



STEINHOFF
INTERNATIONAL HOLDINGS LTD



2014 KING III SEVENTY FIVE PRINCIPLES

STEINHOFF INTERNATIONAL HOLDINGS LTD
CORPORATE GOVERNANCE
Register of the application of the 75 corporate governance principles as recommended in the King III Report.

Area	Requirement	Status	Comments
1. Ethical leadership and corporate citizenship			
	1.1 The board should provide effective leadership based on an ethical foundation	Applied	The composition of the board, the board charter and the group's monitoring and reporting structures allow for the board to provide effective leadership. The board has adopted a code of ethics that is communicated and stringently applied across the group. A social and ethics committee has been established by the board.
	1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The board , through its social and ethics committee , its reporting in its integrated report, and its internal reporting structures, including a whistle-blowing facility , representation on industry bodies and forums and its policy of transparent communication with stakeholders, ensures that the company is, and is seen to be, a responsible corporate citizen

Area	Requirement	Status	Comments
	<p data-bbox="269 239 980 302">1.3 The board should ensure that the company's ethics are managed effectively</p> <p data-bbox="347 1110 974 1241"><i>Paragraph 37</i> The board should ensure that the company's ethics risks and opportunities are assessed and an ethics risk profile obtained.</p>	<p data-bbox="1011 554 1117 583">Applied</p> <p data-bbox="995 1186 1101 1255">Partially applied</p>	<p data-bbox="1198 239 1498 1010">Steinhoff has adopted a code of ethics that is communicated and stringently applied across the group. The board is satisfied that it has taken all reasonable steps to promote awareness of the group's code of ethics and that application of the code is monitored and regulated throughout the group. Contraventions of the code are reported at divisional board level and, if material, are escalated to the board.</p> <p data-bbox="1198 1131 1490 1535">Due to the diversity and geographical spread of its operations, the company has not established a formal process for obtaining assurance on ethics awareness and ethical compliance throughout the group.</p> <p data-bbox="1198 1581 1490 1873">The board is nevertheless satisfied that it has taken all reasonable steps to promote awareness of the code of ethics and that its systems of internal controls give</p>

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			reasonable assurance that application of the code is monitored and regulated throughout the group.
2. Boards and directors			
Role and function of the board	2.1 The board should act as the focal point for and custodian of corporate governance	Applied	Compliance and governance policies are determined by the board which, via the group control and reporting structures and with the assistance of internal audit and its board committees, has custodial oversight of the application of such policies.
	2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	Particular emphasis is placed by the board on sustainability. Group strategy is determined against the establishment of appropriate systems and policies to measure performance and to identify, quantify and manage the risks that could threaten the company's ability to provide long-term sustainable benefits to its stakeholders.
	2.3 The board should provide effective leadership based on an ethical foundation	Applied	Leadership is provided by the board in accordance with the code of ethics adopted, and by applying the highest standards of corporate governance.
	2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The board, through its social and ethics committee, its reporting in the

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			<p>integrated report, its internal reporting structures(including a whistle-blowing facility), representation on industry bodies and forums and its policy of transparent communication with its stakeholders, ensures that the company is, and is seen to be, a responsible corporate citizen</p>
2.5	The board should ensure that the company's ethics are managed effectively	Applied	<p>A social and ethics committee has been appointed and has been mandated to ensure that the company's ethics are managed effectively.</p> <p>Contraventions of the code of ethics adopted by the board are reported at divisional level and, if material, are escalated to the board.</p>
2.6	The board should ensure that the company has an effective and independent audit committee	Applied	<p>The audit committee has been constituted in accordance with the requirements of King III and is comprised of three independent non-executive directors. The external auditors are afforded the opportunity to meet with the committee and/ or the chairman without executive management/ directors present. The board ensures that the audit committee</p>

