial year. The Audit and Risk Committee shall meet at least once (1) each financial year with the External Auditor without the Managing Directors being present. Meetings shall, as much as possible, be scheduled annually in advance and are held as far as possible shortly before the meetings of the Supervisory Board. The Audit and Risk Committee shall also meet earlier than scheduled if this is deemed necessary by the chairman of the Audit and Risk Committee or two (2) other members of the Audit and Risk Committee, the Company Secretary, the Management Board or the Supervisory Board.
- 6.2** Meetings of the Audit and Risk Committee are in principle called by the chairman of the Audit and Risk Committee or the Company Secretary in consultation with the chairman of the Audit and Risk Committee. Save in urgent cases to be determined by the chairman of the Audit and Risk Committee the agenda for a meeting shall be sent to all members of the Audit and Risk Committee at least three (3) calendar days before the meeting. For each item on the agenda an explanation in writing shall be provided, where possible, and/or other related documentation will be attached.
- 6.3** The chairman of the Audit and Risk Committee shall set the agenda and preside the meeting of the Audit and Risk Committee and shall also ensure and actively promote the proper functioning of the Audit and Risk Committee.
- 6.4** With due observance of these regulations, each member of the Audit and Risk Committee has the right to request that an Audit and Risk Committee meeting be called and/or that an item be placed on the agenda for an Audit and Risk Committee meeting. The Company Secretary shall assist in relation thereto.

- 6.5** Meetings of the Audit and Risk Committee may be held by means of an assembly of members of the Audit and Risk Committee in a formal meeting or by conference call, video conference or by any other means of communication, provided that all members of the Audit and Risk Committee participating in such meeting are able to communicate with each other simultaneously. Participation in a meeting held in any of the above ways shall constitute presence at such meeting.
- 6.6** The Audit and Risk Committee shall decide if and when a Managing Director, the External Auditor and/or the Group audit executive and/or the senior internal auditors should attend its meetings. In addition, independent experts may be invited to attend meetings of the Audit and Risk Committee. Each Supervisory Director may attend meetings of the Audit and Risk Committee.
- 6.7** When the need arises, the External Auditor may request the chairman of the Audit and Risk Committee to be present at a meeting of the Audit and Risk Committee.
- 6.8** The meetings of the Audit and Risk Committee shall be conducted in the English language.
- 6.9** The Company Secretary or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the proceedings at the meeting of the Audit and Risk Committee. The minutes or report should provide insight into the decision-making process at the meeting. The minutes or report shall be adopted by the Audit and Risk Committee at the same meeting or, if it is not possible to adopt the minutes in the same meeting, at the next meeting.
- 6.10** The Audit and Risk Committee shall exercise utmost discretion when making written records of its deliberations and recommendations.

## **7 Decision Making**

- 7.1** The Audit and Risk Committee members shall endeavour to achieve that resolutions are, as much as possible, adopted unanimously.
- 7.2** Each Audit and Risk Committee member has the right to cast one (1) vote.
- 7.3** The Audit and Risk Committee may only adopt valid resolutions in a meeting if at least two (2) members of the Audit and Risk Committee are present at the relevant meeting in person.
- 7.4** Where unanimity cannot be reached and applicable laws, the Articles or these regulations do not prescribe a larger majority, all resolutions of the Audit and Risk Committee are adopted by a simple majority of the votes cast.
- 7.5** Resolutions of the Audit and Risk Committee can be adopted either in or outside a meeting. In general, resolutions of the Audit and Risk Committee are adopted in an Audit and Risk Committee meeting.
- 7.6** A resolution of the Audit and Risk Committee can be adopted in writing other than at a meeting, provided that the proposal concerned is submitted to all Audit and Risk Committee members and none of them has objected to the relevant manner of adopting resolutions, as evidenced by written statements from all Audit and Risk Committee members then in office. In the next meeting of the Audit and Risk Committee held after such consultation of Audit and Risk Committee members, the chairman of that meeting shall set out the results of the consultation.

## **8 Reporting to the Supervisory Board**

- 8.1** The Audit and Risk Committee must inform the Supervisory Board in a clear and timely manner about the way it has used delegated powers and of major developments in the area of its responsibilities.
- 8.2** The Audit and Risk Committee shall annually, and on an interim basis if necessary , report to the Supervisory Board on their dealings with the External Auditor, particularly on the Audit and Risk Committee's views of the External Auditor's independence (including the desirability of rotation of the responsible partners of the External Auditor).
- 8.3** The Supervisory Board shall receive a report from the Audit and Risk Committee of its deliberations and findings. The minutes of the meetings of the Audit and Risk Committee shall be circulated among all Supervisory Directors as soon as possible after the relevant meeting.
- 8.4** If requested, the chairman of the Audit and Risk Committee shall at meetings of the Supervisory Board provide the Supervisory Board with further information on the outcome of the discussions of the Audit and Risk Committee.
- 8.5** All Supervisory Directors have unrestricted access to all records of the Audit and Risk Committee.

## **9 Miscellaneous**

- 9.1** The chairman of the Audit and Risk Committee (or one of the other Audit and Risk Committee members) shall be available to answer questions regarding the Audit and Risk Committee's activities at the annual General Meeting.
- 9.2** The Audit and Risk Committee may occasionally decide not to comply with these regulations, with due observance of applicable laws and regulations and with the prior approval of the Chairman.
- 9.3** The Audit and Risk Committee shall review and re-assess the adequacy of these regulations annually, report its assessment to the Supervisory Board and recommend, where appropriate, any proposed changes to the Supervisory Board.
- 9.4** The Supervisory Board can at all times amend these regulations and/or revoke any powers granted by it to the Audit and Risk Committee.
- 9.5** Clauses 22.4 through 22.7 of the Regulations of the Supervisory Board shall apply by analogy to the Audit and Risk Committee.
- 9.6** The Management Report shall state the composition of the Audit and Risk Committee, the number of meetings held by the Audit and Risk Committee and the main issues discussed at these meetings.
- 9.7** These regulations and the composition of the Audit and Risk Committee shall be posted on the Company's website.

