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This Corporate Responsibility report provides stakeholders with information on our group's sustainability activities in respect of our financial year ended 30 June 2010, and should be read together with our annual review for a balanced and comprehensive view of our business. The annual review and annual financial statements are available on our website at www.steinhoffinternational.co.za.

Steinhoff's business strategy

has, since the company's listing in 1998, proved capable of delivering on stakeholder expectations. We continue to source and manufacture our products in low-cost locations and sell them in developed markets. The balance achieved between geographical and operational markets has proved to be the cornerstone of 12 years of achievement.

Steinhoff recognises the importance of sustainability. As a result, sustainability is a non-negotiable business imperative for the group and we aim to provide relevant information to meet the needs of our stakeholders.

By balancing the three pillars of sustainability (people, planet and profit) we aim to be a responsible corporate citizen while still remaining competitive in our business markets.

To do this, our approach is to regularly review and adapt our policies and processes to reinforce our ability to be:

- economically viable;
- socially responsible; and
- ecologically sound.

The group operates in a dynamic global environment. Our ability to react to ever-changing conditions is founded in our solid corporate structure which is underpinned by sound financial principles, entrenched by corporate governance policies and procedures and an overall focus on the sustainability of our businesses.

We are fully aware of our responsibilities toward:

- our employees – to value them and create the most suitable environment in which they can add value;
- the natural resources on which we are dependent; and
- our business, shareholders, customers, business partners and the communities in which we operate.



Letter from our CEO to all stakeholders

Steinhoff is conscious

of the fact that environmental, resource and other sustainability risks are threatening the longevity of our planet. We are determined to manage our businesses' impact on the planet's finite resources while contributing to the well-being of people's lives, in particular those of our employees, customers, suppliers and the communities we serve.

The board of directors of Steinhoff International and our executive management team remain focused on managing the long-term sustainability of our businesses and business practices in order to maintain and hopefully improve the benefits we provide to our many stakeholders.

Our sustainability policy is built around a business model that is economically viable, socially responsible and ecologically sound. We strive to:

- decrease our business's impact on the environment;
- support the people that rely on our businesses and business practices; and
- manage the risks that threaten our own ability to provide sustainable long-term benefits to our many stakeholders.

Managing our environmental impact

Climate change and its effect on the environment is a material issue and has a direct and indirect impact on us all. For this reason, we are participants in the Carbon Disclosure Project. We have adopted the greenhouse gas protocol for emission calculations and in 2010, utilising the services of independent external consultants, we calculated the group's global carbon footprint. As a result, we now have a better understanding of our global carbon footprint and will continue to measure, manage and disclose this impact on the environment.

Our impact on the environment and our efforts and priorities in managing these risks are discussed on pages 40 to 51 of this report.

Supporting the many people that rely on our business and business practices

Access to a healthy, productive workforce is a high priority for the group and is critical for the attainment of our business goals. The group recognises employee development and wellness as key factors in building a stable and productive workforce and a sustainable business.

Throughout the group, various initiatives are in place to support these core objectives. Many have been ongoing for several years, with others still in their early stages.

Examples of initiatives undertaken, which are described in more detail in the accompanying report, include:

- Employee development receives ongoing attention through education and training programmes.
- Employee and community well-being is addressed taking into account geographical and industry-specific requirements. A big focus area for the group is affording access to and, where feasible, facilitating HIV/Aids prevention and education initiatives in South Africa.
- Employee retention is addressed through various incentive schemes. In South Africa, for example, employee retention and succession is addressed through the S'khulasonke share scheme which gives many previously disadvantaged employees an opportunity to participate in the growth of the group through an employee share ownership plan. This share scheme was put in place to create an enduring and value-creating partnership that will be one of the key drivers to sustainable growth of the group's operations in South Africa. In 2009, approximately 19 000 Steinhoff Africa employees received their first dividend from the scheme.

