

Sustainable development report

Steinhoff supports the concept of triple bottom-line reporting found in King II, which embraces economic, social, environmental and ethical considerations of companies' activities. This reporting concept is in line with greater transparency and accountability as entrenched in King II.

Ethics

All stakeholders and, more specifically, directors and employees, are required to observe the principles of the Steinhoff code of ethics to ensure that business practices are conducted in a manner which is beyond reproach.

This requires commitment by management to acknowledge and ensure that our long term sustainability is based on delivery to all stakeholders.

Organisational effectiveness

At Steinhoff we incorporate the views of our employees in our value-driven strategies and with these efforts aim to become an employer of choice.

Group-wide employee surveys measure how our employees feel about their working environment. The results are monitored by the executive team and are used as a basis for action to remove barriers to productivity and increase employee satisfaction.

We remain committed to developing talent at all levels within the organisation, supporting employee development

by providing workplace and home-based learning opportunities and tailored management development programmes. Throughout the group, we strive to recognise and celebrate the achievements of our people as we continue to build our business for the future.

The skills and dedication of our employees underpin the successes we as a group have achieved in past years. In turn, we are equally committed to ensuring that the environment within which they work fosters development and growth, recognises and rewards individual efforts, and enables employees to reach their full potential.

The organisation's human capital focus supports Steinhoff's strategy of being an innovative and responsive organisation by addressing the development of human capital, employment equity and process capacity. The function's objectives are based on a dual focus:

- attract, retain and develop the best people we can, who are passionate about personal and corporate growth and who thrive on challenges and change
- build employment equity by aligning the demographics of our staff with that of our ultimate customers.

Attention to human capital development and involvement has been incorporated into all the group's operations. The human resources function in its role as business partner has focused on supporting Steinhoff's strategy and divisional business plan objectives. Our vision is to be a world-class



manufacturer, supplier and retailer of household goods and motor vehicles, a low-cost producer and provider of logistics solutions to employ motivated and highly competent individuals and teams. These are supported by:

- specific training and development interventions
- effective employee relations
- professional recruitment and selection processes
- market-related remuneration and ongoing improvement of administrative policies and procedures with specific cost reductions as end result
- internal promotions
- ongoing assessment of employees' and managers' competencies with emphasis on achieving certain key performance areas
- open communication channels between employees and management
- benchmarking programmes to identify strong and weak points in the group's strategy, structures, systems, staff and management style and other related business processes. One of the outcomes from this is a comprehensive performance management system with a self-funded incentive to recognise and reward achievements
- building strong and credible relationships with employee representative bodies
- employee assistance programmes which give employees access to confidential counselling services for work and non-work-related matters.

Management development is ongoing and a focus on succession candidates is entrenched. The aim behind the succession-planning process has been the retention and promotion of high-performing employees.

The group is engaged in extensive marketing of offerings to potential employees at various academic institutions. This process has enhanced succession planning in our search for high-potential future leaders. Due to the current shortage of management skills in South Africa, we have to procure young talent and develop them into future leaders. All these efforts are aimed at becoming an employer of choice to our current and future employees.

Steinhoff invested significant amounts during the past years to develop human capital as we believe this is the key to our

success. We have a dedicated programme to identify high-potential employees and to develop these young professionals. In the programme, which runs over a two-year period, the individuals attend several programmes, workshops, seminars and courses to improve management skills as well as specific functional needs. The programme also caters for cross-border training and employment opportunities.

As at 30 June 2006, the group had approximately 50 000 employees worldwide. The table below indicates the number of the group's employees, excluding non-executive directors, in each region in which we operate on the dates indicated.

At year end, the total number of employees worldwide was approximately 70% male and 30% female. Of the total of 32 000 employees employed in southern Africa, 92% are black and 8% white.