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			has access to such facilities/ records / executives / employees as it may require in order to effectively fulfil its obligations.
2.7	The board should be responsible for the governance of risk.	Applied	The board charter assigns this responsibility to the board, which is assisted by the audit committee and the group risk advisory committee. These committees are in turn assisted by the divisional risk management structures which report on the divisional governance of risk directly to the board
2.8	The board should be responsible for information technology (IT) governance	Applied	The board charter assigns this responsibility to the board, assisted by the audit committee and the group risk advisory committee. These committees are in turn assisted by divisional IT governance structures.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied	There are systems in place throughout the group for the monitoring and reporting of compliance with applicable laws and regulations. Where practicable, adherence to non-binding rules, codes and standards is also considered as the company is committed to ensuring that

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			corporate governance across the group remains at the highest possible standard.
	2.10 The board should ensure that there is an effective risk-based internal audit	Applied	The company has established an internal audit department which is an integral part of the enterprise-wide risk management framework.
	2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The board believes that timeous, balanced and understandable communication of the group's activities to stakeholders is an essential factor in maintaining its reputation as a responsible corporate citizen. To this end, policies for the timeous and transparent communication of relevant issues to stakeholders and channels of communication have been established.
	2.12 The board should ensure the integrity of the company's integrated report	Applied	The integrated report is approved by duly appointed board members and senior executives, with specific responsibility for sections of the report.
	2.13 The board should report on the effectiveness of the company's system of internal controls	Applied	The internal control systems adopted by the board are regularly reviewed and are reported on an annual basis in the integrate report.

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			Divisional management reporting , including the divisional reports of the internal auditor , the reports to the board of the internal auditor and the group policies adopted, have confirmed the effectiveness of the company's system of internal controls.
2.14	The board and its directors should act in the best interests of the company	Applied	This is a requirement of the board charter and of the Companies Act and all directors are conversant with and compliant with the requirements. The directors declare interests in contracts at each board meeting and are required to recuse themselves should any conflict of interest arise.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, as defined in the Act	Applicable on a needs basis	This is not currently applicable but would be considered if required.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfill the role of the chairman of the board	Applied	The chairman is an independent non-executive director and the roles of the chief executive and the chairman are separate.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied	The chief executive officer is appointed by the board. A formal framework for the delegation of authority has been established. The board sets pre-

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			determined group materiality levels.
Composition of the board	2.18 The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied	The composition of the board complies with this principle. The board consists of seven executive directors and ten non-executive directors, eight of whom are classified as independent non-executive directors.
Board appointment process	2.19 Directors should be appointed through a formal process	Applied	Directors are appointed through a formal and transparent process which includes background checks. Appointments to the board are recommended to the board by the nomination committee and are subject to shareholder approval/ ratification.
Director development	2.20 The induction of and ongoing training and development of directors should be conducted through formal processes	Applied	There is a comprehensive formal induction process in place for new directors. The company assists with the continuing professional development of its directors and provides briefings on topics that may influence the group's businesses.

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Company Secretary	2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied	The company secretary is a juristic person, Steinhoff Africa Secretarial Services (Pty) Ltd, whose board is comprised of suitably qualified and experienced executives. The competence and suitability of the company secretary is evaluated by the board on an annual basis. By appointing a juristic person as its company secretary, the company is afforded access to a wide set of skills.
Performance assessment	2.22 The evaluation of the board, its committees and the individual directors should be performed every year	Applied	The required evaluations are completed on an annual basis

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Board committees	2.23 The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied	<p>The board has appointed the following committees which have been structured in accordance with the requirements of King III and the Companies Act no 71 of 2008 as amended:</p> <ul style="list-style-type: none"> • The executive committee. • The audit committee • The human resources and remuneration committee. • The nomination committee. • The group risk advisory committee. <p>The social and ethics committee.</p> <p>These committees operate under defined terms of reference. However the ultimate responsibility for ensuring the effective leadership and governance of the company rests with the board.</p>
Group boards	2.24 A governance framework should be agreed between the group and its subsidiary boards	Applied	<p>Separate frameworks have been adopted at divisional levels. These frameworks are subject to compliance with the group policies and over-arching levels of authority and pre-determined levels of authority set by the board.</p>