- Our corporate social investment programmes are focused in areas where the need is recognised to be greatest, in particular on initiatives involving child welfare, education and sport. We align these projects with the values espoused by the group and, through our direct involvement, try to lead by example. We have had many small successes that collectively make a substantial difference. One of our projects, the Steinhoff Extended Family project in South Africa started in 2005 and now feeds, educates, and takes care of an average of 200 HIV/Aids affected children between the ages of two and 18. Internationally, different projects raise funds for contributions towards the welfare of orphans and towards child health research. Schools in local communities receive support from our divisional businesses, where involvement and relationships are more direct and the group's long-standing sponsorship of sport at tertiary level provides students with the opportunity to participate at a higher competitive level. Through these and many other projects, we have been able to make contributions that have made a difference in many lives.

For more detail on our initiatives involving employees and social support please refer to pages 10 to 36 of this report.

Managing the risks that threatens our own ability to provide sustainable long-term benefits to our many stakeholders

A clear long-term business strategy with a proven ability to create value for stakeholders is at the core of our sustainability strategy. Steinhoff's business model is underpinned by our key strategic principles and has proved successful in growing the business in volatile and ever changing economic conditions. Our past success and the sustainability of our future rests on the following four business pillars:

- Diversification
- Relevant products with a clear value proposition that attracts a broad market (Mass-market focus)
- World-class supply chain management
- Entrepreneurial culture and decentralised management structure

Crucial to the success of the business strategy is the management of the sustainability risks inherent to our key strategic objectives and the business as a whole.

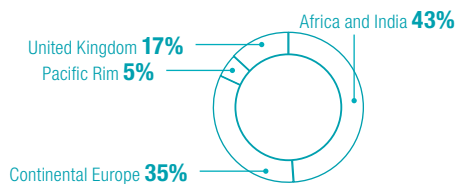
Our approach to managing these risks is summarised below and is set out in detail in the rest of the report.

Diversification

Geographical diversification

Steinhoff's operations and markets span across Europe, Africa, the UK and the Pacific Rim.

Composition of revenue base is as follows:



This geographic footprint affords us the ability to identify and capitalise on emerging trends in different markets, while providing natural protection against prolonged downturns in any one economy or industry cycle.

Our decentralised management has an in-depth understanding of current and future sustainability risks within their businesses and is best equipped to manage or mitigate these risks to safeguard our sustainability.

The same decentralised management structure that applies to our operational management is responsible for the identification, management and reporting of the sustainability risks in their particular business segment.

Product diversification

Steinhoff's product offerings are diversified across the household furniture category and include upholstered furniture, case goods, occasional furniture, bed furniture and mattresses, as well as a host of complementary decorative goods for the home. Our recent acquisition of the French group Conforama has added brown, grey and white goods' ranges to our portfolio. Our diversified product strategy affords us a bigger share of the retail basket. We have successfully grown both revenues and margins through commercialising innovative product designs.

Our ability to remain at the forefront in evolving designs, innovation and technological advancements in our industry is fundamental to the competitiveness and sustainability of our business.

Relevant products with a clear value proposition that attracts a broad market (Mass-market focus)

Steinhoff's product and marketing strategy is principally focused on the value biased consumer. Historically demand in this market sector is less volatile than the higher-priced market segments and this segment has traditionally acted as a 'hedge' to market uncertainty, showing growth (versus the industry as a whole) as consumers tend to 'buy down' in periods of uncertainty.

The group's ability to offer value-based products is influenced by our ability to manufacture and source quality products at competitive prices. This strategy should continue to safeguard our competitiveness in this market segment and support the sustainability of our business.

Sustainable raw material supply

Raw material costs for household goods remain the biggest input cost in many of our products, followed by labour, warehouse, distribution and logistics costs.

The demand for raw materials and scarce resources is a growing global concern. The sustainable availability of affordable raw materials required for many of our products such as timber, steel, leather and cotton remains a priority for our regional environmental committees. Procurement and strategic sourcing are key competencies required to support the sustainability of our supply. We are committed to sourcing raw materials from sustainable sources and to promoting sustainable manufacturing practices. Our group-owned forests are FSC certified and we adhere to all applicable laws and legislation with regard to supplying consumer products.

