



STEINHOFF

INTERNATIONAL HOLDINGS LTD

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2014

Notice of annual general meeting

for the year ended 30 June 2014

Notice is hereby given that the 16th annual general meeting of the shareholders of Steinhoff International Holdings Limited (registration number 1998/003951/06) (Steinhoff or the company or the group) will be held at 10:00 in the auditorium of the company, at 28 Sixth Street, Wynberg, Sandton, on Tuesday, 2 December 2014, for the purpose of dealing with the following business and, if deemed fit, of passing, with or without modification, the resolutions set out below.

Purpose

The purpose of the meeting is to transact the business set out in the agenda below.

In order for the proposed ordinary resolutions to be adopted, with the exception of ordinary resolution number 6, the support of a majority of votes cast by shareholders present or represented by proxy at the meeting is required. In respect of the special resolutions set out below and in respect of ordinary resolution number 6, the support of at least 75% of the total number of votes which the shareholders present or represented by proxy are entitled to cast is required.

Agenda

Ordinary business

1. To present the audited annual financial statements of the company for the year ended 30 June 2014, together with the report of the directors and auditors and the audit committee report.
2. To reappoint, on the recommendation of the audit committee, Messrs Deloitte & Touche of Pretoria (the firm) as the auditors of the company as contemplated under section 90 of the Companies Act, 71 of 2008, as amended (the Act), with Xavier Botha, a registered auditor and member of the firm as the individual who will undertake the audit.
3. **Special resolution number 1**
To consider and, if deemed fit, to pass, with or without modification, the following resolution as a special resolution:

Resolved that the company is authorised to pay remuneration to directors for their services as directors during the 2015 financial year, as follows:

- 3.1. the remuneration (fees) for executive directors, which fees are payable with and as part of basic remuneration, to be set at R788 000 (2014: R744 000) per annum;
- 3.2. the remuneration (fees) for non-executive directors to be set as follows:

	2015 R	2014 R
Board		
3.2.1 Independent non-executive chairman (all inclusive fee)	1 662 000	1 560 000
Members (R83 000 per meeting)	332 000	312 000
Annual retainer (in respect of informal commitments):	83 000	78 000
3.2.2 Total for members	415 000	390 000
Committee fees		
3.2.3 Audit:		
Chairman	353 000	330 000
Member	182 000	170 000
3.2.4 Human resources and remuneration:		
Chairman	166 000	156 000
Member	85 000	80 000
3.2.5 Group risk overview	36 000	34 000
3.2.6 Nomination	17 300	16 250
3.2.7 Social and ethics		
Chairman	55 000	52 000
Member (non-executive)	36 200	34 000

The abovementioned fees reflect an increase of approximately 6.5% (2013: 6.2%) to the fees approved at the previous annual general meeting.

Each of the special resolutions set out in paragraphs 3.1 and 3.2.1 to 3.2.7 will be considered separately.

Reason for and effect of the special resolution

The reason for these special resolutions is that shareholders are required to pre-approve the payment of remuneration to directors for their services as directors by way of passing a special resolution in terms of section 66(9) of the Act. The effect of these special resolutions, if approved, will be that the Company will be authorised to pay the aforementioned remuneration to its directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

4. **Ordinary resolution number 1**

To consider and, if deemed fit, to pass, with or without modification, the following resolutions as ordinary resolutions:

Appointment of directors:

Non-executive directors

To individually elect the following directors, who retire by rotation in accordance with the memorandum of incorporation of the company ("the MOI"), and who, being eligible, offer themselves for re-election:

- 4.1. DC Brink*
- 4.2. CE Daun*
- 4.3. JF Mouton
- 4.4. BE Steinhoff*
- 4.5. CH Wiese*

Executive directors

To individually elect the following directors, who retire by rotation in accordance with the MOI, and who, being eligible, offer themselves for re-election:

- 4.6. SJ Grobler
- 4.7. HJK Ferreira

** In terms of article 25.3.2.1 of the MOI, these directors shall retire from office at every annual general meeting of the company.*

The reason for the ordinary resolutions set out in paragraphs 4.1 to 4.7 (inclusive) is that the MOI and, to the extent applicable, the Act, requires that a component of the directors retire by rotation at the annual general meeting of the company and, being eligible, may offer themselves for re-election as directors.

The proposed retirement and re-election of the above directors has received the support of the nomination committee and each will be considered separately.

Summarised curriculum vitae of DC Brink

David Charles Brink (Dave) (75)

MSc Eng (Mining), DComm (hc), Graduate Diploma in Company Direction

Dave was appointed to the Steinhoff board as an independent non-executive director in December 2007.

Dave is a board member of the National Business Initiative, chairman of the board of the Wits University Foundation and a vice president of the Institute of Directors in South Africa. He also serves as an independent non-executive director of JD Group Limited. He is also a member of the Millennium Labour Council, a past chairman of the Absa Group, Murray & Roberts Holdings Limited and Unitrans Limited, and a past director of Sanlam Limited, BHP Billiton Limited and SAPPI Limited. In 2010, Dave was appointed by the board of Steinhoff as the senior independent non-executive director. He chairs the remuneration committee and is also a member of the audit committee.

Summarised curriculum vitae of CE Daun

Claas Edmund Daun (Claas) (71)

BAcc, CA

Claas is an independent non-executive director, he joined the Steinhoff Germany board in 1992 and was appointed to the Steinhoff board in 1998.

Claas has extensive experience in management and investments worldwide and is a corporate investor in several industries. Claas was instrumental in developing the KAP Industrial Holdings Limited ("KAP") businesses and acted as chairman of KAP for many years. Claas resigned from the KAP board on 25 June 2012. He is currently a member of the boards of KAP AG, Courthiel Holdings Proprietary Limited, Daun and Cie AG, Stöhr AG, Mech Baumwoll-Spinnerei and Weberei AG, and holds several other directorships. Claas is honorary consul of South Africa in Lower Saxony, Germany. He holds a master's degree in business commerce from the University of Cologne and qualified as a chartered accountant in 1975.

Notice of annual general meeting (continued)

for the year ended 30 June 2014

Summarised curriculum vitae of JF Mouton

Johannes Fredericus Mouton (Jannie) (68)

BComm (Hons), CA(SA), AEP

Jannie was appointed to the Steinhoff board as an independent non-executive director in October 2002.

After having completed his BCom (Hons) in 1969, Jannie then qualified as a CA(SA) in 1973. Jannie was co-founder and managing director of Senekal Mouton and Kitshoff Inc, whereafter he founded PSG Group Limited and later co-founded Capitec Bank Holdings Limited. He has more than 35 years' experience in financial management and investment banking and is currently the chairman and a director of various companies within the PSG Group.

Summarised curriculum vitae of BE Steinhoff

Bruno Ewald Steinhoff (Bruno) (76)

Bruno is the founder of the group and was chairman of Steinhoff until the end of September 2008.

He relinquished executive duties with effect from 1 April 2008 and continues serving as non-executive director, assisting on special projects for the group. After studying industrial business, Bruno started his furniture trade and distribution business in June 1964 in Westerstede, Germany. During this period, he also gained furniture retail experience, having spent three years in Berlin. In 1971, he expanded the business into manufacturing with the first upholstery factory in Remels. During the 1980s, Bruno acquired interests in central and eastern Europe and in a joint venture in South Africa with Claas Daun involving Gommagomma Holdings. He has 50 years' experience in the furniture industry and more than 40 years' manufacturing experience.

Summarised curriculum vitae of CH Wiese

Christoffel Hendrik Wiese (Christo) (73)

BA, LLB, DComm (hc) University of Stellenbosch

Christo was appointed as an independent non-executive director to the Steinhoff board on 5 March 2013.

