



STEINHOFF

INTERNATIONAL HOLDINGS LTD

CORPORATE
RESPONSIBILITY -
PEOPLE

PEOPLE

PAID IN SALARIES
R 17 billion

MALE / FEMALE SPLIT (PERCENTAGE)
48 / 52

SHAREHOLDERS
>24 000



“One of Steinhoff’s greatest assets is its reputation. It is also its most fragile asset. Years of determination and hard work by thousands of Steinhoff employees have helped to establish the leadership position we hold today.

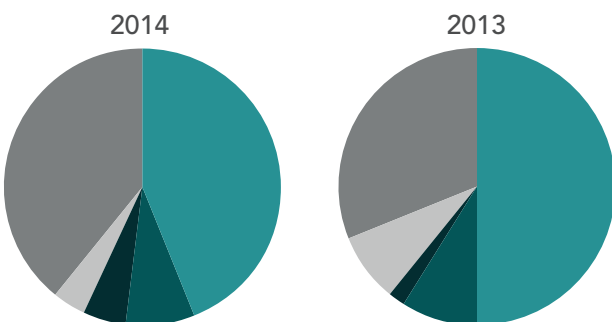
As employees of Steinhoff, we must understand and abide by many laws and regulations that govern business practices in the countries where Steinhoff operates. In all cases, we must maintain the highest level of legal and ethical standards in our business conduct.”

Steinhoff code of ethics

Value-added statement

	2014	2013
Turnover	117 364	97 938
Cost of products and services	(77 697)	(68 345)
Value added	39 667	29 593
Income from investments (including associates)	1 491	998
TOTAL WEALTH CREATED	41 158	30 591
DISTRIBUTION OF WEALTH		
Employee benefits (including post-retirement benefit expenses)	17 929	15 230
Interest paid	3 486	2 624
Taxation paid	1 954	983
Dividends and capital distribution paid	1 876	2 337
Re-invested	15 913	9 417
TOTAL	41 158	30 591

Distribution of wealth



	2014	2013	
●	44%	50%	Employee benefits (incl post retirements benefit expenses)
●	8%	9%	Interest paid
●	5%	2%	Taxation paid
●	4%	8%	Dividends and capital distribution paid
●	39%	31%	Re-invested



Employees

The employees of Steinhoff, understand and abide by many laws and regulations which govern business practices in the countries where Steinhoff operates. In all cases, the highest level of legal and ethical standards within the group's business conduct must be maintained.

Employees are the cornerstone of the group and recognises employee wellness and development as key factors that contribute to maintaining and building a sustainable business. Over the years, specific attention to these issues has assisted to consistently meet and exceed growth targets.

Business practices are based on the values of trust, respect, commitment and loyalty. Driven from the top, management aims to create an environment where people are encouraged to act in a responsible way, work hard, build friendships and to be part of a working family. This could appear to be a tall order, but when aspects such as staff retention are analysed, it is evident from the low average attrition rates that the group is doing things right.

The group employs people with passion, who are experts in their fields, who can contribute in meaningful ways and who can identify with the group's values.

Financial performance at all levels will always be an essential indicator for achieving performance targets and, without the right people adding value in a healthy and supportive environment, we would not be able to achieve this. Systems are in place to incentivise, retain, and manage employees to the benefit of the group, its stakeholders and the individual.

Ethical behaviour

Steinhoff has adopted a Code of Conduct (the Code), which is reviewed regularly, thereby committing the group, its directors and its employees to align with the highest standards of conduct. This code is reviewed annually by the Social and Ethics Committee and forms part of employees induction across the group. (G18)

The Code reflects the core principles of the Steinhoff philosophy, and guides employees on some of the most important ethical issues in a business environment. The Code is complemented by a number of corporate compliance policies, which provide more detailed guidelines on specific issues, thereby ensuring divisions (and employees) conduct business, not only in accordance with the law, but also in an ethical manner. It supports all relevant legislation, regulations, and divisional policies and procedures.