Manufacturing and sourcing

Ethical and responsible manufacturing and sourcing practices remain a priority for all of our businesses, regardless of whether products are sourced from internal or external sources. Our divisions are bound by group-endorsed ethical trading principles.

-
- Our sourcing strategy encompasses comprehensive supplier audits that not only focus on prospective suppliers' ability to produce quality products on time, but include testing the sustainability of their manufacturing practices.
-
- Adherence to ethical trading practices and our support for human rights further underpin our behaviour in our dealings with customers, suppliers and broader communities.
-
- Consumer demands for environmentally friendly products and services are increasing and, coupled with the introduction of new environmental legislation and stricter trading practices, will continue to support and give momentum to the development of our own sustainability strategies.
-

We have gained valuable knowledge in the timber and raw materials industry in Africa which has stood our operations in other parts of the world in good stead in terms of shared knowledge, sustainable procurement and quality control.

Logistics, warehouse and distribution

Educating and developing our workforce assists us to retain the skills and experience we require to provide a high level of service quality. This in turn assists in maintaining our corporate reputation as a responsible supplier of services. We will manage this carefully – optimising opportunities for the group and providing a value-add service for the customer.

World class supply chain management

Each region employs the most appropriate supply chain given the risks, strengths and opportunities inherent to the individual market. Owning and internally managing key parts of the supply chain gives us greater control to manage the sustainability and continued availability of this key function which is necessary for the competitiveness and effectiveness of our global businesses.

Significant influence over and knowledge of the supply chain, consolidating all points of contact from raw material to retail outlets across an extensive product offering, allows for better service levels and guarantees product delivery within a competitive cost structure.

In addition our owned warehouse, distribution and logistics businesses give us the ability to better control and measure our environmental footprint (and rising costs in this area) which remain a long-term area of focus for the group. We are participants of the Carbon Disclosure Project and in 2010 again achieved inclusion on the JSE SRI Index.

Entrepreneurial culture and decentralised management structure

The group encourages the entrepreneurial spirit which is entrenched in our culture and forms part of an overall group strategy – to remain entrepreneurial. Our management teams are empowered to seek opportunities, make business decisions to appropriately implement strategy and manage the sustainability of their own business. These management teams are close to their employees, their communities and business partners; and it is this knowledge of their stakeholders that contributes to their ability to act quickly and appropriately to changing needs and risks within their region and industry.

Regional divisions are entrusted to our decentralised management, supported by non-negotiable group guidelines and technical experts. This management structure not only allows local management teams to focus on operational issues but also to draw expertise and experience from the group when required. These teams are best positioned to identify business risks and opportunities and to act timeously when implementing actions to mitigate any risks that could impact the long-term sustainability of our group.

This divisional structure also follows our group risk reporting structure where all risks are reported on an operational level and, depending on merits and materiality of any risk; it is escalated to divisional and/or international board level. This reporting line has been in place since our listing in 1998,

follows corporate governance best practices and remains successful in managing business risks and implementing mitigating strategies.

Conclusion

We recognise that in order for the Steinhoff brand to continue its success in attracting affordable capital and retaining a loyal workforce and sustainable customer base, we need to protect and continue to enhance Steinhoff's reputation as an ethical, profitable and responsible brand. Respect for our stakeholders, our employees and the environment, is a non-negotiable business principle throughout the group and we are confident that we have appropriate systems in place, not only to protect the brand and our businesses but also to provide long-term benefits to the various stakeholders we serve.

About this report

Corporate responsibility brings together the three pillars of sustainability: people, planet and profit.

The aim of this report is to provide stakeholders with an overview of Steinhoff's corporate responsibility approach at group and divisional level.

It also provides an overview of the group's sustainability initiatives through selective examples to illustrate and explain the commitment and extent of our many projects.

Due to the diversity of the divisions and the geographical areas in which we operate, all initiatives are driven at divisional level. This has been done to comply with relevant regional legislation, and to address the particular environmental, social and operational challenges that each division faces.