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## **Annex 1**

### **Supervision of External Auditor and internal audit department**

1. Assess and evaluate the External Auditor and the lead partner of the audit team of the External Auditor.
2. Obtain and review a report from the External Auditor (at least annually) regarding (i) the External Auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review, or peer review, of the organisation, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) months with respect to one (1) or more independent audits carried out by the organisation, (iii) any steps taken to deal with any such issues and (iv) all relationships between the External Auditor and the Company.
3. Evaluate the qualifications, performance and independence of the External Auditor, including considering whether the External Auditor's quality controls are adequate, and taking into account the opinions of the Management Board and internal audit department.
4. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as well as the other members of the External Auditor, as required by applicable laws or regulations or the Company's auditor independence policy.
5. Review and discuss annually with the External Auditor, the internal audit department and the Management Board the internal audit charter and the independence of the audit process (as prescribed by applicable laws or regulations and the Company's auditor independence policy).
6. Meet with the External Auditor prior to the audit to discuss the planning, scope and staffing of the audit and to discuss the External Auditor's engagement letter and the level of non-audit work to be performed.
7. Review the appointment and replacement of the Group audit executive and the senior internal auditors.
8. Review the reports most significant to the Management Board prepared by internal audit department and the Management Board's response.
9. Discuss with the External Auditor and the Management Board the internal audit department's responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
10. If there is no internal audit department, the Audit and Risk Committee shall review annually the need for such internal audit department. Based on this review, the Supervisory Board shall make a recommendation, on proposal of the Audit and Risk Committee, on this to the Management Board.

## **Annex 2**

### **Supervision of financial reporting and publications**

1. Review and discuss with the Management Board and the External Auditor the audited Annual Accounts, including disclosures made in management interviews, analyses and the like.
2. Review and discuss with the Management Board and the External Auditor the interim financial statements prior to their release, including the results of any review (if applicable) by the External Auditor of the interim financial statements.
3. Discuss with the Management Board and the External Auditor, including but not limited to:
  - (i) significant financial reporting issues and judgements and estimates made in connection with the preparation of the Annual Accounts or interim financial statements, including the quality of earnings, significant deviations between planned and actual performance;
  - (ii) clarity and completeness of disclosures and whether disclosures made have been set properly in context;
  - (iii) quality, acceptability and timing of, and any changes in the Company's selection or application of accounting principles and practices;
  - (iv) compliance with the accounting principles and legal requirements;
  - (v) any issues as to the adequacy of the Company's internal controls and any special steps adopted in light of any control deficiencies;
  - (vi) significant adjustments and/or unadjusted differences resulting from audits performed;
  - (vii) reflection of unusual circumstances or events and Management Board's explanation for the accounting principles adopted;
  - (viii) reasons for significant year on year fluctuations;
  - (ix) asset valuations and re-valuations;
  - (x) calculation and levels of general and specific provisions;
  - (xi) write-offs and reserve transfers;
  - (xii) material basis for the going concern assumption; and
  - (xiii) recommendations on profit distributions to be made.
4. Review and discuss reports of the External Auditor on:
  - (i) all major elements of the accounting policies and the methods used;
  - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Management Board or any Managing Director, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor; and
  - (iii) other important written communications between the External Auditor and the Management Board or one of the Managing Directors, e.g. management letters.

### **Annex 3**

#### **Supervision of compliance with applicable laws and regulations**

1. Obtain reports from the Management Board, the Group's audit executive, the head of the internal audit department of the Company and the External Auditor to the effect that the Company and its Subsidiaries comply with the applicable laws and regulations and the internal rules of the Company.
2. Review reports on and intended disclosures on insider and affiliated party transactions. Advise the Management Board on policy and procedure of the Company for compliance with applicable laws and regulations.
3. Discuss serious matters of judgement and significant legal steps taken against or by the Company.
4. Discuss serious matters pertaining to any tax issues relating to the Group.

**Annex 4**  
**Financing and finance-related strategies**

1. Review and discuss with the Management Board at least once a year the general financial strategy of the Company.
2. Review and discuss with the Management Board the financial policy and financial procedures of the Company, including its currency, policies and procedures.

## Annex 5

### List of information to be included in the report of the External Auditor

Pursuant to Section 2:393, subsection 4, of the Dutch Civil Code, the report of the External Auditor shall contain the matters which the External Auditor wishes to bring to the attention of the Management Board and the Supervisory Board in relation to its audit of the Annual Accounts and the related audits.

The following examples can be given:

- A. With regard to the audit:** information about matters of importance to the assessment of the independence of the External Auditor; information about the course of events during the audit and cooperation with the internal audit department and/or any other external auditors, matters for discussion with the Management Board, a list of corrections that have not been made, etc.
- B. With regard to the financial figures:** analyses of changes in Shareholders' equity and results which do not appear in the information to be published and which, in the view of the External Auditor, contribute to an understanding of the financial position and results of the Company; comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies when other choices were possible, and particular effects of such policies; comments on the quality of forecasts and budgets.
- C. With regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:** points for improvement, gaps and quality assessments; comments about threats and risks to the Company and the manner in which they should be reported in the particulars to be published; compliance with the Articles, instructions, regulations, loan covenants, requirements of external supervisors, etc.

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