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The group's code specifically addresses (G16)

- Conflicts of interest
- Acceptance of gifts
- Bribes and political contributions
- Record keeping
- Financial transactions and insider trading
- Promotion of competition
- Health, safety and environment
- Compliance with laws
- Intellectual property
- Confidentiality
- Non-discrimination

A confidential whistle-blowing facility, utilising various dedicated hotlines for the reporting of suspected fraud or irregularities, is in place across the group. All of these are managed by independent and objective third parties and reports are reviewed by the internal audit department, and reported to the Steinhoff Audit and Social and ethics Committees. (G19/G24)

Contravention of the code

Compliance with the Code is monitored by divisional management and any infringements are dealt with at that level. Serious contraventions of the code are reported at board level. (G21)

We are pleased to report that no significant breaches of the code were reported during the year under review. (G23)

The Code is applicable to all employees and forms part of employment contracts, induction procedures and it is available on the group's intranet and from HR departments. (G20)

Monitoring and implementation of the code of ethics and the supporting principles are included in the mandate of the group's Social and ethics committee.

Human rights principles

We support the human rights principles dictated by the countries within which we operate and as set out in the principles of the United Nation's Global Compact. This, in turn, is also requested and described in the South African Companies Act 71 of 2008, and it is the Social and ethics committee's

responsibility to oversee and manage the group in this regard.

The group's international retail suppliers are assessed and audited periodically through a partnership between Conforama's quality department and the Steinhoff International Sourcing and Logistics, amongst others, teams, situated in Asia and eastern Europe. Suppliers go through a vigorous social audit process whereby aspects of child and forced labour, health and safety, compensation, freedom of association, discrimination, harassment or abuse and the environment are addressed.

Steinhoff has a zero tolerance policy on any form of human rights violations. Harassment in any form towards fellow employees, customers or suppliers is viewed in a very serious light.

The group is pleased to report that no incidents of human rights violations, child labour, forced and compulsory labour or violations of the rights of indigenous people in any of group's operations were reported during the year under review.

Training and development

Human capital development is prioritised on three levels:

- for the individual it is an opportunity for growth and achievement;
- for the company, it provides the capability to develop and retain critical skills; and
- for the larger community or country where an educated population contributes towards and influences the socio-economic standards, it provides for higher economic participation and the development that such participation can bring.

Throughout the group we aim to develop and protect employees within an environment that:

- actively fosters development and growth;
- assists them in reaching their full potential; and
- recognises and adequately rewards individual and team performance. (S1)

Divisional chief executive officers/managing directors are responsible for the training and

development of their employees. This function is managed and co-ordinated by divisional human resource (HR) committees and ultimately reports on progress to the group HR and remuneration committee and the group's board of directors. (S2)

The divisional HR committees consider and advise on employee remuneration, medical and retirement benefits, employment equity/equal opportunities, black economic empowerment (where relevant), succession planning, training and development, industrial relations and performance management. Employees are informed of and have equitable access to training and development opportunities as far as is reasonably practical.

The group operates in many countries with varying skills levels and social drivers. Therefore, investment in training is assessed according to the business needs of each region, the existing skills and skills levels required. Divisional targets for employee development are incorporated into the key performance areas (KPA) of each divisional chief executive officer/managing director and these form part of their annual incentive bonus scheme measurement. The majority of Steinhoff's people across the group are included in training and development assessments, but it's within the middle to senior management groups and professional employees where this forms part of their annual performance reviews. (S7)

In general, the graduate talent pool is growing. Consequently, there has been a shift in the group's focus to how it approaches education and training. The group concentrates training efforts on its existing employees and not on external development. Learning assistance through bursaries and study loans is offered in divisions with skills shortages. Learning assistance is granted to selected employees, with most of this assistance provided directly to previously disadvantaged individuals within the southern African operations. This strategy proves more beneficial in terms of identifying talent, promoting individuals and retaining skills within the group. Other ongoing group-wide training initiatives are conducted internally through various platforms and training forums.

Training and development aims to equip employees with the competencies they need to fulfil their job requirements. The focus is on transferring skills from the classroom to the workplace.

Divisional and industry specific training is done on an on-going basis throughout the international operations. However, South Africa is seen as the operational region that will benefit most from further education, training and development projects, thereby simultaneously supporting government initiatives.

Within the South African businesses, literacy and numeracy training and operational learnerships remain key areas of focus. Close liaison with the relevant Sector Education and Training Authority (SETA) is critical to the success in this area. Adult Basic Education and Training (ABET) is made available to those employees who have demonstrated learning potential. These employees are sponsored by their divisions and usually participate in a mentoring programme.