Our reporting structure follows the same principle and information is presented to best contextualise the projects. Within these geographical areas – Africa, United Kingdom, Europe and Asia Pacific – the operational split follows the segmental information as it is presented in the annual review and financial statements. Operations are divided into manufacturing and sourcing, logistics services and retail.

Therefore:

- the examples we have listed in this report aim to provide a representative sample from across the group and may be applicable to a number of divisions within the group;
- due to the extent of the projects, not all initiatives can be documented; and
- not all sustainability data is in line with or might be material to the group's reporting requirements. This will be reviewed as the group's reporting matures.

For a more holistic view of the group and the business focus of the divisions, this report should be read with the annual review and annual financial statements.

These are available as separate documents and online at www.steinhoffinternational.com.

Sustainability and strategy

Each division is responsible for developing its own sustainability strategy and framework in line with the overall group strategy of balancing stakeholder needs and social and environmental obligations.

South Africa's transformational needs drive the focus of the group's financial contribution on social change, while environmental initiatives are largely influenced by global trends.

The group's strategy is founded in an investment case for a healthy and profitable business. Divisional strategies therefore align with our maintaining of a diverse geographical footprint, strengthening our integrated supply chain, promoting flexibility and balance in diverse market segments, retaining our reliable logistics services, growing our customer base and supporting our sustainability efforts.

Materiality

The diversity of the group's businesses influences how sustainability issues are determined and addressed.

Materiality is determined and considered at divisional level. Decisions around materiality are based on the potential impact of risks, the effect on communities and the value derived by all concerned from monetary investments.

This has resulted in certain of our divisions (as it relates to their potential risks) being at the centre of many of the group's sustainability initiatives and others playing a much less prominent role.

Management and reporting structure

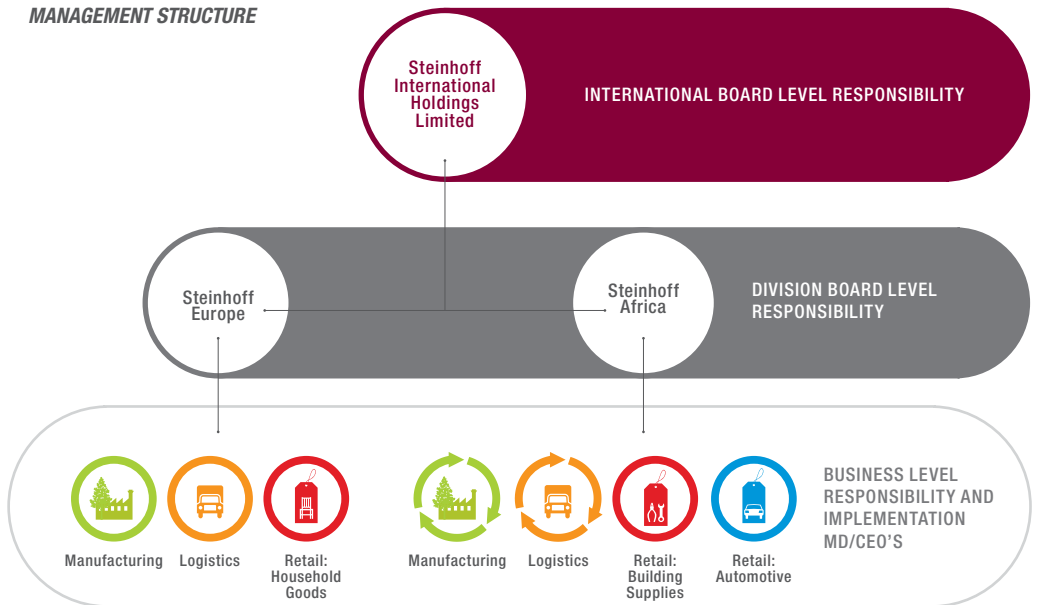
Our corporate responsibility management structure encompasses all our business functions. We have adopted a policy that provides clear accountability to the board, while placing day-to-day responsibility to implement and manage divisional responsibility programmes on divisional management and their boards.