He practised at the Cape Bar in the 1970s before joining Pepkor Holdings of which he has been the chairperson and controlling shareholder since 1981. In addition he acts as chairman and controlling shareholder of Shoprite Holdings Limited, Invicta Holdings Limited, Tradehold Limited and Brait SA Limited and he is a former chairman of the Industrial Development Corporation. Christo has served on the boards of many listed companies over the years and is a past director of the South African Reserve Bank.

Summarised curriculum vitae of SJ Grobler

Stephanus Johannes Grobler (Stéhan) (55)

BComm (Hons) (Economics), LLB

Stéhan is executive director: group treasury and financing activities and was appointed to the Steinhoff board in 2005.

In December 1999, Stéhan was appointed company secretary of Steinhoff and joined the group more formally in July 2000. Stéhan was admitted as an attorney of the High Court of South Africa in 1989. He was also admitted as a notary public, conveyancer and to appear in the High Court of South Africa. Stéhan gained extensive experience practising in the business and corporate law fields advising various listed and unlisted companies on commercial and company law issues. Stéhan also heads the legal department of the group. He acts as director for various groups and companies. Stéhan was appointed as alternate executive director in December 2005 and became an executive director of Steinhoff with effect from May 2009.

Summarised curriculum vitae of HJK Ferreira

Hendrik Johan Karel Ferreira (Piet) (59)

BCompt (Hons), CA(SA)

Piet is executive director: mergers and acquisitions and was appointed to the Steinhoff board in 2005.

He commenced his career in corporate finance in 1986 and worked at several investment banks before joining Steinhoff in January 2002, after which he was appointed as an alternate director in December 2005. During his career with South African investment banks, he was involved with various corporate finance transactions, including the group's initial public offering on the JSE in 1998. Piet has extensive corporate finance experience and expertise in the field of mergers and acquisitions, fund raising and financing transactions, company restructures and general corporate finance. Since joining Steinhoff, he has been involved in most of the corporate transactions concluded by Steinhoff. Piet also serves as a member of the issuer services regulation advisory committee of the JSE. Piet was appointed as an executive director of Steinhoff and Steinhoff Investment Holdings Limited with effect from May 2009.

5. **Ordinary resolution number 2**

To consider and, if deemed fit, to pass, with or without modification, the following resolutions as ordinary resolutions:

To individually re-elect the following independent non-executive directors as members of the company's audit committee until the next annual general meeting:

- 5.1. SF Booysen (Chairman);
- 5.2. DC Brink; and
- 5.3. MT Lategan.

The reason for the ordinary resolutions set out in paragraphs 5.1 to 5.3 (inclusive) is that the company, being a public-listed company, must appoint an audit committee and the Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of the company.

The board is satisfied that the above persons are suitably skilled and experienced independent non-executive directors and that they collectively possess the appropriate experience and qualifications to fulfil their duties as contemplated in regulation 42 of the Companies Regulations 2011. The appointment of each individual member of the audit committee will be conducted by way of a separate vote.

Summarised curriculum vitae of SF Booysen

Stefanes Francois Booysen (Steve) (52)

BCompt Hons (Accounting), MCompt DComm (Accounting), CA(SA)

Steve was appointed to the Steinhoff board as an independent non-executive director in September 2009.

He completed his articles with Ernst & Young and acted as lecturer at the University of South Africa. In 2006, he was appointed as council member of the University of Pretoria. Steve is the former group chief executive officer of Absa Group Limited. He also serves on the boards of Clover Limited, JD Group Limited, Senwes Limited and Vukile Property Fund Limited. Steve is the chairman of Steinhoff's audit committee.

Summarised curriculum vitae of DC Brink

David Charles Brink (Dave) (75)

MSc Eng (Mining), DComm (hc), Graduate Diploma in Company Direction

Dave was appointed to the Steinhoff board as an independent non-executive director in December 2007.

Dave is a board member of the National Business Initiative, chairman of the board of the Wits University Foundation and a vice president of the Institute of Directors in South Africa. He also serves as an independent non-executive director of JD Group Limited. He is also a member of the Millennium Labour Council, a past chairman of Absa Group Limited, Murray & Roberts Holdings Limited and Unitrans Limited, and a past director of Sanlam, BHP Billiton Limited and Sappi Limited. In 2010, Dave was appointed by the board of Steinhoff as the senior independent non-executive director. He chairs the remuneration committee and is also a member of the audit committee.

Summarised curriculum vitae of MT Lategan

Marthinus Theunis Lategan (Theunie) (57)

DComm, CA(SA)

Theunie was appointed to the Steinhoff board as an independent non-executive director in September 2011.

Since 2007, Theunie has served as a member of the council of the University of the Witwatersrand. He lectured in accounting and taxation at the University of Johannesburg until 1987, after which he returned to practice at PricewaterhouseCoopers Inc. He joined Rand Merchant Bank in 1994 and later became head of their structured finance unit. In 1999 he became chief executive officer for the corporate banking unit of First National Bank. In 2004 he was appointed to the executive management committee of the FirstRand Group and served on various committees. In 2005, Theunie was appointed chief executive officer for FirstRand Africa and Emerging Markets and, in 2007, he relocated to India to set up FirstRand Banking Group, India. He retired from the FirstRand Group in July 2010. He serves as vice chairman for Absa Corporate and previously acted as chairman of RARE Holdings Limited, an AltX-listed company. Theunie also serves on the board of JD Group Limited. In addition to his appointment as an independent non-executive director, Theunie has also been appointed as a member of Steinhoff's audit committee.

Notice of annual general meeting (continued)

for the year ended 30 June 2014

Special business

6. *Special resolution number 2*

To consider, and if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

Resolved that, in terms of regulation 31 of the Companies Regulations, the share capital of the company, comprising: 1 000 000 000 (one billion) non-redeemable, cumulative, non-participating preference shares of 0.1 (1/10) cent each; 3 000 000 000 (three billion) authorised ordinary shares having a par value of 0.5 cents each; and 2 459 880 692 (two billion four hundred and fifty nine million eight hundred and eighty thousand six hundred and ninety two) issued ordinary shares having a par value of 0.5 cents each, are, without altering the substance of the specific rights and privileges associated therewith, converted into 1 000 000 000 (one billion) non-redeemable, cumulative, non-participating preference shares of no par value; and 3 000 000 000 (three billion) authorised ordinary shares having no par value; and 2 459 880 692 (two billion four hundred and fifty nine million eight hundred and eighty thousand six hundred and ninety two) issued ordinary shares with no par value and that the MOI is amended by:

- (i) the deletion in its entirety of clause 8 of the memorandum of association, which forms part of the MOI, and the substitution thereof as follows:

"8. CAPITAL

The authorised share capital of the Company is divided into:

- (i) 3,000,000,000 (three billion) ordinary shares of no par value; and
 - (ii) 1,000,000,000 (one billion) non-redeemable, cumulative, non-participating preference shares of no par value."; and
- (ii) the deletion of sub-clause 1.1.10 (definition of "preference shares") in Schedule 2 to the MOI, being the terms and conditions of the non-redeemable, cumulative, non-participating preference shares, and the replacement thereof as follows:

"1.1.10 "preference shares" means 1,000,000,000 (one billion) non-redeemable, cumulative, non-participating, variable rate, preference shares of no par value in the share capital of the Company; and"

On the basis that each non-redeemable, cumulative, non-participating preference share and each ordinary no par value share shall have the same value, rights and privileges as the value, rights and privileges which attached to such shares immediately prior to the passing of this special resolution number 2 and that all amounts standing to the credit of the share capital account and the share premium account of the company be transferred to the stated capital account of the company; and

In order for special resolution number 2 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or represented by proxy, is required.

