



STEINHOFF INTERNATIONAL
CORPORATE RESPONSIBILITY 2015

PEOPLE

PAID IN SALARIES

R21 billion

MALE / FEMALE SPLIT (PERCENTAGE)

48/52

SHAREHOLDERS

>49 000

“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 the group holds 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.”

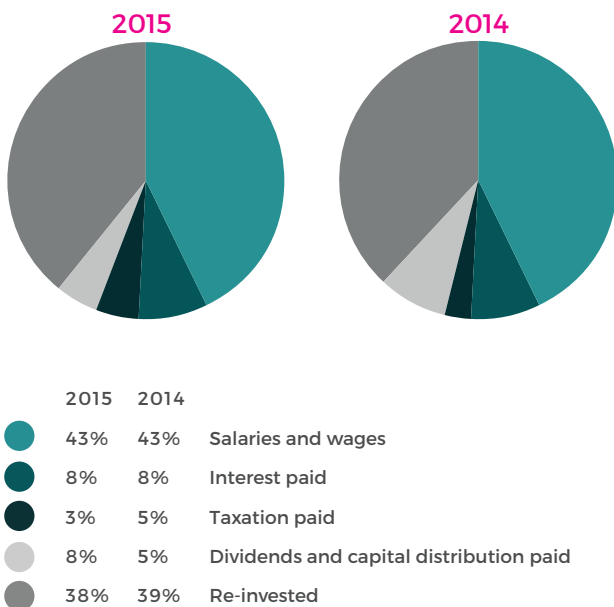
Steinhoff Code of Ethics

VALUE ADDED STATEMENT

	2015 R'000	2014 R'000
Turnover	134 868	117 364
Cost of products and services	(87 673)	(77 697)
Value added	47 195	40 128
Income from investments (including associates)	2 071	1 491
TOTAL WEALTH CREATED	49 266	41 619
DISTRIBUTION OF WEALTH		
Employee benefits (including post-retirement benefit expenses)	21 298	17 929
Interest paid	3 830	3 486
Taxation paid	1 343	1 954
Dividends and capital distribution paid	4 129	1 876
Re-invested	18 666	16 374
TOTAL	49 266	41 619



DISTRIBUTION OF WEALTH



EMPLOYEES

The employees of Steinhoff, understand and abide by many laws and regulations that 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 in consistently meeting and exceeding growth targets.

Business practices are based on the values of honesty, integrity commitment and trust. 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 be seen as a challenge, 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, people 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 the group 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 Ethics (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.

The Code of Ethics specifically addresses: (G16)

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

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 Steinhoff's audit and the 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 and induction procedures, and it is available on the various group intranets and from HR departments. (G20)

Monitoring and implementation of the Code 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 Nations 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 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, abuse and the environment are reviewed.

Steinhoff has a zero tolerance policy on any form of human rights violations. Any form of harassment towards fellow employees, customers or suppliers is viewed in a very serious light. Suppliers are rated and any evidence of non-compliance will require immediate corrective action or will result in the suspension of services. Employee/internal non-compliance is managed at a divisional level according to the relevant employee service contracts.

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 the 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.
- 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 development through such participation.

The group aims 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 coordinated 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 is 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 training and development. The group concentrates training efforts on its existing employees and not on people outside of the group. 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 ongoing 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 in order 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 of 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 its 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 (remuneration committee), which operates within defined terms of reference and authority delegated by the board.

The Steinhoff remuneration committee comprises only independent non-executive directors. Executive directors and certain members of management attend meetings by invitation. This committee met twice during the financial year. The remuneration committee has the following responsibilities:

- Determine and approve the group's general remuneration policy, as presented at each annual general meeting for a non-binding advisory vote by shareholders in the South African regulatory environment.
- Review and approve the remuneration packages of the 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 officer.
- 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, the JSE Limited and SARS, where applicable.
- Fulfil 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, and report these findings to the board and the committee.
- Review annually the charters of the group's significant subsidiaries' remuneration committees, and their 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 that 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 pay structures for managerial employees.
- A review of the effectiveness of the share incentive scheme as a long-term incentive plan.
- Annual cash bonus and 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.
- The standardised template and agenda introduced during the prior year enabled 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 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 that are now prioritised and reported on annually.
- An annual review/benchmark exercise of remuneration policy, strategy and disclosure of peer group companies is also undertaken. The peer group includes companies comparable to the group's international retail operations predominantly located in western Europe and the United Kingdom.

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 and general merchandise businesses; to develop strong and relevant local retail brands that outperform competitive local businesses; sustainably raise the operating margins; leverage from the group's

global scale and knowledge and to 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.

During the year under review, margins from continuing operations increased to 11.4% (FY14: 10.8%), largely as a result of the group's drive to capitalise on the scale of operations and efforts to consolidate the group's enlarged purchasing power, increasing intra-group supply through the combined manufacturing and sourcing of product, supplier consolidation and capitalising on central shipping and logistics knowledge to reduce global distribution charges.