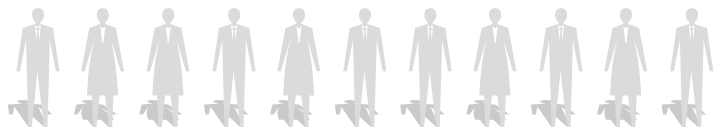
Responsibility for business strategy implementation for each division rests with the divisional chief executive officer/ managing director, while responsibility for the group rests with the Steinhoff International board. This management process and structure is in line with the group's overall decentralised approach.

A central corporate responsibility committee, which has representation on the Steinhoff International board:

- focuses on issues of sustainability;
- provides strategic direction to the group on corporate responsibility matters with input from the divisional management teams; and
- reports to the board on matters of sustainability.

MANAGEMENT STRUCTURE





People



Case study: Child welfare

We worry about what
a child will become tomorrow,
yet we forget that he is
someone today.

Stacia Tauscher



Steinhoff Extended Family Programme – taking care of HIV/Aids orphans

The various decentralised businesses focus on their immediate communities in their regional locations. We felt it also made sense for the group to identify a project and partner in the Johannesburg area where the Steinhoff Africa head office is located.

The Abraham Kriel Maria Kloppers organisation has a long and respected history in childcare. Over the years, the structure and main focus of the 108-year-old institution has adapted to the needs of the children it cares for. The main focus of Abraham Kriel is to make a meaningful difference in the lives of the children in their care by providing a spectrum of services, protecting their rights and generating and managing funds to appropriately and cost-effectively reach as many children as the funds allow. In total the organisation currently cares for more than 800 children.

These are vulnerable children in desperate need of care; children who are abused, abandoned and neglected, and those whose lives have been devastated and affected by HIV/Aids. Abraham Kriel also assists with early childhood development problems and reaches out to disadvantage communities where social structures

have collapsed to prevent the disintegration of families. The end goal of their work is to send well rounded, well cared for, educated children into their communities and broader social structures to lead productive and rewarding lives.

Steinhoff identified with the values and vision of Abraham Kriel and recognised the need of these children in Soweto. In 2003 we embarked on the process of extending the services of Abraham Kriel's residential care into the community by means of home-based care. This project was introduced and focuses on providing holistic services to HIV/Aids infected and affected families with a special focus on child-headed households.

It is estimated that currently approximately two million children in South Africa are orphans and only about 15 000 can be accommodated in formal orphanages and institutions. Of this number, a high percentage of children are directly affected by HIV/Aids, either by having the disease and receiving antiretroviral (ARV) treatment, or by being orphaned through Aids. In many cases they are living in child-headed households due to the death of their parents.

With the support of Steinhoff International Abraham Kriel Childcare was able to embark on a vital new road. In 2003 thousands of children's lives and potential went to waste around the country. Together we could make a difference to hundreds of children and families affected by the HIV/Aids pandemic. This was the start of a programme that has since grown to serve more than 500 children at any time and inspired many more companies to invest in the future of South Africa's children.

**Paul Momsen,
CEO, Abraham Kriel**



The Steinhoff Extended Family programme contributes financial support for approximately 200 children, aged 2 to 18 living in Soweto. This contribution allows for food, school fees and clothes, after school care and where necessary ARV treatment. The project is managed by Abraham Kriel and employs a dedicated project manager and special needs teacher, various social workers, volunteers and assistants who themselves are children who grew up as beneficiaries of the Steinhoff Extended Family Programme.



Dr Dinosaur and Simplee Kidz – for healthier happier children

Over 15 years ago the Australian operations identified children's healthcare as an area in need of worthy corporate contribution and a relationship with the Children's Cancer Institute Australia (CCIA) was initiated.

The CCIA estimates that in 2010 more than 600 Australian children will be diagnosed with cancer. They also estimate that three children will die every week.

For this reason Freedom, our retail brand that supports quality of family life through its products, wholeheartedly supports the vision of CCIA. Through their work and our contribution, together we contribute to the best possible quality of life for the affected children and their families, to save their lives and to eliminate their suffering.