The report of the board, in terms of regulation 31(7) of the Companies Regulations, is as set out below:

In accordance with regulation 31(7), it is the opinion of the board that:

- a) the value of the issued ordinary shares in Steinhoff, held by the Steinhoff shareholders, will be unaffected by the conversion of the authorised and issued ordinary shares and non-redeemable, cumulative, non-participating preference shares in the company to authorised and issued ordinary shares and non-redeemable, cumulative, non-participating preference shares of no par value (the conversion);
- b) the company's issued share capital consists only of ordinary shares and no class of shares will be affected by the conversion;
- c) there will be no material effect on the economic and/or voting rights of Steinhoff shareholders as a result of the conversion;
- d) the conversion will not result in any material adverse effect and no person or entity will receive any compensation as a result of such conversion.

Reason for and effect of this resolution

The reason for special resolution number 2 is that in terms of section 35(2) of the Act, with effect from 1 May 2011, a share does not have a nominal or par value, subject to transitional arrangements applicable to pre-existing companies. In terms of regulation 31(2), a pre-existing company may not authorise any new par value shares, or shares having a nominal par value, on or after the effective date. In order to increase the authorised

share capital of the company, the Act therefore requires that the share capital, authorised and issued, of the company, be converted from pre-existing par value shares to no par value shares, to comply with the aforementioned section 35 of the Act. The proposed change does not and will not result in any rights of any existing shareholder being affected.

The effect of special resolution number 2 is to convert the non-redeemable, cumulative, non-participating preference shares and the ordinary shares in the company's authorised and issued share capital from ordinary par value shares into ordinary shares of no par value.

7. Special resolution number 3

To consider, and if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

Resolved that, subject to the adoption of special resolution number 2 and the filing of special resolution number 2 with the Companies and Intellectual Property Commission, the authorised ordinary no par value shares of the company be increased by the creation of a further 3 000 000 000 (three billion) ordinary no par value shares, ranking *pari passu* in all respects with the existing no par value shares in the authorised ordinary share capital of the company so as to result in a total of 6 000 000 000 (six billion) ordinary no par value shares in the authorised ordinary share capital of the company and that the MOI be amended by the deletion in its entirety of clause 8 of the memorandum of association (as amended in terms of special resolution number 2 above) that forms part of the MOI, and the substitution thereof as follows:

"8. CAPITAL

The authorised share capital of the Company is divided into:

- (i) 6,000,000,000 (six billion) ordinary shares of no par value; and
- (ii) 1,000,000,000 (one billion) non-redeemable, cumulative, non-participating preference shares of no par value."

In order for special resolution number 3 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Reason for and effect of this resolution

The reason for special resolution number 3 is to increase the authorised share capital of the company, allowing for the allotment and issue of shares in the company for possible acquisitions or capital raisings as permitted by the MOI, but subject to the necessary consents and approvals remaining in place and/or to the extent granted in future by shareholders, the JSE or any other regulatory authorities.

The effect of special resolution number 3 is that the company's authorised share capital be increased to 6 000 000 000 (six billion) ordinary shares of no par value. The increased share capital will be subject to such consents and approvals as may be required in terms of the MOI or any of the listings requirements of the JSE (Listings Requirements) applicable to the company.

8. Ordinary resolution number 3

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

Resolved that, as a general authority, 150 000 000 (one hundred and fifty million) ordinary shares and 20 000 000 (twenty million) non-redeemable, cumulative, non-participating preference shares, with or without rights to convert to ordinary shares in the authorised but unissued share capital of the company, be and are hereby placed under the control of the directors of the company, until the next annual general meeting, to allot and issue such shares to such person(s) and on such terms and conditions as the directors may in their sole discretion determine.

9. Ordinary resolution number 4

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

Resolved that 15 000 000 (fifteen million) unissued ordinary shares in the authorised but unissued share capital of the company be placed under the control of the directors for the continued implementation of the Steinhoff incentive schemes.

Reason for and effect of this resolution

Taking cognisance of the current obligations assumed under the various share incentive schemes administered by the group, it is anticipated that approximately 11 500 000 (eleven million five hundred thousand) ordinary shares may be required for issue during the period from the annual general meeting to be held on 2 December 2014 to the date of the next annual general meeting. These shares have been authorised and reserved in terms of authorities previously granted by shareholders.

Notice of annual general meeting (continued)

for the year ended 30 June 2014

10. *Special resolution number 4*

To consider and, if deemed fit, to pass, with or without modification, the following resolution as a special resolution:

Resolved that the acquisition by the company of shares issued by it, on such terms and conditions as may be determined by the directors, and the acquisition by any subsidiary of the company of shares issued by the company, on such terms and conditions as may be determined by the directors of any such subsidiary, be approved as a general approval in terms of sections 46 and 48 of the Act, subject to the relevant provisions of the Act and the Listings Requirements in force at the time of acquisition and provided that:

- 10.1. such acquisition is permitted in terms of the Act and the MOI;
- 10.2. this authority shall not extend beyond 15 (fifteen) months from the date of this meeting or until the date of the company's next annual general meeting whichever period is shorter;
- 10.3. this authority be limited to a maximum of 20% (twenty percent) of the issued share capital of a specific class in one financial year, provided that the acquisition of shares by a subsidiary of the company may not, in any one financial year, exceed 10% (ten percent) in the aggregate of the number of issued shares of the company and that the total shares held by a subsidiary may never exceed 10%;
- 10.4. repurchases shall not be made at a price more than 10% (ten percent) above the weighted average of the market value of the securities traded for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- 10.5. the repurchase of securities will be implemented through the order book operated by the JSE trading system (open market) and without any prior understanding or arrangement with any counterparty;
- 10.6. the company will, at any point in time, appoint only one agent to effect any repurchase(s) on the company's behalf;
- 10.7. such repurchase(s) shall not occur during a prohibited period as defined in the Listings Requirements unless implemented in accordance with a repurchase programme which has been submitted to the JSE in writing and executed by an independent third party;
- 10.8. when 3% (three percent) of the initial number, i.e. the number of shares in issue at the time that the general authority from shareholders is granted, is cumulatively repurchased and for each 3% (three percent) in aggregate of the initial number acquired thereafter, an announcement shall be made in accordance with the Listings Requirements; and
- 10.9. a resolution by the board of directors has been passed authorising any repurchase, and confirming that the company has passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the group.

Reason for and effect of the special resolution

The reason for this special resolution is to obtain shareholder approval for the directors to repurchase shares of the company and for any subsidiary of the company to acquire shares issued by the company subject to the Act and the Listings Requirements. The board does not intend to use such power unless prevailing circumstances (including the tax dispensation and market conditions) warrant such a step. All required certificates and relevant statements shall be issued. The effect of the passing and registration of this resolution will be that the directors will have the authority to implement a general repurchase of shares in accordance with the provisions of the Act and the Listings Requirements.

A repurchase of shares is not contemplated at the date of this notice. However, the board believes it to be in the interest of the company that shareholders grant a general authority to provide the company with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the company arises.

It is currently the intention of the board to primarily avail itself of this authority to repurchase shares for purposes of its existing obligations under the Steinhoff Share Incentive Scheme and existing outstanding convertible bonds in issue.

Information and statement relating to this special resolution:

In accordance with paragraph 11.26 of the Listings Requirements, the attention of shareholders is drawn to:

- the importance of this resolution. Should shareholders be in any doubt as to what action to take, they are advised to consult appropriate independent advisors.

- the following information, details of which are reflected in Annexure A hereto, distributed to shareholders together with this notice:
 - major shareholders of the company;
 - share capital of the company.