Other investments: To exert influence on the group's associates and other investments to manage appropriate returns on investment and long-term sustainability, having due regard for the core environmental and social impact of these businesses, including governance matters.

PSG Group Limited (PSG) is an investment holding company listed on the JSE, consisting of underlying investments that operate across a diverse range of industries which includes financial services, banking, private equity, agriculture and education. PSG's market capitalisation (net of treasury shares) is approximately R36 billion. The 2015 financial year marked the first time that PSG achieved consolidated recurring headline earnings in excess of R1 billion, following strong results from all of its key investments.

Steinhoff increased its investment in PSG to an associate investment by increasing its shareholding to 27%, thereby obtaining long-term exposure to the underlying investments held in the PSG Group. (Refer to www.psggroup.co.za)

KAP Industrial Holdings Limited, a diversified industrial group listed on the JSE, predominantly located in and focused on businesses operating in emerging African markets, continued to invest in strategically aligned and established businesses with high barriers to entry. This enhances

the group's quality of earnings in respect of sustainability, solid margins and cash generation.

Strategic initiatives implemented during the year include the establishment of an integrated bedding division with a national manufacturing and distribution footprint; disposal of the noncore businesses; rationalisation of the group's integrated timber and manufacturing divisions into a single diversified industrial segment, and the consolidation of the Fuel, Agriculture & Mining and the Freight & Logistics divisions of Unitrans into a single Unitrans Logistics division. This has resulted in streamlined management structures, improved systems and controls, and greater market focus. (Refer to www.kap.co.za)

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 is specifically measured against individual performance objectives that 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 as outlined below.

Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies. These growth targets and budgets are presented to the board and approved annually.

Remuneration for junior and middle management is governed and controlled by country-specific benchmarks for similar positions and responsibility levels. A robust remuneration review process is in place that 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 various corporate governance recommendations, including the South African Code of Corporate Practices and Conduct as set out in the King III Report, 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 wellbeing 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 a 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 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. A Talent Management Programme is facilitated by country-specific panel systems.

Steinhoff has linked succession planning and employment equity strategies with 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 employees at management level.

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

For management within the South African divisions, performance on implementation of broad-based black economic empowerment (B-BBEE) 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. Any violation can be reported directly to the group's company secretary, the legal department or to any member of the compliance committee.

The Code states clearly:

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

Examples include:

- 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. 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.

All divisions have disciplinary policies and procedures 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 facilitate 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, are responsible for union negotiations and employee relations.

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.

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

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 that 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

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

TRANSFORMATION

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

Steinhoff endorses the B-BBEE strategy of South Africa's Department of Trade and Industry that 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. With continuous review and improvement

on performance across the elements of B-BBEE implementation, Steinhoff achieved a level 4 accreditation, set against a target of level 5. This level is based on the average scores achieved by the South African operations. Operational scores are independently ranked.

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 set against divisional scorecards that are audited externally for accreditation purposes.

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. 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 12 000 employees, of whom 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 those of the national economically active population, demographic numbers remain 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 available suitably qualified resources.

HEALTH AND SAFETY

The health and safety of Steinhoff's employees are of the utmost importance, yet the impact of health and safety issues vary across the different regions and depends on the specific operation in which the employees are involved. Programmes around HIV/Aids are prioritised to protect and educate all employees in South Africa, where it is more prevalent than in the group's European operations. The retail businesses in Europe have a very different approach.

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 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.

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.

Regular supplier and standard audits are carried out at divisional sites, and the group's commitment and adherence to the maintenance of prescribed standards result 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.

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

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.

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

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 various suppliers from more than 40 countries. The group does not compromise on any social, moral or 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 that 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 (at least every second year) through an internal process.

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 (EUTR).

Steinhoff, therefore, provides assurance towards customers with the products and services it provides.

CUSTOMERS

Steinhoff delivers products and services to millions of customers in 25 countries and is committed to providing customers with responsible and sustainable solutions when choosing products and services. Therefore, Steinhoff 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 good quality, sustainable and valuable products and services. The group neither compromises 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 that is readily available to all employees. JD Group's Philakahle Employee Wellness Programme is an example of a formalised programme that includes an HIV/AIDS focused component.

This programme offers the following free and confidential services:

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

CORPORATE SOCIAL INVESTMENT (CSI)

The group does not prescribe to divisions with regard to CSI investment programmes, yet all projects are driven by values similar 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, yet projects, in many cases, are executed and championed by the employees.

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 that provide the best possible short-term and sustainable long-term benefits to beneficiaries. All projects are monitored and managed to ensure that funds are appropriately and responsibly used. A significant amount is spent on various initiatives across the group as divisions continue with monetary investment, product and service donations, sponsorships and social economic development.

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.