30 June	2006	2005	2004	2003
Southern Africa	32 000	24 500	13 100	10 600
Central and eastern Europe ¹	7 000	7 200	8 000	7 500
Western Europe ²	6 500	5 500	1 200	1 750
Pacific Rim and India	4 500	4 300	4 300	550
Total	50 000	41 500	26 600	20 400

¹ Central and eastern Europe includes Hungary, Poland and Ukraine

² Western Europe includes Belgium, Germany, the Netherlands, France and United Kingdom

Worker participation

There are numerous participative structures across the group to deal with issues which affect employees directly and indirectly. The group recognises the rights of employees to freedom of association and representation in the context of corporate economic viability arising from its responsibility to shareholders. The group affirms that employees have the right to choose whether or not they wish to participate in organised labour structures. The participative structures include collective bargaining mechanisms, structures to drive productivity improvements, safety committees, employment equity committees and other participative

forums. These structures have been established with trade unions and other employee representatives participating to achieve good employer/employee relations through the effective sharing of relevant information, consultation and the identification and resolution of challenges.

Broad-based black economic empowerment (BBBEE)

Steinhoff recognises that genuine political and economic transformation in South Africa requires sustainable economic development and the full participation of entrepreneurs at every level of society. The black economic empowerment strategy of Steinhoff involves integrating employment equity with business objectives and corporate culture, while striving to inspire entrepreneurs not only in business but also within the group and the broader community.

Steinhoff submits that educating the population is fundamental to the future of South Africa and its business success. Accordingly, the group emphasises supporting broad educational initiatives that improve the breadth and depth of financial studies in South Africa.

Steinhoff considers employment equity a long-term commitment, which helps in creating an equitable work environment. The group's employment equity programme focuses on achieving fair representation across employee groups, removing barriers to the advancement of designated groups and valuing diversity.

Substantial numbers of handicapped people are employed in our divisions.

A transformation executive in the Steinhoff Africa division assists with efforts to achieve acceptable BBBEE status and to ensure that the division's commitment to transformation is entrenched in all subsidiaries.

The Steinhoff Africa board is responsible for monitoring the efforts of the various divisions in addressing the challenges set by BBBEE's draft codes:

- Specific emphasis is placed on diversity exposures and ensuring all employees are aware of the group's transformation policy, procedures and initiatives.

We believe the development of a culture which accommodates all cultural groupings and binds them into one Steinhoff family, is our greatest challenge.

- Employment equity and the development of future leadership potential is already part of the group's succession plans and activities. Universities and technikon bursaries, the Steinhoff University programme, bridging skills courses and literacy programmes are some of the activities assisting our equity objectives.
- 14% of senior management and 60% of professionally qualified experienced specialists and middle-management are currently from previously disadvantaged groupings.
- Emphasis on suppliers becoming BEE compliant enjoys priority.
- The group is open to new partnerships that will increase shareholder value and plough back skills and resources into the South African community.
- The group implemented various initiatives in support of BEE, including support in the investments of Fundiswa and Micawber (fully described in the financial officer's report) and the recent commitment to the CIDA Diamond Fund.

Social responsibility

The group's corporate social responsibility policy is based on the desire to contribute to the upliftment and improvement in the quality of life of the communities within which the group operates.

Highlights include:

- Steinhoff UK continues to financially support a range of local organisations. During the year, transport and warehousing assistance was given to Project Cure, a locally based, international charity which collects surplus redundant medical equipment from UK hospitals and distributes it to needy third world hospitals. A number of containers have been dispatched from the Wellington site to hospitals in Sudan in recent months.
- Freedom Australia has a sponsorship arrangement, for the past six years, with the Children's Cancer Institute of Australia (CCIA). CCIA is the only independent medical research institute in Australia dedicated to research into

the causes, cure and prevention of childhood cancer.

Further information on CCIA can be located on the website www.ccia.org.au. Information on Freedom's commitment can be viewed on www.freedom.com.au/companyinfo/companyinfo_ccia.asp.

Freedom supports CCIA through donations raised by the sale of special charity products. Currently, Freedom is selling the Smiley tea towel, with AUD2.50 from the sale of each product being donated to CCIA. Freedom has raised in excess of AUD500 000 for the CCIA to date.