Directors' statement

- The directors collectively and individually accept full responsibility for the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made.
- There have been no material changes in the financial or trading position of the group since the publication of the financial results for the year ended 30 June 2014 and the date of this notice.
- The directors are of the opinion, after considering the effect of a maximum repurchase of shares, that for a period of 12 (twelve) months from the date of this notice:
 - o the company shall meet the solvency and liquidity test as contemplated by section 46(1)(b) of the Act;
 - o the company and the group will be able, in the ordinary course of business, to pay its debts;
 - o the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and the group;
 - o the company and the group will have adequate ordinary capital and reserves;
 - o the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice; and
 - o the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months from the date of this notice.

11. Ordinary resolution number 5

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

General authority to distribute share capital and/or reserves to shareholders:

Resolved that the directors be authorised, by way of a general authority, to distribute to shareholders of the company any share capital, share premium and reserves of the company in terms of section 46 of the Act and articles 6.3 and 14 of the MOI, with or without the right to receive shares as a capitalisation award.

Such general authority will provide the board with the flexibility to distribute any surplus capital of the company in cash and/or by a capitalisation award to its shareholders, provided that:

- the general authority shall be valid until the next annual general meeting of the company or for 15 (fifteen) months from the passing of this ordinary resolution, whichever period is shorter;
- any general payment by the company shall not exceed 20% (twenty percent) of the company's issued share capital and reserves, excluding minority interests and any revaluation of assets and intangible assets that are not supported by an independent professional acceptable to the JSE;
- the directors be authorised to afford shareholders the right to receive capitalisation awards or instead to elect to receive a cash distribution contemplated in respect of this resolution;
- any general payment and/or capitalisation award is made pro rata to all shareholders; and
- a resolution of the board of directors has been passed authorising the distribution and confirming that the company has passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the group.

Shareholders are referred to the 'information and statement' under special resolution number 4, which information applies *mutatis mutandis* to this resolution.

Notice of annual general meeting (continued)

for the year ended 30 June 2014

12. *Ordinary resolution number 6*

To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

Resolved that the directors of the company be and are hereby authorised, in terms of articles 6.9 and 13 of the company's MOI, subject to the Listings Requirements and the provisions of section 41 of the Act, to create and issue convertible debentures, debenture stock or bonds or other convertible instruments, or in respect of any adjustments regarding existing convertible instruments in the capital of the company or any of its subsidiaries up to a maximum of 150 000 000 (one hundred and fifty million) ordinary shares in the capital of the company, subject to a conversion premium of not less than 25% (twenty five percent) above the volume weighted traded price of the ordinary shares in the company for the three trading days prior to pricing and to such conversion and such other terms and conditions as the directors may determine in their sole and absolute discretion, which authority shall be valid only until the next annual general meeting of the company or 15 (fifteen) months from the date of the passing of this resolution, whichever period is shorter.

It being recorded that any additional ordinary shares in the capital of the company which may arise from an adjustment(s) to the respective conversion prices of the existing convertible bonds issued by the company or any subsidiary, convertible into the capital of the company, may be procured from the authority granted in terms of this ordinary resolution number 6.

The company will, after effecting any such issue which represents, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, publish an announcement containing full details of the issue, or any other announcements that may be required in such regard in terms of the Listings Requirements as may be applicable from time to time. Any such conversion will only be in relation to securities of a class already in issue.

At least 75% (seventy five percent) of the votes cast by those shareholders present or represented by proxy and voting at the annual general meeting will be required in order for ordinary resolution number 6 to be approved.

13. *Ordinary resolution number 7*

To consider and, if deemed fit, to pass, with or without modification the following non-binding resolution:

Resolved that the remuneration policy as set out in Annexure B be endorsed by way of a non-binding advisory vote.

14. *Special resolution number 5*

To consider, and if deemed fit, to pass the following resolution, with or without modification, as a special resolution:

Resolved that, to the extent required, the shareholders approve the following:

- the provision by the company of financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person (excluding any director or prescribed officer or executive of the company or of a related or inter-related company), for the purpose of, or in connection with, the subscription of any option, or any securities, or convertible instruments, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities or convertible instruments of the company or a related or inter-related company in terms of section 44 of the Act, in favour of that category of recipients as contemplated in terms of Section 44(3)(a)(ii) of the Act;
- the provision by the company of direct or indirect financial assistance to a related or inter-related company (as defined in the Act) by way of a general authority in favour of that category of recipients as contemplated in terms of section 45(3)(a)(ii) of the Act;
- the provision by the company of direct or indirect financial assistance for purposes of the company and/or its subsidiary or related or inter-related companies entering into funding and facility agreements and debt capital market and domestic medium term note programmes with financing, banking and investment institutions in respect of facilities and funding afforded to the group and/or any one or more of the subsidiary, related or inter-related companies; and
- any subordination by the company of its claims held on shareholder's and/or inter-company (related-company) loan accounts against any subsidiary and/or related or inter-related company.

Reason for and effect of the special resolution

In terms of sections 44 and 45 of the Act, a company is required to obtain shareholder approval, by way of passing a special resolution, for the provision by it of direct or indirect financial assistance.

The company has, at all relevant times, provided financial assistance to its subsidiary and related and inter-related companies, directly and/or indirectly, for the benefit of such subsidiary or related or inter-related companies and/or the group. To facilitate the achievement by the group of its strategic goals, it is necessary that this assistance continue.

The board is satisfied, or will satisfy itself that:

- immediately after providing any direct or indirect financial assistance approved in terms of this resolution, the company will satisfy the solvency and liquidity test and, to the extent required, will conduct such further tests; and
- the terms under which the existing financial assistance has been provided prior to the effective date of the Act and the financial assistance to be given in respect of any subsidiary, related or inter-related company, are or will be fair and reasonable to the company.

The reason for this special resolution is that, from time to time, the company provides financial assistance to subsidiaries and other related companies within the group. The effect of this special resolution is that the company will be authorised to provide financial assistance to subsidiaries and other related parties within the group.

15. **General**

To transact such other business as may be transacted at an annual general meeting.

16. **Authority**

Any director or secretary of the company, for the time being, be and is hereby authorised to take all such steps, sign all such documents and to do all such acts, matters and things for and on behalf of the company as may be necessary to give effect to the special and ordinary resolutions passed at the annual general meeting

By order of the board

Steinhoff Africa Secretarial Services Proprietary Limited

Company secretary
3 November 2014

Registered office

28 Sixth Street
Wynberg
Sandton
(PO Box 1955, Bramley, 2018)

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (the share register) for purposes of being entitled to receive this notice is Friday, 31 October 2014.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this meeting is Friday, 21 November 2014, with the last day to trade being Friday, 14 November 2014.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly bring a copy of their identity document, passport or driver's licence to the annual general meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which the relevant instructions for its completion are set out, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 10:00 on Friday, 28 November 2014.

Notice of annual general meeting (continued)

for the year ended 30 June 2014

6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary Letter of Representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

Electronic participation

Should any shareholder of the company wish to participate in the annual general meeting by way of electronic participation, that shareholder shall make application in writing, including details as to how the shareholder or its representative can be contacted to participate, to the company secretary (copy to the transfer secretaries) at the applicable addresses set out below at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (or its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

Company secretary:

28 Sixth Street
Wynberg, Sandton
2090
(PO Box 1955, Bramley 2018)
Telefax: +27 11 445 3094/+27 21 808 0794

Transfer secretaries:

70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown 2107)
Telefax: +27 11 688 5248

Annexure A

Information and statement relating to special resolution number 4

Analysis of shareholding for the year ended 30 June 2014

	Public	%	Directors and key management	%	Other	%
Shareholders in South Africa						
– Number of shareholders	23 198	99.91	19	0.09	1	–
– Number of shares	1 071 519 130	88.09	138 091 220	11.35	6 800 000	0.56
Shareholders other than in South Africa						
– Number of shareholders	1 089	99.45	5	0.46	1	0.09
– Number of shares	698 953 570	78.23	194 503 658	21.77	13 120	–
Total						
– Number of shareholders	24 287	99.89	24	0.10	2	0.01
– Number of shares	1 770 472 700	83.91	332 594 878	15.77	6 813 120	0.32