Attraction and retention

Steinhoff's remuneration policy dictates that all employees are fairly rewarded for their individual and joint contributions in the execution of the Steinhoff business strategy and delivery of the group's operating and financial performance. Steinhoff's remuneration philosophy is to remunerate all employees in a competitive manner to attract, motivate and retain individuals of the necessary calibre.

Steinhoff is an international business with revenue earned in many countries as summarised in the geographical segmental analysis contained in the annual financial statements. Steinhoff expects its executives to be internationally mobile and to have knowledge and experience across borders. As a result, Steinhoff competes for skills and talent in a global marketplace and the approach to remuneration needs to be flexible and competitive in all of the countries where Steinhoff operates.

To facilitate this, the board has established the Human resources and remuneration committee

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(Remuneration committee) which operates within defined terms of reference and authority delegated by the board.

The Remuneration committee comprises only independent non-executive directors. Executive directors and certain members of management attend meetings by invitation. This committee meets twice during a financial year. The remuneration committee has the responsibility to:

- Determine and approve the group's general remuneration policy, to be presented at each annual general meeting for a non-binding advisory vote by shareholders
- Review and approve the remuneration packages of the 92 most senior executives annually, including incentive schemes and increases or adjustments, ensuring they are appropriate, and in line with the remuneration policy
- Appraise the performance of the chief executive officer annually
- Approve the appointments and promotions of key executives
- Review incidents (if any) of unethical behaviour by senior managers and the chief executive
- Review the remuneration committee's charter annually and recommend amendments thereto as required
- Approve amendments to the Steinhoff share based incentive plans, after consultation with shareholders and the JSE Limited (JSE)
- Fulfill delegated responsibilities on Steinhoff's share based incentive plans, e.g. appointing trustees and compliance officers, if required
- Undertake an annual assessment of the effectiveness of the committee, reporting these findings to the board and the committee
- Review the charters of the group's significant subsidiaries' remuneration committees annually, and their annual assessment of compliance with these charters to establish if the Steinhoff remuneration committee can rely on the work of the subsidiary companies' remuneration committees
- Prepare an annual remuneration report for inclusion in the company's integrated report

Due to the diversity of the group and the decentralised management structures in the

operating divisions, the remuneration committee has established divisional subcommittees with standard terms of reference which are in line with the overseeing committee's terms of reference. These committees are responsible for all employee remuneration matters at divisional level.

The remuneration committee and divisional subcommittees are supported by established human resource departments at group and divisional level, responsible for implementation and management of human resource and remuneration strategies, policies and practices.

Key considerations undertaken during the year

- A review of the remuneration structures for managerial employees
- A review of the effectiveness of the share incentive scheme as a long-term incentive plan
- Annual cash incentive scheme awards and the approval of performance targets
- The range of base salary increases
- Investigations into an appropriate country/division specific long-term incentive scheme for key management who may be excluded from the share incentive scheme
- A standardised template and agenda was introduced that would enable the group to analyse consolidated data across the group's operations dealing with:
 - Global diversity, staff turnover ratios, average age and tenure of services of the workforce
 - Measurement of the total direct payroll cost and development year-on-year. This information would also enable per-employee or per-FTE (full time equivalent) comparison in respect of operations (retail vs manufacturing), country dynamics, and employee grade comparison
 - Performance management and the effectiveness of variable incentivisation schemes
 - Talent management and succession planning across the group which are now prioritised and reported on annually
- An annual review/benchmark exercise is also undertaken of remuneration policy, strategy and disclosure of peer group companies. The peer group includes companies comparable to the group's international retail operations predominantly located in Western Europe and the

United Kingdom such as:

- Kingfisher Plc
- Home Retail Group Plc
- Darty Plc

Alignment with strategy

Steinhoff's remuneration structures remain appropriate and aligned with the group's long-term strategic priorities, namely:

- **Integrated retail:** To create a balanced and solid footprint of household goods businesses; to develop strong and relevant local household goods retail brands that outperform competitive local businesses; sustainably raise the operating margins; leverage from the group's global scale and knowledge; exert sufficient influence over the entire supply chain; having due regard for the long-term sustainability of the business, its environmental and social impact and governance matters.
- **Other investments:** To exert influence on the group's associate and other investments to manage appropriate returns on investment and long-term sustainability; to develop and grow the diversified industrial business in sub-Saharan Africa; to sustain and improve its leading position in high barriers to entry markets; to sustainably increase operating profit and cash flow and to grow sustainable long-term revenue; having due regard for the sustainable longevity of the business, core environmental and social impact and governance matters.