- Our operations in Hungary support a "contemporary foundation" which is connected with economics, aids for secondary schools and institutions of higher education. They also play an important role in the local cultural life with art exhibitions and by sponsoring the Andante – MKB International Jazz Festival and a music school in Nagykanizsa. The operation further sponsors the Andante Football Team and an employee engaged in weightlifting. Our operations in Hungary support the Red Cross by the grant of furniture with a guarantee card. They also support aids for the "Healthy Blood Cell Foundation" and the "Foundation of the Relatives of Cancer Patients" and employees participate in blood donating.
- Operations in Poland are still involved in community-based activities as well as individual development projects with feedback claims that the credibility of the group as an employer of choice is growing tremendously. The operations in Poland support a sports club in Rzepin.
- Steinhoff Germany sold Hukla relax chairs to the Red Cross at a subsidised price. The chairs are used in a recreation centre, where disadvantaged elderly people can spend time. Steinhoff Germany also financially supports several students in their studies. In the Polish factories we support needy employees through a dedicated fund.
- Homestyle Group recruits employees locally from the communities in which they operate. The group encourages fundraising by their employees and administers charitable trusts set up for the benefit of ex-employees and their dependents.
- As part of the employer of choice programme, the group has embarked on several initiatives, such as enhanced employee communication of the group's activities worldwide as well as various benefits offered. The group implemented a purchasing scheme of various products for employees from member companies of Steinhoff in Africa at advantageous rates. Other projects also include sport sponsorships and bursaries to various tertiary institutions, such as to the University of Stellenbosch.
- The company has committed to an expense, annually, in excess of R1,5 million for the full care and counselling of 150 HIV/Aids orphans in South Africa. This initiative is managed by Abraham Kriel Maria Kloppers Children's Homes.
- Steinhoff has entered into various agreements with Phumelela Gaming and Leisure Limited, a South African-based listed company, as part of Steinhoff's extended family programme (HIV/Aids orphans project), for the sponsorship of various horseracing events. In respect of the Steinhoff International Summer Cup, which will take place on Saturday, 25 November 2006, Phumelela will donate R25 of every R30 gate entry fee to Steinhoff's extended family programme.
- Steinhoff's objective is to grow young leaders for the future of our country, which has led to the group's involvement in CIDA University graduating young black South Africans from low- to zero-income families. Students obtain degrees at no cost, but remain responsible for management maintenance, cleaning and cooking responsibilities. Lecturers are obtained from formidable legal, finance and marketing institutions who teach a curriculum at no cost. Claas Daun, non-executive director, has been in support of CIDA University for a number of years. He initiated an investment fund, named the CIDA Diamond Fund, which aims to raise R300 million, when the Fund is established, the funds will be invested and only the returns used to sustain CIDA University. He has already donated R20 million to the fund, and the group has committed another R10 million. The group will, in addition, render the support the Diamond Fund may require in assessing its investments.
- The bedding division of Steinhoff donated 638 beds to the CIDA Foundation, Dream Centre HIV/Aids Centre, Lerato Love Home and several other organisations.
- The company enjoys honorary membership of the Tikun Foundation, an organisation to uplift historically disadvantaged groups in South Africa.

- Our South Africa furniture division has donated a substantial quantity of furniture to needy causes. It also sponsored a season of the Johannesburg Philharmonic Orchestra. The furniture divisions also sponsored the official shirts of the World XV rugby team.
- Mattex, a division of Gommagomma, organised and funded a design competition at the Cape Technikon.
- Through various initiatives, Vitafoam, a division of Gommagomma, supplies mattresses and bedding materials to numerous charities, welfare organisations, orphanages and sanctuaries. Recently Vitafoam was seen on the popular “Zola 7” television programme where numerous mattresses were donated to a needy cause. Vitafoam also provides sponsorship for various community upliftment programmes, ie CIDA Foundation College, Paul Gater Hospice, Rocsa House, Belavista Children Home and Umsindiso Ministries.
- Steinhoff has operating units countrywide in South Africa which have made significant contributions to surrounding communities. Projects supported are selected through consultation between management and employees at the various sites.
- In addition to various business unit community-based activities, our South African division is increasing the number of adopted Aids orphans. The main objective of this project is to ensure that surviving orphans obtain the required support to assist them in becoming part of the future of South Africa. Support services include nutrition, healthcare, scholastic education and psycho-social care.
- PG Bison has adopted 19 schools around the country and sponsors kit for their soccer and netball teams. PG Bison sponsors one of the bands of the Field Band Foundation, which is aimed at the youth of the country. PG Bison is the main sponsor of the annual Interior Design Student competition, which involves students and lecturers from universities, technikons and other educational institutions. In addition, a bursary of R50 000 is awarded to one student. PG Bison is the sole sponsor of the U-15 cricket week. PG Bison also arranges annually the PG Bison soccer tournament and sponsors several soccer teams in South Africa. PG Bison funded the building of the Magagula Youth