	30 June 2014		30 June 2013	
	Number	%	Number	%
According to the share register of the company, the following shareholders are registered as holding in excess of 5% of the issued share capital of the company:				
Nedcor Bank Nominees Limited	441 170 684	20.91	408 676 508	22.26
Standard Bank Nominees Transvaal Proprietary Limited	440 426 957	20.87	406 747 776	22.15
SE Nominees Proprietary Limited	271 611 146	12.87	301 909 995	16.44
First National Nominees Proprietary Limited	279 129 149	13.23	199 654 698	10.87
Ferbros Nominees Proprietary Limited	120 617 493	5.72	127 019 884	6.92
CMB Nominees Proprietary Limited	108 145 738	5.13	60 754 716	3.31
	1 661 101 167	78.73	1 504 763 577	81.95
Save for the above, according to the disclosure in terms of section 56 of the Companies Act, the following shareholders are registered as holding in excess of 5% of the issued share capital of the company, as compiled from the nominee disclosures:				
BS Beteiligungs und Verwaltungs GmbH	190 616 554	9.03	171 937 928	9.36
Investec Asset Management	227 153 601	10.77	241 013 144	13.13
Public Investment Commissioners	297 777 975	14.11	237 720 826	12.95
Sanlam Investment Managers	97 341 604	4.61	105 654 115	5.75

Annexure A (continued)

Information and statement relating to special resolution number 5

	2014 Number of shares	2013 Number of shares	2014 Rm	2013 Rm
ORDINARY SHARE CAPITAL AND PREMIUM				
Authorised				
Ordinary shares of 0.5 cents each	3 000 000 000	3 000 000 000	15	15
Issued				
Shares in issue at beginning of the year	1 836 154 196	1 769 701 344	9	9
Shares issued during the year	273 726 496	66 452 852	2	*
Shares in issue at end of the year	2 109 880 692	1 836 154 196	11	9
Share premium				
Balance at beginning of the year			9 953	10 079
Profit on treasury share transactions net of capital gains taxation			1	57
Share premium arising on issue and utilisation of shares net of transaction costs			10 683	1 518
Capital distribution			–	(1 701)
Balance at end of the year			20 637	9 953
Treasury shares				
Balance at beginning of the year	(11 053 042)	(13 863 094)	(161)	(190)
Purchases of shares	–	(4 794 527)	–	(131)
Sale of shares	1 089 242	7 763 072	20	149
Capital distribution	–	(158 493)	–	11
Balance at end of the year	(9 963 800)	(11 053 042)	(141)	(161)
Total issued ordinary share capital and premium	2 099 916 892	1 825 101 154	20 507	9 801
Movement of net share capital and premium				
Balance at beginning of the year			9 801	9 898
Movement for the year			10 706	1 593
Net shares issued			10 685	1 518
Purchases of shares			–	(131)
Proceeds on sale of shares net of capital gains taxation			21	206
Capital distribution			–	(1 690)
Balance at end of the year			20 507	9 801

* Amount is less than R500 000.

	2014 Number of shares	2013 Number of shares	2014 Rm	2013 Rm
PREFERENCE SHARE CAPITAL AND PREMIUM				
Authorised				
Steinhoff				
Variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents each	1 000 000 000	1 000 000 000	1	1
Steinhoff Investment				
Variable rate, cumulative, non-redeemable, non-participating preference shares of 0.1 cents each	495 000 000	495 000 000	*	*
Steinhoff Africa				
Variable rate, cumulative, redeemable preference shares of 1 cent each	2 000	2 000	*	*
Issued				
Steinhoff Investment				
In issue at beginning and end of the year	15 000 000	15 000 000	*	*
Steinhoff Africa				
In issue at beginning of the year	1 585	1 850	*	*
Shares redeemed during the year	(252)	(265)	*	*
In issue at end of the year	1 333	1 585	*	*
Share premium				
Balance at beginning of the year			3 877	4 276
Share premium redeemed during the year			(378)	(398)
Loss on treasury share transactions net of capital gains taxation			(118)	(1)
Balance at end of the year			3 381	3 877
Treasury shares				
Balance at beginning of the year	(3 347 393)	(3 979 170)	(380)	(439)
Sale of shares	3 347 393	631 777	380	59
Balance at end of the year	–	(3 347 393)	–	(380)
Total issued preference share capital and premium	15 001 333	11 654 192	3 381	3 497

* Amount less than R500 000.

Terms of issued Steinhoff Investment preference shares

The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Investment.

Terms of issued Steinhoff Africa preference shares

The preference shares earn dividends on the issue price at the rate of 88% of the SA prime lending rate quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of Steinhoff Africa.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued preference shares, subject to the listings requirements of the JSE relating to a general authority of directors to issue shares for cash.

Annexure B

Remuneration report

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 targets. Steinhoff's remuneration philosophy is to remunerate all employees in a competitive manner to attract, motivate and retain competent knowledgeable and experienced individuals.

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 the group 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.

The board has critically assessed and carefully considered the independence of Dr. Len Konar who has served as independent non-executive director for more than nine years. The board has determined that he remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect or which could appear to affect his judgement or independence of character.

The remuneration committee met twice during the 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)
- 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, 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:
 - o Global diversity, staff turnover ratios, average age and tenure of services of the workforce
 - o 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
 - o Performance management and the effectiveness of variable incentivisation schemes
 - o 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:
 - o Kingfisher Plc
 - o Home Retail Group Plc
 - o Darty Plc

Although KAP and JD Group are separately listed companies with their own remuneration committees, the group takes into account listed peer group companies comparable to Steinhoff Africa's management teams in casting its vote for their respective remuneration policies, as disclosed in their respective integrated reports.

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 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 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.

Annexure B (continued)

Remuneration policy

The remuneration policy aims to follow the recommendations of 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 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

Elements of remuneration

The four elements of managerial remuneration consist of a base salary, benefits, annual incentive bonus and long-term incentives. The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of managerial remuneration and between those aspects of the package linked to short-term financial performance and those aspects linked to longer-term sustainable stakeholder value creation.

A further consideration is the need to attract and retain critical international management and specialist skills in the group. The remuneration committee considers each element of remuneration relative to the market and takes into account the performance of the company and the individual executive in determining its quantum.

For further detail refer to notes 2.3 and 2.4 in the annual financial statements, available at www.steinhoffinternational.com.

Base salary

The fixed element of remuneration is referred to as a base salary. Its purpose is to provide a competitive level of remuneration for each level of manager. The base salary is subject to annual review. It is set to be competitive at the median level with reference to market practice in companies comparable in size, market sector, business complexity and international scope. Company performance, individual performance and changes in responsibilities are also taken into consideration when determining annual base salaries. In determining the salaries of the executive management, the committee takes into consideration inflation, agreed union and bargaining council increases, and the increased scale of businesses given corporate activity undertaken during the year.

The average annual increase in base salary for the group approximated the rate of consumer price inflation in the respective geographic territories.

Benefits

Benefits provide security for managerial employees and their families and include membership of retirement funds and medical aid schemes, to which contributions are made by employees and the employer company.

Annual bonus

An annual short-term incentive plan provides management throughout the group with incentives to achieve short and medium-term goals as set and approved by the applicable board of directors. The annual cash incentive is based upon the achievement of group and, where applicable, divisional operational and business growth targets. Targets are set at each operational level and include financial, operational and transformation targets, representing in excess of 80% of the potential incentive. In some cases the performance criteria is supplemented by personal performance objectives, representing on average less than 20% of the potential bonus that can be achieved.