A significant element of executives' remuneration is performance related. A substantial portion of short-term performance incentives of the executive directors and senior management is directly linked to challenging annual group performance targets. The balance of these incentives are specifically measured against individual performance objectives which are aligned with the group's strategic priorities. The targets for long-term incentives are guided by reference to industry and market benchmarked performance targets.

Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies.

Remuneration for junior and middle management is governed and controlled by the HR department. A robust remuneration review process is in place which is aligned with business strategy. Employee development is encouraged through processes such as performance appraisals, counselling and career development programmes.

Remuneration and other benefits in respect of employees who are subject to bargaining council or other authorities' determination are set through a process of collective bargaining with the major labour unions active in the various countries in which the group operates.

Remuneration policy

The remuneration policy aims to follow the recommendations of King III and is based on the following principles:

- Remuneration practices are aligned with corporate strategy
- Total rewards are set at levels that are competitive and relative within the specific market and industry
- Incentive-based awards are earned through achieving demanding performance measures and targets with due regard for the sustainable well-being of all stakeholders over the short, medium and long term
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle
- The design of long-term incentives is prudent and does not expose stakeholders to a position where the sustainability of the group is placed at risk

Succession planning

With the diverse portfolio of group companies and our focus on building a specialist supply chain, divisional and executive succession planning is critical and forms a fundamental part of the group's employee retention strategy.

Succession planning of divisional directors is reviewed by the remuneration committee. The same process is followed at divisional HR and remuneration committee level for all other levels of management. Management and implementation of succession form part of each managing director's

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KPAs and they are reviewed annually on the implementation and/or progress of their succession strategies. It is their responsibility to identify and develop key employees for advancement into positions that will benefit the company and the individual.

Management development is based on well-considered development processes. This is supported by the group's HR assessment systems.

A shortage of relevant skills, particularly in South Africa, but increasingly on a global scale, remains a challenge. However, processes are in place to identify, recruit, develop and use talented individuals within the group to ensure progression and succession. Our Talent Management Programme's country-specific panel systems facilitate this process.

We have linked our succession planning and employment equity strategies with our skills development strategies. This allows employees, particularly those in South Africa from previously disadvantaged backgrounds, to take advantage of internal opportunities for advancement.

Performance management

Performance management is a critical element for acknowledging achievement, developing and retaining staff and for identifying areas of improvement.

Performance management systems are in place to address the advancement and remuneration of employees. The employee's level of employment will determine the evaluation level that is applied and the system takes into account the scope and nature of the employee's role, market benchmarks for similar positions as well as personal performance. These performance management systems assist and direct decisions regarding developing individuals or groups in ways relevant to them and the businesses in which they are employed.

Management's performance is directly linked to business performance. By linking performance directly with remuneration it is structured to

support and incentivise them. The process and structure aims to encourage and enhance business performance, thereby ultimately enhancing shareholder value. Annual divisional incentive bonuses are based on a structured management performance process. This generally accommodates regular annual assessments of all management-level employees.

A further KPA for management is the training and development of their employees. This carries a prominent weighted percentage of their overall performance.

For management within the South African divisions, performance on broad-based black economic empowerment (B-BBEE) implementation carries a high weighted percentage of KPAs to ensure the achievement of these targets.

Equal opportunity

In a competitive global business environment, the ultimate goal is to invest in people for the long term and Steinhoff is committed to retaining the experience and expertise of its employees.

Steinhoff's Code of ethics (the code) addresses issues and gives guidance on ethical behaviour and how to report any breach of Steinhoff's policies. The Code is in turn supported by supplementary corporate compliance policies. The HR directors and managers of all operations are responsible for the communication of the Code and additional divisional policies (S16). Any violation can be reported directly to the group's company secretary, the legal department or to any member of the compliance committee. (S19)

The Code states clearly (S15):

"Steinhoff's policy to recruit, hire, promote and provide equal opportunities for all employees without regard of race, ethnic origin, gender, religion or belief, age, disability, national origin, sexual orientation, or veteran status. Steinhoff expects all employees to support this policy and to treat fellow employees with respect and consideration. Harassment or irregular treatment of other employees is not permitted."