Development Centre and donated computers.

- Victoria Lewis, a division of PG Bison Components, subsidises a nursery school for young children of employees living close to the factory.
- Unitrans aligns its corporate social involvement activities with its business strategy, focusing on job creation, HIV/Aids, community development and crime prevention. Its strategy is guided by developmental priorities on the national agenda in South Africa and is geared towards developing expertise and skills that will serve the future human resource requirements of Unitrans. The corporate social involvement programme continues to support development aimed at the fulfilment of human needs by assisting in meaningful development and promoting sustainable development.

Health and safety

Health

Health and safety continues to be our top priority and each year we review our health and safety policy and standards. Steinhoff is committed to best practice occupational health and safety standards and strives to achieve world-class health and safety performance throughout the group.

Sustainable improvements have been made in the management of health and safety across the group. Our policy and standards reflect our determination to achieve our goal of creating a positive and productive environment that is free from injury or illness and causes no harm to our employees, customers or the general public.

We have stepped up employee involvement and training, launched behavioural safety auditing and we have been working with our contractors to ensure they share our commitment to health and safety. We have also improved the sharing of best operational practices across our businesses. Each business unit has an obligation to identify, manage and, as far as possible, to eliminate adverse safety issues.

Steinhoff Asia Pacific is committed to best practice occupational health and safety standards, with the implementation of the ValueSafe system across its brands. This places obligations on all operating locations to

identify, manage and eliminate adverse safety issues. This proactive approach has been endorsed by Workcover's regulatory authorities. This division has continued its commitment to the employee assistance programme, which gives access to free counselling services for the group's staff and their immediate family members.

Relyon has been actively involved in addressing musculoskeletal disorder risks in the UK.

Steinhoff Africa subscribes to an integrated health risk management process. As part of this process, occupational and primary healthcare arrangements in the group exist. For purposes of this process, occupational healthcare refers to legislated occupational health risk management, including occupational hygiene, periodical medical surveillances in line with specific risk profiles, health and safety, first aid, occupational injuries and disease management, etc, and primary healthcare refers to disease management and medication as well as day-to-day medical care and treatment. The project's objectives include:

- to ensure legal compliance across the organisation with occupational healthcare standards
- to ensure standardisation of health services across the organisation
- to ensure standardisation and consolidated reporting of information relating to health and safety services across the organisation.

The project was successfully implemented. These occupational and primary healthcare benefits are offered through company-based clinics, which has led to savings, better control and a more professional service to our employees. In addition to maintaining high safety standards in our operating facilities, we have company-level medical clinics at our operations and medical benefits offered to our employees in South Africa.

Health and safety issues are monitored and audited regularly to ensure that relevant legislation and industry safety standards are met throughout the group. Safety awareness is enhanced through annual inspections and

environmental and risk control investigations conducted internally.

HIV/Aids

Steinhoff is fully aware of the seriousness of the HIV/Aids epidemic, its impact on the workplace and on the social and economic life of employees. The group is committed to addressing HIV/Aids in a positive, supportive and non-discriminatory manner, and the required interventions in Africa have been actioned.

A project team has been established at senior executive level to lead comprehensive group-wide strategies with a particular focus on the following areas:

- HIV/Aids in the workplace
- costs of appropriate medical care
- impact on traditional family structures
- changing demographic profiles.