The international group services team is responsible for the development of the group's strategic assets and liabilities centrally. Under the leadership of the international group services team, located in various regions, support is provided to divisional management in the form of corporate services. This enables local management to devote their full attention to operational issues. These teams ensure that the corporate assets and financial risks are prudently managed, and that activities comprising brand management, properties, treasury, corporate activities (including mergers and acquisitions) and other functions are aligned and conducted in the best interest of the group.

In terms of strategic implementation targets, individuals in Steinhoff's group services division are incentivised on individual strategic targets and implementation of various corporate transactions (as determined by the board of Steinhoff). All targets and incentives are agreed by the remuneration and divisional committees.

Annual incentive potentials are set by the remuneration and divisional committees on an individual basis each year based on a percentage of annual base salary. The bonus plan is not contractual and is self-funded and therefore dependent on the availability of profits in excess of annual targets generated every year. The remuneration committee retains the discretion to make adjustments to bonuses earned at the end of the financial year, taking into account both company performance and the overall and specific contribution of individuals to meeting the group's objectives. Incentives are determined and recorded in the financial year following that to which the performance relates.

Measurement of performance

For the period under review the following performance criteria were achieved against targets:

1. Steinhoff reported growth of 20% in revenue to R117.4 billion (FY13: R97.9 billion). Operating profit before capital items increased to R12.6 billion, representing a 29% increase on the prior year's R9.8 billion. Earnings attributable to ordinary shareholders increased by 40% to R9.8 billion (FY13: R7.0 billion) while basic earnings per share increased by 43% to 510 cents per share. Headline earnings per share from continuing operations increased 28% to 461.7 cents per share, while headline earnings from continuing and discontinued operations increased by 14% to 443.4 cents per share. This growth exceeded that of the growth targets set by the board and that of the applicable peer group.
2. During the year cash generation as a percentage of operating profit of 169% was achieved. This is in excess of the group's hurdle of 80%.
3. Return on equity targets were exceeded during the year. The targeted returns are determined using comparable return on equity targets for European (7%) and African (15%) peer groups as discussed later in this report. During the year under review, the European business comprised in excess of 90% of earnings and 88% of assets.
4. Implementation of key strategic initiatives related to the strategic development and competitive positioning of both Steinhoff Europe and Steinhoff Africa have been achieved and include:
 - o Successful conclusion and implementation of strategic mergers and acquisitions, thereby expanding the European retail footprint further. In particular, the group successfully concluded the investment in the Austrian property portfolio of kika-Leiner, as explained in detail under corporate activity as reported in the integrated report.
 - o Successful integration of newly acquired businesses within Steinhoff International. Within the European business (representing in excess of 90% of group operating profit) margins increased to 10.7% (FY13: 9.9%), largely as a result of the group's drive to capitalise and consolidate the group's enlarged purchasing power as elaborated upon further in the operational reviews as reported in the integrated report.
 - o Investigating and expanding the future potential of the group's integrated supply chain in particular, as it pertains to its combined logistics and sourcing platforms:
 - Increasing intra-group supply through the combined manufacturing and sourcing of product
 - Supplier consolidation
 - Introduction of the Steinhoff Global Range
 - Capitalising on central shipping and logistics knowledge to reduce global distribution charges
 - o Securing and maintaining an appropriate and flexible capital and debt structure in order to minimise the risk of stressed debt or equity issuance in volatile economic environments to enable the group to optimise its future corporate structure, including the listing on a major European stock exchange:
 - Financing: Extending the group's debt maturity:
 - The successful redemption and issue of convertible bonds at competitive rates during the year, which included the launch of the 2021 bond of €465 million
 - Completion of a new five-year €1.8 billion syndicated revolving facility on improved terms
 - Capital transactions affecting the capital and debt profile of the group:
 - Steinhoff increased its shareholding in JD Group Limited from 56% to 86% through a successful tender offer made to shareholders in order for Steinhoff to enhance its ability to better support and focus the JD operations and the challenges it faces in the South African furniture retail and consumer finance business segment. Steinhoff also assumed JD Group's treasury function and structured a R3.2 billion shareholders' loan to replace existing debt.

Annexure B (continued)

- Subsequent to year-end an offer was accepted for the disposal of, subject to due diligence and conditions precedent, its JD Group's consumer finance division, excluding its insurance operations. This will contribute to streamlining JD Group's operations and result in reduced future funding requirements and an improved balance sheet structure
- Steinhoff implemented an accelerated book build of 400 million of its shares held in KAP Industrial Holdings Limited (KAP), thereby raising R1.54 billion. As a result, KAP became an associate of Steinhoff, following the decrease in its shareholding in KAP from 62% to 45%
- The assessment and structuring of a capital raising resulted in Steinhoff raising R18.2 billion through a rights issue and foreign placement that was fully subscribed, significantly reducing the group's gearing

The committee reviews these measures and targets annually, to ensure that performance measures and targets set are appropriate, given the economic context and the performance expectations for the company or relevant division.

In line with the group's annual short-term incentive plan, which rewards executive teams for the achievement of operational and financial growth objectives including the translation of its growth into cash flow (as measured by cash generated by operations), the remuneration committee approved annual incentives in line with group and divisional performances.

Deferred bonus plan

The remuneration committee retains the discretion to defer all or part of the annual bonus payment. The terms of such deferral is agreed on an annual basis, and depends on the performance criteria applicable to such bonuses and the longer-term measurement that could be implied by such performance criteria.

Long-term share-based incentives (LTI)

Steinhoff is an international business with revenue earned in many countries as summarised in the geographical segmental analysis of the annual financial statements. As a result, Steinhoff competes for management skills and talent in a global marketplace and its approach to remuneration takes account of the need to be competitive in all of the countries where Steinhoff operates. LTIs are awarded with the primary aim of retaining key staff members and aligning performance with the interests of investors and stakeholders.

The allocation and target criteria are at the discretion of the remuneration committee which comprises only independent non-executive directors.

Allocation

The allocation of LTIs is based on the following key eligibility criteria:

- Involving individuals who are key to driving the group's long-term business strategy
- Retention of key talent/scarcie skills
- Talent management strategy and succession plans

Performance criteria

The targets for long-term incentives are set with reference to industry and market benchmark performance. Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies.

Benchmark performance criteria are aligned with the group's long-term strategic priorities, namely:

Integrated retail: To create a balanced and solid European and African 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 off 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.

Criteria and the quantum of allocations are benchmarked annually against market practices. Furthermore, scheme rules and the application thereof are evaluated annually to ensure compliance with legislative and regulatory requirements. The targets for long-term incentives are set with reference to industry and market benchmark performance.

For more information on the group's share-based payment scheme, refer to note 20.7 of the annual financial statements and the corporate governance report published on the company's website.

Share incentive scheme: share rights 2011

Under the 2010 Share Rights Scheme, 93 participants were granted 11 334 513 rights in respect of Steinhoff shares and pursuant to remuneration committee approval, these grants were confirmed with letters issued to participants in December 2011.

These rights to Steinhoff International Holdings Limited (Steinhoff) shares are subject to certain performance conditions (vesting conditions) being met and vesting will occur on 1 December 2014.

Vesting conditions

At 30 June 2014, there were 11 067 190 outstanding rights under the 2011 grant in respect of 87 executives. The remuneration committee concluded that these shares will become eligible for vesting on 1 December 2014. The vesting due on 1 December 2014, is the second vesting under the new incentive scheme, approved by shareholders at the Annual General Meeting held on 6 December 2010.

In terms of the remuneration committee's discretion on vesting criteria, the targets listed below were taken into account in determining the vesting of the grant. It should be noted that no threshold is applicable for the meeting of targets and vesting of shares does not occur unless all targets are met. The objective of this requirement is to ensure that management applies equal focus on achieving all targets. As a result of this, vesting can occur at 0% or 100%, subject to the participant maintaining a minimum shareholding in the company as determined by the committee.