Employee benefits

Contributions towards employee benefits comply with the relevant regulations and labour laws of each country. Standard employee benefits are enhanced at divisional level, based on divisional policies and employment contracts and these exist across different levels of employment.

With approximately half of the group's employees based in South Africa, employee benefits in this region are mostly directed towards welfare and health assistance. Additional assistance is given to employees, where possible, in gaining access to services that are not always publicly available.

Examples include (S17):

- various supplementary medical aid and medical assistance plans and programmes;
- occupational healthcare through on-site clinics at selected facilities;
- lifestyle and wellness programmes;
- various group initiated retirement fund options for permanent employees;
- transport assistance for employees through car allowances and dedicated employee commuter transportation in certain divisions;
- where possible, flexible working hours and career breaks; and
- discounted company products and services.

Employee relations

All employees are managed according to the procedures stipulated in the labour laws of each operating country.

However, circumstances and legislation vary from country to country, which calls for some flexibility in terms of the group's labour philosophy to accommodate specific dispensation requirements (S9). Employees are introduced to these policies and procedures during induction sessions, or through interaction with HR departments via newsletters, divisional intranets and written contracts of employment. (S10)

All divisions have disciplinary policies and procedures (S9) in place and these are communicated appropriately. Instances of misconduct are addressed by implementing the

provisions of disciplinary codes. Management actions in this regard are required to be timeous, consistent, objective, fair and based on the merits of each case.

Operational workplace committees foster regular interaction between management and employee representatives on various issues.

A few divisions use employee forums with elected representatives, or employ committees for employee complaints and communication. These workplace forums address conditions of employment and facilitates the consultation of employees within problem solving sessions and acts as a communication platform regarding HR aspects. The group finds these consultative workplace interactions to be instrumental in introducing more flexible working arrangements and in securing a reciprocal higher level of commitment towards the company.

It is the group's policy to ensure that all parties within these structures treat one another with mutual respect and that emphasis is placed on a just and efficient working environment. This framework is established at group level and disseminated to divisional management to adapt according to the particular needs of each division. Procedures and divisional policies support the group directive and assist with the regulation of workplace relationships. Depending on the level of involvement, divisional HR managers, together with appointed corporate affairs executives and labour relation specialists is responsible for union negotiations and employee relations. (S8)

In many of the group's more labour-intensive businesses, employees form part of labour groups or unions. In the absence of company-controlled union-related membership, in the European and UK operations, union representation is unknown due to it being regarded as confidential information. However, relevant registered trade unions are recognised and, where required and applicable, Steinhoff accommodates these unions in company-specific or industry-related discussions or negotiations in line with the European Union's and other rules and regulations in this regard.

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In South Africa more than 45% of the JD Group employees are part of collective bargaining agreements. (S11b)

Where required, the group has concluded recognition agreements with majority representative unions within the divisional business units. Should any union obtain majority representation within a division, similar agreements are negotiated.

In addition, through the B-BBEE Equity Transaction, the group has made all permanent employees of Steinhoff Africa and KAP Industrial participants in Steinhoff International through a nine-year participation scheme. This participation scheme excludes those senior executives already included in the Steinhoff Share Rights Scheme. The scheme has led to enhanced employee and/or union commitment and it also acts as a valuable retention tool.

Industry bargaining positions are threatened with declining union membership numbers which could result in divisional and/or plant-level bargaining and/or consultations. Steinhoff is at the forefront of industry initiatives to address this concern with unions in an effort to bolster and enhance collective bargaining structures.

Labour actions (S12)

During the period there was no industry related labour action reported within the group.

Transformation

A focused B-BBEE strategy and commitment forms part of everyday business throughout the South African operations.

Steinhoff endorses the B-BBEE strategy of South Africa's Department of Trade and Industry which supports the policy of the South African government towards an 'integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of previously disadvantaged individuals (PDIs) that manage, own and control the country's economy, and significant decreases in income inequalities'.