The CCIA is the only independent medical research institute in Australia dedicated to research into the causes, prevention, better treatments and ultimately the cure for childhood cancer. The Freedom project consists of the Dr Dinosaur product range which is sold in all the Freedom retail outlets. All the profits of the sale of Dr Dinosaur products contribute to the CCIA research funds.

The bedding retail business Snooze entered into a three-year partnership with the Murdoch Children's Research Institute (MCRI) in 2008. MCRI is the largest child health research institute in Australia and is dedicated to finding innovative ways to prevent and treat

conditions affecting the health of babies, children and adolescents. There are six main areas of focused research and these include conditions relating to: neuroscience, heart disease, brain injury, epilepsy, autism, deafness, gene development in cancer and diabetes, obesity, depression, alcohol and drug abuse, language and literacy, and musculoskeletal disorders.

As part of this partnership, Snooze has committed to raising more than AUD450 000 for the Institute over a three-year period.

Snooze used the knowledge gained from research on sleep science to create beds that contribute to the health and wellbeing of Australian children. They created two children's ranges, Simplee Kidz and Osteo Youth Support Beds and these products are sold exclusively at their stores.

The Simplee Kidz range of beds is Australia's best-selling single bed range. They are 100% UltraFresh treated and as such, the beds are ideal for children suffering from allergies or asthma.



Managing Director for Snooze, Simon Beaty, said the partnership with MCRI reflects the synergies between Snooze and the Institute:

Our partnership with MCRI further demonstrates our commitment to children's health. With Snooze continually focusing on the health and wellbeing aspects of sleep, we're delighted to be in a position to share sleep-related information and research from MCRI with our customers.

The Osteo Youth Support bed has been approved by the Australian Osteopathic Association and carries the Dunlop Asthma Australia Partner label.

A percentage of the sale price of these two product ranges will go towards raising the AUD450 000. In this community partnership, Snooze will directly contribute to and support continuous research done by MCRI. The Snooze advertising campaign will further raise national awareness and franchisees will get involved at a local level.

Raising money: European cycle tour

Bruno Steinhoff, founder and former chairman and non-executive director of the group and Ian Topping, CEO of Steinhoff UK completed a cycle tour to raise funds for those projects close to the heart of the Steinhoff group.

These include:

- In the UK, the James Hopkins Trust which helps severely disabled children and those with life threatening or life limiting conditions under the age of five.
- In Germany, the Kinderschutzband Ammerland and Leer caring for needy children from socially disadvantaged families.
- In South Africa, the Steinhoff Extended Family Project.
- In Australia, the Children's Cancer Institute of Australia.

A group of Steinhoff employees from the UK and European offices, with Bruno and Ian, completed a 4.5-day, 600 km cycle route in May 2010. The route started at the head office of the UK retail chain Harveys in Thurrock, Essex and ended at the head office of Steinhoff Europe in Westerstede, Germany.

Despite tough weather conditions and surviving the coldest and windiest day in Holland in over 40 years. Many employees joined along the way, culminating in a group of 300 riders from Steinhoff and the local area on the final day. This made the final 50 km stretch to the finish line in Westerstede one of the biggest events that this usually tranquil town has ever seen.

Bruno Steinhoff, the inspiration and driving force behind the project commented:

We are delighted by the success of the ride in raising so much money for the children's charities in the main operating centres of our worldwide group. It was a fantastic experience to be joined by our colleagues and friends from around the world as we completed a very tough challenge. We would like to thank all our sponsors for their generous support of the event making it such a resounding success.

With the support of our worldwide staff, suppliers, business associates and friends, an overwhelming total of EUR100 000 was raised.



Stakeholders

Stakeholder engagement

is an inclusive and continuous process between the group's divisions and the stakeholders affected or potentially affected by their activities. Stakeholder dialogue and involvement is determined according to the scale, nature, location and impact of business, projects and developments of the group.