1. Growth

The remuneration committee concluded that growth in headline earnings per share (HEPS) is an appropriate measure of growth. The calculation of HEPS is determined in terms of JSE listing requirements and is subject to external assurance by way of the annual external audit of the company's financial statements. It was determined that Steinhoff's growth in HEPS should outperform, cumulatively over the relevant three-year measurement criteria, those of peer group of companies in comparable industries and markets and in local currencies.

Measurement of performance:

Steinhoff achieved a compound annual growth rate over the three-year measurement period of 12% per annum which exceeded that of the weighted combined peer group companies (mentioned previously) and as a result, this performance condition was met.

2. Cash generation

In line with Steinhoff's global incentive schemes in this regard, at least 80% of operating profit cumulatively over the relevant three-year measurement criteria should be generated in cash, as measured by cash generated from operations as a percentage of operating profit.

Measurement of performance:

Steinhoff achieved cash generation from operations as a percentage of operating profit of 140% on a cumulative basis over the measurement period, well in excess of the targeted 80%, with a minimum of 110% achieved in each of the financial years within the measurement period. As a result, this performance condition has been met.

3. Returns

An appropriate returns-based criterion remains challenging for Steinhoff as a result of the geographic diversity of operations and the inherent currency and other volatilities. In response to this, a blended and weighted targeted return on equity has been adopted by the remuneration committee. A minimum return of 7% needs to be achieved by European operations and 15% for African operations over the vesting period. The return on equity is calculated as headline earnings based on average shareholders' equity and is adjusted for currency fluctuations.

Measurement of performance:

A minimum blended return of 8% was determined based on the size of contribution by the European and African operations to the group's consolidated performance. Steinhoff achieved returns well in excess of the minimum return in each of the years within the measurement period, the lowest return during the three years being 13%. As a result, this performance condition has been met.

Annexure B (continued)

4. Qualification for annual bonus

In addition to the above-mentioned group measurement criteria, share scheme participants must have qualified for participation in their respective divisions' annual incentive bonus schemes, which would include meeting their respective key performance indicators. This requirement is evaluated and applied on an individual basis.

As a result of the group satisfying vesting conditions 1 to 3 above, the 2011 share allocation will vest subject to the 4th vesting condition which will be evaluated on an individual basis.

Minimum shareholding criteria

To encourage participants in the company's share incentive schemes to maintain and/or invest in the share capital of the company and to align the interests of the participants with the interests of the shareholders in the company, the committee introduced a minimum shareholding criterion.

At the discretion of the committee, the participation in any grant and/or the vesting of rights (and/or the delivery of shares in the company) will be subject to the participant maintaining a minimum shareholding in the company, as determined by the committee.

Employee share ownership plan

In accordance with its strategic transformation objectives, Steinhoff has recognised the importance of affording all of its African employees an opportunity to participate in the success of its business.

Accordingly, in December 2008, Steinhoff implemented its employee share participation scheme which effectively empowered all South African employees the majority of whom are black (as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended). The scheme is structured in such a way that employees will own Steinhoff shares after a nine-year participating period. Through a special purpose vehicle, Steinhoff Sikhulasonke Investments (RF) Proprietary Limited, there are currently approximately 13 000 employees (of which the majority are previously disadvantaged individuals) holding more than 40 million shares. Each beneficiary receives an annual dividend.

During the financial year, a dividend of R10 million was paid to participants in the ownership plan. As at the date of this report, the value created in this structure was approximately R1.1 billion.

Service contracts

Executives' contracts are generally subject to terms and conditions of employment in the local jurisdiction. Top executive and non-executive directors' contracts do not contain 'golden parachute' clauses.

Non-executive directors are subject to regulations on appointment and rotation in terms of the company's memorandum of incorporation and the South African Companies Act 71 of 2008.

Executive directors' contracts

There are no executive directors with a notice period of more than one year. There are also no executive director's service contracts which include predetermined compensation as a result of termination exceeding 18 month's salary and benefits.

The executive directors and senior management have indefinite employment contracts.

Non-executive directors' remuneration

The board, in reviewing non-executive directors' fees, makes recommendations to shareholders in light of, firstly, fees payable to non-executive directors of comparable companies and, secondly, the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Remuneration is reviewed annually, with reference to competitors and peer companies. Independent advice is also obtained from specialist human resources consultants. This remuneration is not linked to the company's share price or performance. Levels of fees are also set with reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participation in its committees.

The fees paid to non-executive board directors contain an element dedicated to the attendance of meetings (allocated per meeting, depending on attendance and participation) and an annual retainer for general purposes.

To avoid a conflict of interest, the remuneration committee, which consists entirely of independent non-executive directors, takes no part in the determination of non-executive directors' fees or in the recommendation to the board and shareholders. Non-executive directors do not qualify for shares in terms of the group's share incentive schemes. The board annually recommends remuneration of non-executive directors for approval by shareholders in advance.

Refer to note 34 of the annual financial statements for details on the fees earned by non-executive directors for the year ended 30 June 2014.

Executive directors' remuneration

Refer to note 34 of the annual financial statements for details on the remuneration earned by executive directors for the year ended 30 June 2014.



ADMINISTRATION

Steinhoff International Holdings Limited Registration number: 1998/003951/06 (Incorporated in the Republic of South Africa)
("Steinhoff" or "the company" or "the group") **JSE share code:** SHF **ISIN code:** ZAE000016176

Registered office: 28 Sixth Street, Wynberg, Sandton 2090, Republic of South Africa **Tel:** +27 (11) 445 3000 **Fax:** +27 (11) 445 3094

Directors: D Konar* (chairman), MJ Jooste (chief executive officer), SF Booysen*, DC Brink*, CE Daun**, HJK Ferreira, SJ Grobler, TLJ Guibert#, AB la Grange, MT Lategan*, JF Mouton*, FJ Nel, HJ Sonn*, BE Steinhoff**, PDJ van den Bosch*†, DM van der Merwe, CH Wiese* **Alternate directors:** JNS du Plessis, KJ Grové, A Krüger-Steinhoff**, M Nel

†Belgian #French *German **non-executive

Company secretary: Steinhoff Africa Secretarial Services Proprietary Limited **Auditors:** Deloitte & Touche **Sponsor:** PSG Capital Proprietary Limited **Transfer secretaries:** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001

TO VIEW RESULTS www.steinhoffinternational.com



Voting instruction form

To: _____
(name of shareholder's CSDP/broker)

For use only by shareholders who have already dematerialised their share certificates and which shares are not registered in their own names (example in the name of CSDP or broker/nominee)

For use at the annual general meeting of the holders of ordinary shares in the company ('Steinhoff shareholders') to be held in the auditorium of the company, 28 Sixth Street, Wynberg, Sandton, on Tuesday, 2 December 2014 at 10:00 ('the annual general meeting').

Shareholders who have already dematerialised their shares may use this form to advise their Central Securities Depository Participant ('CSDP') or broker of their voting instructions on the proposed resolutions in the spaces provided below. However, should a shareholder wish to attend the meeting in person, written authority would be required from such CSDP or broker.