Over the past few years Steinhoff has committed to making the principles of B-BBEE real and tangible. The JD Group, achieved a level 4 accreditation, set against a target level 5, **M 2014 successfully met by JD Group XX it's level 4 accreditation.**

Targets for preferential procurement, ownership, management control, employment equity, corporate social investment and training and development (in line with industry-specific standards/codes of good practice) are divisional scorecards are externally audited for accreditation purposes (S37). The benefits of implementing and maintaining solid B-BBEE principles are forthcoming in JD Group. This is evident through consistent achievement and improvements of B-BBEE scores in line with targets set. (S36/S38)

The detailed B-BBEE scorecards of JD Group is available in it's sustainability report. (S38)

The broad-based employee share scheme that was concluded by Steinhoff in December 2008, made B-BBEE and ownership a reality for the Steinhoff employees in South Africa (who are part of Steinhoff's Industrial assets). The scheme's purpose was to make wealth creation a possibility for those employees. All permanent South African employees at that time (with some exclusions), were included in the scheme which is structured in such a way that these staff will own their shares after a nine-year participation period. Through a special purpose vehicle, Steinhoff S'khulasonke Investments (RF) Proprietary Limited, there are currently approximately 13 000 employees, of which the majority are PDIs holding more than 40 000 000 Steinhoff shares. From 2013, qualifying KAP employees became part of the share scheme.

To align numerical representations within management levels with that of the national economically active population demographic numbers remains a challenge. However, JD Group set targets and specific plans in order to improve such representations to the best of their ability in an environment where the availability of required leadership skills and specific qualifications is a critical concern. Therefore, the balance between quality appointments, future leadership successors

and employment equity targets are carefully considered for the future viability of the operations. Skills development programmes for PDIs is a business imperative throughout the South African operations to enhance the pool of suitable qualified available resources. (S40)

Health and safety

The health and safety of Steinhoff's employees is of the utmost importance, yet the impact of health and safety issues vary across the different regions and depend on the specific operation in which the employees are involved. Programmes around HIV/Aids are prioritised to protect and educate all employees in JD Group as this is more prevalent in South Africa than compared to our European operations. Our retail businesses in Europe have a very different approach to that of our African subsidiaries.

Each division, based on its business activity and location will determine individual risks, specifically relating to the level of impact. In addition, each individual division will adhere directly to its own relevant industry- and country-specific regulations and laws.

Overall responsibility for health and safety across the group rests with the board. Divisional responsibility for health and safety rests with the management or board of each division. (S20) This is supported by the human resource managers, divisional and regional health and safety managers and occupational health and safety representatives. External consultants and administrators are appointed when specialised expertise is required.

Health and safety committees are in place in the divisions to ensure that the guidelines set at group level are complied with. These guidelines require that, as a minimum, all operations adhere to the legislation, regulations, and codes of practice and industry standards of each country in which the division operates.

Risk assessments, safety training and implementation of workplace systems are undertaken and these are reported to measure improvement so as to identify areas for additional focus or for parts which may require particular attention. Internal or external assessments,

reviews and independent audit results are reported regularly by divisional committees, safety representatives and management. (S22)

Integrated computerised safety, health, environmental and quality management (SHEQ) systems have been introduced by certain divisions, and these systems assist greatly in the compilation of accurate and timeous SHEQ reports, particularly relating to the identification and management of recognised risk areas. (S23)

Regular supplier and standard audits are carried out at divisional sites and the group's commitment and adherence to the maintenance of prescribed standards results in Steinhoff divisions successfully retaining certifications. All suppliers of goods and products are also monitored and reviewed regularly for compliance. Customers can therefore be assured that international and/or local standards of quality and best practice are implemented across the group.

The manufacturing operations in Europe are covered by industry and country-specific regulations. (S26)

All new employees receive relevant health and safety induction training which is in place across all divisions. (S24)

This training operates alongside other standard and group-wide programmes such as first aid, fire fighting and general safety awareness initiatives and the compliance with divisional codes of hygiene conduct which are aligned with international health and hygiene standards. (S24)

Investigations are conducted into all incidents and mitigation procedures are continuously reviewed. No significant fines or penalties were reported (S21).

Suppliers and partners

With business interests in many countries across numerous cultures, Steinhoff not only operates a diverse business model, but it also crosses many social and cultural boundaries. The group sources from more than 2 000 suppliers from 41 countries. We do not compromise on any social, moral or

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legal aspect that drives responsible business practices, notwithstanding short-term targets.

Steinhoff is conscious of its responsibility to protect the environment and of the market advantage that sound environmental policies and practices can afford the group, particularly with increasingly environmentally-aware consumers and other stakeholders.

Across the group ethical trading practices incorporate standards for suppliers of goods and services and the requirement to work with suppliers to ensure compliance with these standards. Divisions endeavour to source goods from suppliers which comply with relevant legislation and that operate in terms of established and responsible policies.