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Remuneration of directors and senior executive	2.25 Companies should remunerate directors and executives fairly and responsibly	Applied	The fees payable to non-executive /executive directors take cognisance of fees / remuneration payable to directors of comparable companies and to the necessity to retain and attract high calibre individuals to serve on the board.
	2.26 Companies should disclose the remuneration of each individual director and certain senior executives	Applied	The appropriate disclosures are made in the annual financial statements.
	2.27 Shareholders should approve the company's remuneration policy	Applied	Shareholders approve, on an annual basis, the remuneration policy of the company by way of a non-binding advisory vote at each annual general meeting of the company.
3. Audit Committees			
	3.1 The board should ensure that the company has an effective and independent audit committee	Applied	An audit committee has been constituted by the board in accordance with the requirements of King III and the Companies Act no 71 of 2008 and is comprised of three independent non-executive directors. The external auditors are afforded the opportunity to meet with the committee and/ or the chairman without executive management/ directors present. The board ensures that the audit committee has access to such facilities/ records / executives / employees as it may

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Membership and resources of the audit committee	3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	Applied	require in order to effectively fulfil its obligations. The financial qualifications and experience of the members of the audit committee are taken into account by the nomination committee in recommending appointments to the committee. The audit committee is comprised of three independent non-executive directors, whose independence is regularly reviewed and confirmed by the nomination committee.
	3.3 The audit committee should be chaired by an independent non-executive director	Applied	The chairman of the audit committee is an independent non-executive director.
	Responsibilities of the audit committee	3.4 The audit committee should oversee integrated reporting	Applied
3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities		Applied	The group has adopted a COSO-based enterprise-wide risk management policy and framework. Assurance is obtained via both internal and external audit processes. Assurance on the Information Technology control framework is explained at paragraph 5.1 below

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			and on sustainability reporting at paragraph 9.3 below.
Internal assurance providers	3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied	This is done on an annual basis
	3.7 The audit committee should be responsible for the overseeing of internal audit	Applied	Internal audit reports to the audit committee on a quarterly basis. The internal audit executive has unfettered access to the chairman and to members of the audit committee. The internal audit plan is approved by the audit committee.
	3.8 The audit committee should be an integral component of the risk management process	Applied	It is a purpose of the audit committee to ensure that risk management and internal control systems are properly maintained. The committee considers significant risk and control issues arising from the financial officers' reports and from the divisional reporting structures.
External assurance providers	3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied	The audit committee recommends the appointment of the external auditor and oversees the external audit process. Reports from the external auditor are presented to and reviewed by the audit committee and the divisional audit committees.

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Reporting	3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	Applied	The audit committee reports to the board, via the audit committee chairman, on how it has discharged its duties. The report of the audit committee to shareholders is presented with the annual financial statements
	4. The Governance of risk		
	4.1 The board should be responsible for the governance of risk	Applied	This is set out in the board charter. The board is ultimately responsible for the governance of risk management within the group.
	4.2 The board should determine the levels of risk tolerance	Applied	The board, with input from the group risk advisory committee, determines the group's appetite for risk.
	4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	Applied	Both the audit committee and the group risk advisory committee play support roles in the management of risk. The audit committee oversees group risk management, reporting to the board. The board reviews and evaluates the major risks facing the group, as identified and reported by divisional management, the audit committee and the group risk advisory committee.

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Management's responsibility for risk management	4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied	Management is responsible for the design, implementation and management of divisional risk management plans.
Risk assessment	4.5 The board should ensure that risk assessments are performed on a continual basis	Applied	Risk assessments are regularly updated by management and material risks are tabled to the board, the relevant committees and to the divisional boards on a quarterly basis.
	4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied	Divisional risk assessments are regularly reviewed. Methodologies / frameworks for the identification and anticipation of unpredictable risks are standardised across the group.
Risk response	4.7 The board should ensure that management considers and implements appropriate risk responses	Applied	In reporting identified risks to the board and the relevant committees, management is required to disclose measures implemented/ considered to mitigate risk. The COSO based enterprise-wide risk management policy and framework adopted facilitates <i>inter alia</i> the identification and mitigation of risks