I/we (please print full names in block letters) _____

Of (address) _____

being (a) shareholder/s of the company, who has/have dematerialised my/our shares do hereby indicate below my/our voting instructions on the resolutions to be proposed at the annual general meeting:

Voting instructions in respect of all/ _____ number of shares held		Number of shares		
		In favour	Against	Abstain
1.	Presentation of the annual financial statements			
2.	To reappoint Deloitte & Touche as auditors			
3.	Special resolution number 1: To approve the fees to directors for the year ending June 2015:			
3.1	Executive directors' fees			
3.2.1	Chairman			
3.2.2	Board members			
3.2.3	Audit committee			
3.2.4	Human resources and remuneration committee			
3.2.5	Group risk overview committee			
3.2.6	Nomination committee			
3.2.7	Social and ethics committee			
4.	Ordinary resolution number 1: Board appointments: To individually re-elect to the board:			
4.1	DC Brink			
4.2	CE Daun			
4.3	JF Mouton			
4.4	BE Steinhoff			
4.5	CH Wiese			
4.6	SJ Grobler			
4.7	HJK Ferreira			
5.	Ordinary resolution number 2: To individually re-elect independent non-executive directors to the audit committee:			
5.1	SF Booysen (Chairman)			
5.2	DC Brink			
5.3	MT Lategan			
6.	Special resolution number 2: Conversion of shares			
7.	Special resolution number 3: Increase in share capital			
8.	Ordinary resolution number 3: Placement of shares under the control of directors			
9.	Ordinary resolution number 4: Shares under the control of directors for share incentive scheme			
10.	Special resolution number 4: General authority to purchase own shares			
11.	Ordinary resolution number 5: General authority to distribute share capital and/or reserves			
12.	Ordinary resolution number 6: Authority to create and issue convertible debentures			
13.	Ordinary resolution number 7: Endorsement of remuneration policy			
14.	Special resolution number 5: Authority to provide financial assistance			

Signed at _____ on _____ 2014

Signature/s _____

Assisted by (where applicable) (state capacity and full name) _____

Each Steinhoff shareholder is entitled to appoint one or more proxy/ies (who need not be (a) shareholder/s of the company) to attend, speak and vote in place of the shareholder at the general meeting.

See notes overleaf

NOTES

1. Any shareholder who holds shares through a nominee or in dematerialised form must use this voting instruction form to advise his/her nominee/broker/Central Securities Depository Participant ("CSDP") of his/her voting instructions and should not use the proxy form. However, should such member wish to attend the meeting, he/she will need to request his/her CSDP, broker or nominee to provide him/her with the necessary authority in terms of the agreement governing his/her relationship.
2. A shareholder's instructions to the CSDP/broker must be shown by indicating, in the appropriate boxes provided, the manner in which that shareholder wishes to vote by inserting an "X" in the relevant box, unless a shareholder wishes to split his/her votes in which case the relevant numbers of shares to be so voted must be indicated in the form to vote or abstain from voting at the general meeting as he/she deems fit in respect of all the Steinhoff shareholder's votes exercisable thereat. A shareholder is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Steinhoff shareholder. Should a shareholder fail to complete the number of shares held, he/she will be deemed to have exercised the vote in respect of all shares held as recorded in the relevant register.
3. Voting instruction forms and power of attorney by virtue of which such instructions are signed (or a notarially certified copy of such power of attorney) must be sent to the CSDP or broker in terms of the agreements governing his/her relationship and preferably with a copy to be lodged at or posted to the company's transfer secretaries or delivered or faxed to the company secretary, the latter to be received by not later than 10:00 on Friday, 28 November 2014.
4. Any alteration or correction made to this form must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form in a representative capacity must be attached to this form unless previously recorded by the CSDP/broker or waived.
6. No facility currently exists for receiving these forms of instruction electronically. A copy may be scanned and sent to the company secretary at agm@steinhoff.co.za.

Company secretary

28 Sixth Street
Wynberg, Sandton
2090
(PO Box 1955, Bramley 2018)
Telefax: +27 11 445 3094/+27 21 808 0794

Transfer secretaries

70 Marshall Street
Johannesburg
2001
(PO Box 61051 Marshalltown 2107)
Telefax: +27 11 688 5248
Attention: Annatjie Visser



Proxy form

To be completed by certificated shareholders and dematerialised shareholders who have selected "own name" registration.

For use at the annual general meeting of the holders of ordinary shares in the company ("Steinhoff shareholders") to be held in the auditorium of the company, 28 Sixth Street, Wynberg, Sandton, on Tuesday, 2 December 2014 at 10:00 ("the annual general meeting").

I/we (Please print full names in block letters) _____

Of (address) _____

being the registered holder/s of _____ shares in the company, hereby appoint:

- 1. _____ or failing him/her,
- 2. _____ or failing him/her,
- 3. _____ the chairman of the general meeting,

as my/our proxy to act for me/us at the general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s in accordance with the following instructions (see notes):

Voting instructions in respect of all/ _____ number of shares held		Number of shares		
		In favour	Against	Abstain
1.	Presentation of the annual financial statements			
2.	To reappoint Deloitte & Touche as auditors			
3.	Special resolution number 1: To approve the fees to directors for the year ending June 2015:			
3.1	Executive directors' fees			
3.2.1	Chairman			
3.2.2	Board members			
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3.2.4	Human resources and remuneration committee			
3.2.5	Group risk overview committee			
3.2.6	Nomination committee			
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4.1	DC Brink			
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4.4	BE Steinhoff			
4.5	CH Wiese			
4.6	SJ Grobler			
4.7	HJK Ferreira			
5.	Ordinary resolution number 2: To individually re-elect independent non-executive directors to the audit committee:			
5.1	SF Booyesen (Chairman)			
5.2	DC Brink			
5.3	MT Lategan			
6.	Special resolution number 2: Conversion of shares			
7.	Special resolution number 3: Increase in share capital			
8.	Ordinary resolution number 3: Placement of shares under the control of directors			
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10.	Special resolution number 4: General authority to purchase own shares			
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12.	Ordinary resolution number 6: Authority to create and issue convertible debentures			
13.	Ordinary resolution number 7: Endorsement of remuneration policy			
14.	Special resolution number 5: Authority to provide financial assistance			

Signed at _____ on _____ 2014

Signature/s _____

Assisted by (where applicable) (state capacity and full name) _____

Each Steinhoff shareholder is entitled to appoint one or more proxy/ies (who need not be (a) shareholder/s of the company) to attend, speak and vote in place of the shareholder at the general meeting.

See notes overleaf

NOTES

1. A Steinhoff shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the Steinhoff shareholder concerned. The person in attendance whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Steinhoff shareholder's instructions to the proxy must be shown by indicating, in the appropriate boxes provided, the manner in which that Steinhoff shareholder wishes to vote by inserting an "X" in the relevant box, unless a shareholder wishes to split his/her votes, in which case the relevant numbers of shares to be so voted must be indicated in the proxy to vote or abstain from voting at the general meeting as he/she deems fit in respect of all the Steinhoff shareholder's votes exercisable thereat. A Steinhoff shareholder or his/her proxy is not obliged to use all the votes exercisable by the Steinhoff shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Steinhoff shareholder or by his/her proxy. Should a shareholder fail to complete the number of shares held, he/she will be deemed to have exercised the vote in respect of all shares held as recorded in the register.
3. Any shareholder who holds shares through a nominee or in dematerialised form may use this proxy or the voting instruction form to advise his/her nominee/broker/Central Security Depository Participant ("CSDP") of his/her voting instructions. He/she must, however, not submit this form to the company secretary, the company or the transfer secretaries. However, should such member wish to attend the meeting, he/she will need to request his/her CSDP, broker or nominee to provide him/her with the necessary Letter of Representation in terms of the agreement governing his/her relationship.
4. Forms of proxy and any power of attorney and/or authorising resolution where applicable by virtue of which such proxy is signed (or a notarially certified copy of such power of attorney) must be lodged at or posted to the company's transfer secretaries or delivered to the company secretary, to be received by not later than 10:00 on Friday, 28 November 2014.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the general meeting.
7. The completion and lodging of this form of proxy will not preclude the relevant Steinhoff shareholders from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Steinhoff shareholder wish to do so.
8. No facility currently exists for receiving forms of proxy electronically. A copy may be scanned and sent to the company secretary at agm@steinhoff.co.za.

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