The group strives to ensure that all required safety, technical, commercial compliance and environmental standards are met and monitored. Suppliers of products and services are reviewed and managed at divisional level within the overall group framework. Controls and protocols will continue to be developed and enhanced and receive ongoing attention.

A centralised retail sourcing function has been established and this forms part of the group's strategic focus to enhance the functions of the Steinhoff International Sourcing and Logistics division. Sourcing contracts with suppliers require full compliance with social and environmental policies, intellectual property and exclusivity, respect of the "minima quality" policy as adopted from Conforama, obligation of insurance, product liability and purchasing conditions. All international retail suppliers are periodically audited through an internal process, but at a minimum, every second year.

The same standards apply to all manufacturing and production processes of the group.

All timber used in the manufacturing facilities has to comply with the Forest Stewardship Council's certification and all products containing wood must adhere to the European Union Timber Regulation.

Steinhoff therefore provides assurance towards customers with the products and services they provide. The JD Group screens all suppliers in order to confirm their use of environmentally-friendly raw materials, their recycling and waste management practices.

Customers

Steinhoff delivers products and services to millions of customers in 28 countries and is committed to providing customers with responsible and sustainable solutions when choosing products and services. Therefore, continuously seeks and actively takes customer feedback into account.

Retail customers needs are mainly focused on product quality, responsible and ethical manufacturing and sound sourcing principles and values.

The availability of raw materials is an aspect that receives great attention and customers can rest assured that, by coordinating group and customer requirements, the group uses resources responsibly and provides customers with quality, sustainable and valuable products and services. The group does not compromise on quality nor on the principles of safety when it comes to providing products and services.

HIV/AIDS

With nearly 50% of the group's workforce employed in the African divisions, there is a specific and attentive focus on the prevention, detection and treatment of HIV/Aids in JD Group where the social-economic consequences of HIV/Aids pose a higher risk on the workforce, the organisation and the country. In Europe, the UK and Australia the prevalence rate of HIV/Aids is lower than in Africa.

In addition, the impact of HIV/Aids is not currently considered to be a material risk for the International Sourcing and Logistics division based mostly in China.

Divisional policies address HIV/Aids and the group supports all divisional-based plans to combat, treat and prevent HIV/Aids in South Africa, JD Group has established stringent education programmes, supported by information regarding HIV/Aids which is readily available to all employees. An example of a formalised programmes that include an HIV/ Aids focused component include JD Group's Philakahle Employee Wellness Programme. (S44/49)

This programme offers the following free and confidential services.

- Prevention and early detection counselling; (S45)
- Pre- and post-testing counselling by external service providers;
- Treatment through specialist third party suppliers; (S50) and
- 24 hour access to on-site clinics at selected operational locations. (S50)

Corporate social investment (CSI)

The group is not prescriptive to divisions with regards to CSI investment programmes, yet all projects are driven by similar values to that of the group. In light of this, the group's CSI projects have a strong affiliation towards education, child welfare, health and socio-economic upliftment programmes. In addition, CSI efforts are concentrated in areas that require the most assistance. South Africa remains the geographical area of focus given its socio-economic needs.

The final decision for CSI contributions resides with the management of the individual divisions (S31), yet projects, in many cases, are executed and championed by the employees. (S27)

Depending on the type of project, employees may become personally involved through raising additional funds, or volunteering their own time to projects. The time spent by employees on CSI projects is not accounted for and no monetary value is associated with these contributions.

Monetary support for CSI is channelled and managed in ways that optimise the use of funds and which provide the best possible short and sustainable long-term benefits to beneficiaries. All projects are monitored and managed to ensure that funds are appropriately and responsibly used. Group-wide a significant amount is spent on various initiatives as divisions continue with monetary investment, product and service donations, sponsorships, time and social economic development.

More information regarding specific projects in South Africa is available in the JD Group integrated report, please also see BECOMING A LEARNING ORGANISATION in case studies.

At Steinhoff International Holdings level, the group remains focused on the Steinhoff Extended Family project. The strategy behind this project is to support HIV/Aids-affected children with a specific focus on giving them access to the basic means and values associated with creating a happy home, please see A 10 YEAR PARTNERSHIP PROVIDING SUBSTANTIAL SOCIAL BENEFITS in case studies.