

Media release

Steinhoff deletes portions of resolution on director compensation

The supervisory board of Steinhoff International Holdings NV has taken note of the concerns raised by stakeholders and has decided to delete sections relating to additional payments for independent directors from the resolution on director remuneration which is to be considered at the company's annual general meeting on 20 April. The company has explained in an announcement that at the request of the independent directors, it will delete from the resolution the proposals for additional compensation for independent directors, and will instead refer these proposals to the new supervisory board to be appointed at the AGM.

Steinhoff acting chair Ms Heather Sonn said the changes had been made at the request of the directors concerned, who did not want the proposal to detract from other critical matters that had to be considered at the AGM.

"There has been a lot of adverse comment and criticism about these proposals, much of it based on a misunderstanding of what was being proposed and why the supervisory board felt the payments were warranted," she said.

"Shareholders have raised concerns, and the issue threatens to become a distraction when the main objective is maintaining as stable an environment as possible to deliver a controlled restructuring programme in the interest of all stakeholders."

In the announcement, the supervisory board set out both the reasons for the deletions, and the factors it believed supported the additional payments to independent directors. It said these directors, who were not permanent employees, committed themselves, outside the scope-of-work of non-executive directors – some on an almost daily basis - since the crisis over accounting irregularities enveloped the company in December 2017.

The letter also stressed that the basic fees proposed for directors were determined after the board had taken professional advice, which it had followed.

"The proposed remuneration was determined with reference to competitors and peer companies as well as considering the need to retain and attract supervisory directors in light of the company's situation," the company stated.

The announcement also emphasised the importance the supervisory board placed on the reappointment of independent directors who were helping to steer the company through the crisis, as well as the reappointment of Deloitte Accountants BV as auditors until September 2018.

The independent directors up for reappointment are Dr Steve Booyesen, Ms Angela Kruger-Steinhoff, Ms Heather Sonn, and Dr Johan van Zyl. Dr van Zyl headed the Independent Committee of directors appointed in December last year and which has had a crucial role in stabilising the company, negotiating with regulators and creditors to ensure continued operations, and in initiating the process of investigations which will determine what went wrong and who is responsible. The new Supervisory Board nominees also take comfort in retaining the knowledge and experience of some of the directors, in their own decisions to be nominated for the Supervisory board.

The other members of the Independent Committee are Ms Heather Sonn, who is now acting chair of the supervisory board, and Dr Booyesen who, as head of the audit committee, interacted with Deloitte on the accounting irregularities.

Steinhoff is registered in the Netherlands, and therefore follows the Dutch system of a supervisory board, comprising non-executive directors, and a management board comprising executive directors.

“The Independent Committee has also functioned as a link for quick decision-making between the Supervisory Board and the Management Board providing a centre of leadership following the resignation of the CEO, as it simultaneously focused on establishing a sound governance structure. They have interacted with regulators, Parliament, shareholders and other stakeholders, and with bankers and creditors to ensure liquidity for the group and the continued trading of its underlying companies.

“It is crucial for the company and its shareholders that there is continuity in these roles until such time as the stability of the group is reasonably assured,” the statement said.

Referring to the proposed reappointment of auditors Deloitte Accountants BV, the board said the reappointment of the Netherlands-based auditors was for the 2018 financial year, which began in October 2017 and ends in September 2018. The appointment therefore lasts only for five months after the April AGM, and was considered in the best interests of completing the audit effectively, in good time and applying the lessons of the forensic process.

“Steinhoff is not opposed to the rotation of auditors, but believes the continuation of Deloitte Accountants BV as auditors until the end of the current financial year in September 2018 is essential.

“One of the company’s main priorities is the expeditious finalisation of audited consolidated financial statements for the 2017 financial year, and the revised statements for the 2015 and 2016 financial years. Deloitte is already involved in these matters, and the appointment of a new auditor midway through a financial year may lead to unacceptable delays in the completion of these statements. This in turn would affect the company’s dealings with all stakeholders, who require the certainty of audited financial statements.

“Audited financial statements are also essential for company as it considers its options for restructuring and the potential retention or disposal of assets to secure its financial position. Decision-making will be facilitated by early completion of the audited statements,” it said.

“With a September financial year-end, the 2018 audit process will start in approximately two months to ensure a timeously completion of the 2018 audit. Subsequent to the 2018 audit, the appointment of an audit firm for the 2019 financial year will be subject to a global tender process.”

The statement concluded with a considered recommendation to shareholders that a measure of continuity, and stability of leadership, with the inclusion of new skills and experience is what is required.

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