The project team continues with the development of comprehensive and group-wide internal policies, strategies and procedures, and corporate social responsibility strategies to address the impact of HIV/Aids on employees and the business.

Our medical clinic system acts as the vehicle to confidential interventions.

As part of a wellness programme, the Steinhoff Africa group has implemented medical clinics at each of its business units, with the intent to take care of all occupational and primary health care needs.

In-house educational programmes are run on an ongoing basis, ensuring that managers, supervisors, employees and their representatives are exposed to adequate knowledge on preventative measures, nutritional information and the social services available to assist those who are in need.

Wellness teams and peer educators are responsible to shift the focus to “know your status and adjust your behaviour according to whether you are negative or positive” through company sponsored voluntary testing and counselling sessions.

The educational programmes are extended to the families as well as to the communities within which we operate.

The group has made major inroads into a non-discriminatory environment based on individuals HIV/Aids status. In addition, the clinic system plays a major role in assisting management in monitoring medical trends.

Safety

Significant progress has been made in the group in the management of safety risks. This improvement is due to a focus on the process of risk assessment, extensive training of managers, supervisors, employees, investment in effective workplace systems and change in culture and attitude of employee to safety and awareness. Prevention of work-related injuries is a high-priority issue for the group.

An awards system has been introduced across various facilities to encourage employees to focus on and reduce accidents and claim costs by driving safety initiatives.

Compliance with the Occupational Health and Safety Act, various environmental legislation and a myriad of internal rules form a significant component of incentive bonuses throughout various facilities.

Ethical responsibilities and the environment

Steinhoff has a record of meeting accepted environmental standards. The group aims to maintain this reputation and will continue to invest in systems, practices and facilities to elevate standards in line with society's environmental expectations.

The group aims at all times to comply with all relevant legal obligations and regulations concerning the environment and to adopt an all-encompassing approach to environmental protection measures to achieve continuous improvement.

A group ethical trading policy covering safety, quality, legal, environmental and social matters has been adopted, setting out required standards for suppliers of goods and services.

It is the group's global policy to work with its suppliers to achieve the aims of this policy.

It is the group's aim, wherever possible, to obtain goods from suppliers that operate established environmental policies based on relevant legal requirements for the countries in which they operate and to have particular regard to sustainable operations and sustainable products. The company will try to use renewable resources wherever feasible and work with its suppliers to conserve natural resources where renewable options are not available.

Steinhoff manufactures a diverse range of furniture in more than 100 factories located at sites throughout the world. Each plant is purpose-designed around the product range that is manufactured. Therefore, the waste, energy and effluent management facilities and systems differ from plant to plant. Significant investments have been made in these projects to manage the environmentally safe disposal of waste. For this reason, the group strives to keep waste materials to a minimum and to reduce, recycle and, where necessary, dispose of waste by the safest and most responsible means available to reduce environmental impact. All the plants of Steinhoff Germany are part of the Grüne Punkt programme, where responsibility is taken for all waste related to packaging. This division manages energy needs with a centrally coordinated “energy team”. This team ensures energy consumption is optimised and continuously makes comparisons between the different plants, based on benchmark reports. Significant amounts have been spent in the past to ensure insulation is optimised to decrease energy needs.

Steinhoff is also involved with farming and forestry activities. Where there are contractual arrangements with individual farmers, responsible farming practices on agri-chemicals and pesticide residues, as well as crop rotation, are promoted.

Steinhoff Africa is a corporate member of World Wildlife Foundation (WWF) in South Africa. WWF provides both leadership and funds to a broad range of environmental projects, including conservation, education, endangered species projects, marine and coastal conservation, etc.

Steinhoff Africa, as well as other divisions within the group, also supports breeding programmes for near-extinct animals.

Forestry Stewardship Council (FSC)

Our timber and sawmilling division maintains its FSC accreditation and sources all timber from accredited forests. This international accreditation assures consumers and customers that the plantations are well managed on a sustainable basis with minimum or no adverse effects on the environment. This division strives to ensure that synergies are applied in full use and recovery of natural sources used in the production of our products.