Levels of participation include:

Information

to provide stakeholders with balanced and objective information about the group, its divisions, projects and initiatives to assist them in understanding the group

Consultation

to obtain, where appropriate and relevant, input and feedback for decision-makers on analysis, alternatives and/or decisions

Involvement

to work directly with selected stakeholders to ensure that concerns and expectations are understood, considered and managed

Collaboration

to partner with stakeholders to identify and develop solutions for potential issues or problems

Employees

Employees, trade unions, regulatory bodies

The group employs approximately 41 300 people. Trade union representation covers employees predominantly in our African and east European operations.

We strongly believe in and promote open discussion with our employees. We will at any time consult and/or negotiate with them to resolve matters and grievances that might affect them, their working environment or the group.

Engagement is conducted through:

- Formal structures of communication which provide our employees with appropriate representation. Human resource managers, employee relations managers, various divisional managers, committees and elected employee representative forums form part of these structures. Recognition agreements are negotiated with union representatives who accommodate ongoing communication with their members in situations where unions have majority representation.

- Induction programmes which include policies and procedures, a code of conduct and employee contracts provided in printed handbooks, documents, notice format and where available, a divisional intranet.
- Notifications and news are communicated through email correspondence, meeting sessions and notice boards.
- Training sessions are also used for information sharing.
- Roadshows, employee briefings, and, in some instances, online feedback forums and climate surveys.
- Performance review sessions at management and supervisory levels which assist in one-on-one communication between line managers and their employees.
- A 24-hour anti-fraud reporting line allows employees in South Africa, Australia and the UK to anonymously report any corrupt or fraudulent behaviour that might harm them, their fellow colleagues or our business. These services are managed either by internal audit departments or by independent external partners.

Investors

Equity and institutional investors, company analysts, media, related stakeholders and regulatory bodies such as the JSE Limited

The group complies with and publishes all news and information as stipulated by the JSE Limited Listings Requirements. In addition to the regulatory requirements, we actively participate in various national and international surveys regarding issues of sustainability and corporate governance. We also hold local and international roadshows, presentations, investor days and one-on-one meetings and interviews on a regular and ongoing basis. A dedicated group executive management member is responsible for investor-related queries and direct correspondence. All public corporate information and documentation is available on the group's website at www.steinhoffinternational.com. (Email: investors@steinhoff.co.za)

Business partners

The group has a wide range of internal and external business partners with whom sound commercial relationships, managed through the divisions are in place. Customer satisfaction surveys are conducted on a regular basis, and customer liaison and complaint procedures are in place. This is particularly relevant in our retail businesses and is monitored closely.

Preferential procurement is important in South Africa and can have a potentially huge impact on business. Therefore, we are particularly aware of the necessity and importance of establishing partnerships with our suppliers and customers.

Communities

Communities include those people, upstream and downstream, who are affected by our businesses through employment offerings, social responsibility projects and the retail customers we contract with on a daily basis.

Divisional involvement is more relevant in smaller communities. In these instances and where applicable, forums are established to meet with community groups, municipalities and commerce representatives to discuss issues, projects and programmes regarding their involvement with Steinhoff.

Events and sponsorships are used as a platform for partnership and community buy-in. Various media channels, outside of formal meetings with community leaders are used to interact and communicate with the broader groups of participants. These include local newspapers and radio stations, newsletters, posters, etc.

Other

Regulators, central banks, revenue authorities, advisory councils, governments, competition authorities, media and industry bodies

The group values strong and participative relationships and encourage dialogue with government and regulatory bodies. To enable dialogue, we interact at corporate and divisional level, directly and through industry associations, on a wide range of industry and national imperative issues. Communication is mostly through personal engagement and committee participation, although other means of communication is considered where applicable.

Industry body participation in South Africa includes *inter alia*, the Road Freight Association in South Africa, the South African Bus Operators Association and various other industry bargaining councils. Senior employee and management representation to these bodies and committees is ongoing. This assists the management of Steinhoff's external brand representation and reputation within the various sectors of business.

Employees

Steinhoff Human Resources (HR)

“We continue to support our businesses and to invest in our people and infrastructures.”
Len Konar, Chairman

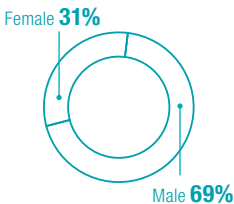
Our employees are the cornerstone of our businesses. We recognise employee wellness and development as key factors that contribute to us maintaining and further building a sustainable business. Over the years this has helped us to consistently deliver on growth targets.