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Risk monitoring	4.8 The board should ensure continual risk monitoring by management	Applied	Risk assessments are regularly updated by management and material risks are tabled to the board, the relevant committees and the divisional boards on a quarterly basis.
Risk assurance	4.9 The board should receive assurance regarding the effectiveness of the risk management process	Applied	Independent surveys are selectively carried out to ensure that, to the extent practicable, major risks identified are being optimally mitigated.
Risk disclosure	4.10 The board should ensure that there are processes in place enabling complete, timely relevant, accurate and accessible risk disclosure to stakeholders	Applied	Processes are in place throughout the group for the reporting of risk. Should disclosure of material risks to stakeholders be required, this would be dealt with in the company's integrated report or in accordance with regulatory requirements
5. The governance of information technology			
	<p>5.1 The board should be responsible for information technology (IT) governance</p> <p><i>Paragraph 4</i></p> <p>The board should ensure that an IT governance charter and policies are established</p> <p><i>Paragraph 5</i></p> <p>The board should ensure promotion of an ethical IT governance culture and awareness of a common IT language.</p>	Partially applied and explained	<p>The responsibility of the board for IT governance is set out in the board charter.</p> <p>The board of Steinhoff has adopted IT policy documents, incorporating the essential elements of an IT charter, and an IT internal framework has been adopted.</p> <p>Due to the diversity and geographical spread of the group's businesses, IT has not</p>

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	<p><i>Paragraph 8</i> The board should ensure that an IT internal control framework is adopted and implemented and that the board receives independent assurance on the effectiveness thereof.</p>		<p>been standardised across the group. With the assistance of external advisors and group IT charters, the promotion of an ethical IT governance culture has been facilitated.</p> <p>IT assurance forms part of internal audit and external partners are co-sourced where more technical expertise is required. An independent IT assurance function, with oversight over certain elements of IT, has been developed and independent reports generated are submitted to the relevant audit committees.</p>
	<p>5.2 IT should be aligned with the performance and sustainability objectives of the company</p>	<p>Applied</p>	<p>The IT function operates in terms of a policy that aligns IT with the overall objectives of the company. Internal audit assists the board in ensuring that IT has been appropriately structured to continue to deliver value to the group's businesses</p>
	<p>5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework</p>	<p>Applied</p>	<p>The responsibility of ensuring compliance with the group IT governance framework has been delegated to management.</p>

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	5.4 The board should monitor and evaluate significant IT investments and expenditure	Applied	Levels of materiality have been determined for IT investments and expenditure. Material IT investments and expenditure are referred to the board and are monitored.
	5.5 IT should form an integral part of the company's risk management	Applied	The management of IT risk is one of the purposes of the audit committee as set out in the committee's charter and forms an integral part of the company's risk management.
	5.6 The board should ensure that information assets are managed effectively	Applied	This forms part of the duties delegated to the audit committee and the board receives regular reports on material IT matters, including the management of IT assets.
	5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied	Quarterly IT reports are tabled to and reviewed by the audit committee and the divisional audit committees. The group risk advisory committee assists the board on material IT matters.
6. Compliance with laws, rules, codes and standards			
	6.1 The board should ensure that the company complies with applicable laws and consider adherence to nonbinding rules, codes and standards	Applied	A compliance function has been established at group level and a group legal compliance policy, with reporting structures, has been established. Adherence to non-binding rules, codes and standards is considered and, where deemed

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			practicable, is enforced as appropriate.
	6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business		The company has a diverse portfolio of businesses across a wide geographical spread. Divisional management is charged with ensuring compliance with the particular laws and regulations applicable to their operations. Any material instances of non-compliance are brought to the attention of the board and the directors, who have a broad, albeit not necessarily industry or country specific understanding of the applicable laws, rules, codes, standards and regulations. The board and the directors however have a working understanding of the effect of instances of material non-compliance and the control and reporting systems in place across the group serve to ensure that the board and its directors are in a position to take appropriate action if required.
	6.3 Compliance risk should form an integral part of the company's risk management process	Applied	A compliance function has been established at group level and a group legal compliance