ISO certification

Several of the business units have achieved ISO certification as set out below.

The operations in Hungary implemented a customer-orientated quality management system ISO 9000:2000. Kanisza Trend holds ISO 9001 and 14001 certification.

The Relyon group and Norma hold ISO 9001 certification while Pritex qualifies for QS, which is the stricter certification required by the automobile industry in the UK. Pritex also holds ISO 14001 certification.

Of specific note is the ISO 9001:2000 certification in the Klose division in Germany, which contributes to world-class HR practices.

Gommagomma Furniture (a subsidiary of the group), through Steinhoff Bedding (a division of Gommagomma), enjoys SABS 1005:1979 approval of its innerspring mattresses. Steinhoff Bedding holds ISO 9001:2000 quality management systems certification for its Johannesburg and Cape Town facilities for design, development, manufacturing and supply of base sets and other allied products.

Mattex holds ISO 9002 certification. Loungeweave holds ISO 9001 and 9002 certification. Vitafoam carries the SABS mark for its range of flexible polyurethane foams.

Woodline holds ISO 9001 certification, as well as SABS 457 and 753 approval for the treatment of timber.

Klose Kollektion	DIN ISO 9001:2000
Klose Pomorska	DIN ISO 9001:2000
Klose Goscicinska	DIN ISO 9001:2000
Klose Czerska	DIN ISO 9001:2000
Kolekcja Mebli Klose	DIN ISO 9001:2000
Kanisza Trend	DIN ISO 9001:2000
Kanisza Trend	DIN ISO 14001:1996
Pritex	DIN ISO 14001 and QS 9000
Relyon	DIN ISO 9001:2000
Norma	DIN ISO 9001:2000
Mattex	DIN ISO 9002:2000
Loungeweave	DIN ISO 9001:2000
Loungeweave	DIN ISO 9002:2002
Woodline (Poles)	DIN ISO 9001:2000
Alrode Laminates Plant	DIN ISO 9000:2001

NECF (North Eastern Cape Forests)

The PG Bison's North Eastern Cape cluster development represents an economic injection for the north-eastern Cape in excess of R1,5 billion, creating approximately 3 000 direct jobs and many opportunities for local entrepreneurs to provide supporting services. The number of secondary jobs created by this initiative is likely to be significant.

The municipal infrastructure upgrades include improvements to the Ugie water supply and sewerage handling, as well as a site-road intersection with the Ugie-Maclear road. Approximately 75 new residential houses will be built for senior and skilled personnel. Additional housing will need to be built for labour not recruited locally. Eskom will install a new high voltage (132kVA) electricity supply from Qumbu to the cluster's substation. From here new lines will improve the quality of supply to both Ugie and Maclear.

An approved environmental management plan forms the basis against which construction will be managed to ensure that environmental impacts are kept to a minimum.

Very little effluent is generated in manufacturing particle board. Effluent generated will be treated on site and recycled into the process. Press emissions will be cleaned in a scrubber and all emissions will fall within the limits set by the Department of Environmental Affairs and Tourism.

The plantation boasts six registered Natural Heritage Sites. NECF timber is FSC-certified, and the importance attached to the well-being of employees is reflected in the five-star NOSA safety rating which the company maintains vigilantly.

With the acquisition of North Eastern Cape Forests, a host of social investment activities were inherited. It is our intention to not only continue these value-adding efforts, but to enhance and broaden our involvement with the communities of the Ugie and Maclear areas.

The Khulanathi Education Centre owned and run by PG Bison on our forest land is a key facility in the education of school children on environmental issues such as sustainable living principles, integrated environmental management and biodiversity conservation.

Other activities include:

- Tree planting project
- Community health and safety and HIV/Aids awareness
- Ugie feeding scheme
- Children In Need
- Sizabantu community garden for job creation and poverty alleviation.

The 2006 Maclear Festival (Fees Sonder Naam) was sponsored by PG Bison. The event was used to facilitate communication with the community regarding the project, and its impact on the region.