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			policy has been established. Risk of non-compliance forms an integral part of the company's risk management process.
	6.4 The board should delegate to management the implementation of an effective compliance framework and processes	Applied	The management of each division has been charged with managing and reporting on the implementation of an effective compliance framework and process. The group compliance manager interacts regularly with the board, the board committees and management on strategic compliance matters.
7. Internal audit			
The need for and role of internal audit	7.1 The board should ensure that there is an effective risk based internal audit	Applied	The company has established an internal audit department which is an integral part of the enterprise-wide risk management framework.
Internal audit's approach and plan	7.2 Internal audit should follow a risk based approach to its plan	Applied	Internal audit follows a COSO based enterprise wide risk management policy and framework.
	7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied	The internal audit executive provides the required written assessment to the audit committee on an annual basis.
	7.4 The audit committee should be responsible for overseeing internal audit	Applied	Internal audit reports to the audit committee on a quarterly basis. The internal audit executive has unfettered access to

Area	Requirement	Status	Comments
			the chairman and members of the audit committee. The internal audit plan is approved by the audit committee.
Internal audit's status in the company	7.5 Internal audit should be strategically positioned to achieve its objectives	Applied	The internal audit function has been furnished, in its charter, with the strategic direction and authority to achieve its objectives.
8. Governing stakeholder relationships			
	8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied	The board believes that timeous, balanced and understandable communication of the group's activities to stakeholders is an essential factor in maintaining its reputation as a responsible corporate citizen. To this end, policies for the timeous and transparent communication of relevant issues to stakeholders and channels of communication have been established
	8.2 The board should delegate to management to proactively deal with stakeholder relationships	Applied	Delegation to divisional level management to deal with matters affecting stakeholder relationships in their sphere of operations is in place. Stakeholder relationship matters affecting the listed entity are dealt with at corporate level.
	8.3 The board should strive to achieve the appropriate balance between its various stakeholder grouping, in the best interest of the company	Applied	The board recognises that the separate stakeholder groupings are key components

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			in ensuring the sustainability of the group as a whole.
	8.4 Companies should ensure the equitable treatment of shareholders	Partially applied and explained	<p>The company, in its capacity as the majority shareholder of the JD Group Limited (JD Group) and the major shareholder of KAP Industrial Holdings Limited (KAP), receives quarterly financial reports from these entities. This flow of information is well-regulated and robust systems are in place to prevent any possible misuse of such information.</p> <p>In all other respects, shareholders of the company, JD Group and KAP are treated on an equitable basis</p>
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied	The board believes that timeous, balanced and understandable communication to stakeholders of the group's activities is essential, regardless of any positive or negative impact.
Dispute resolution	8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Applied	The board strives to ensure that any disputes are fairly and equitably resolved.
9. Integrated reporting and disclosure			
Transparency and accountability	9.1 The board should ensure the integrity of the company's integrated report	Applied	The integrated report is approved by duly appointed board members and senior executives, with specific responsibility for sections of the

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			report.
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied	An integrated report is available to shareholders.
	9.3 Sustainability reporting and disclosure should be independently assured <i>Paragraph 17</i> A formal process of assurance with regard to sustainability reporting should be obtained	Explained	The responsibility for review and approval of the full integrated report currently rests with the audit committee and, ultimately, the board. A combined assurance framework for the group has been adopted. Within this framework a combined assurance model for independent assurance on material sustainability issues is being developed and will be implemented when the group's data collation systems and reporting on sustainability issues reach a more mature stage. The diversity and geographical spread of the group's operations are being taken into account in the formulation of the assurance process, to ensure the integrity of the data reported. The coordination of the group's combined assurance activities are undertaken by a combined assurance Forum. The objective of the Forum is to

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			implement and execute the combined assurance plan. The Forum consists of core members (e.g. applicable management representation, IT, compliance, Health and Safety, legal, tax, Internal Audit, External Audit and invitees).