Our business practices are underpinned by the values of trust, respect, commitment and loyalty. Driven from the top, management aims to create an environment where people are encouraged to act in a responsible way, work hard, build friendships and be part of a working family. This could appear to be a tall order, but when aspects such as staff retention are analysed, it is evident from the attrition rate within management that we are doing things right. We employ people with passion, who are experts in their fields and who can contribute in meaningful ways.

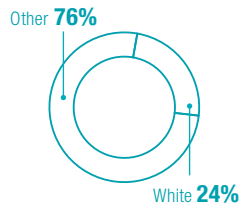
Financial performance at all levels will always be an essential indicator for achieving performance targets and, without the right people adding value in a healthy and supportive environment, we will not be able to achieve this. Against this background, we have systems in place to incentivise, retain,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

Special attention is given to aspects of health and safety in our factory and logistics environments and, in South Africa, programmes around HIV/Aids are prioritised to protect and educate our employees. Our B-BBEE strategy and commitment forms part of everyday business throughout our South African operations.

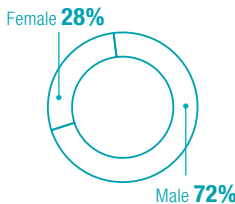
Gender split
(permanent group employees)



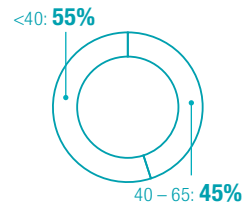
Race split
(permanent South African employees)



Management level split
(permanent group employees)



Age groups



Employee numbers

(permanent staff excluding associates at 30 June 2010)

	2010	2009 ⁽¹⁾
Southern Africa ⁽²⁾	23 600	21 700
Continental Europe ⁽³⁾	10 200	11 650
UK ⁽⁴⁾	5 200	5 300
Asia Pacific ⁽⁵⁾	2 350	2 800
Total	41 350	41 450

⁽¹⁾ The 2009 numbers have been restated to be representative of the adjusted split between continental Europe and the UK

⁽²⁾ Southern Africa includes: Manufacturing and sourcing, logistics, and retail (across all African countries of operation)

⁽³⁾ Continental Europe includes: Germany, Poland, Hungary and the Benelux countries

⁽⁴⁾ UK excludes the bed manufacturing division in the Netherlands which is managed as part of the UK (as reported in the Annual Review and Annual Financial Statements)

⁽⁵⁾ Asia Pacific includes India

HR policy

The Steinhoff HR policy addresses employee issues within the structure of the group's compliance committee. The policy includes recommendations for education and training, prescribes compliance with appropriate business practices and incorporates processes to investigate and address any allegations of impropriety.

In general, the policy requires all employees to act in good faith and, more specifically, places a duty on the directors to ensure that their behaviour protects Steinhoff's reputation, and that the group's ethical standards and policies are communicated, implemented and managed throughout the group.

Divisional responsibility for the implementation and compliance of the HR policy lies with the chief executive officer/managing director of each division. The divisional HR directors/managers take responsibility for the communication of the group's ethical standards and policies to all employees in their respective divisions. However, it is the ultimate responsibility of each employee to adhere to Steinhoff's principles of honesty, integrity and fairness and to perform their duties in accordance with all the laws and regulations relevant to their division and country of operation.

Directives to achieve targets for the management of HR are set and endorsed at group level, and are enforced and managed within each operation. These directives are driven by the Steinhoff HR and remuneration committee and cascaded down to business-unit level through established divisional committees.

Human capital development

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

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

The development of our people is the responsibility of the divisional HR committees. These committees consider and advise on employee remuneration, medical and retirement benefits, employment equity/equal opportunities, black economic empowerment (where relevant), succession planning, training and development, industrial relations and performance management.

Divisional targets for employee development are incorporated into the key performance areas (KPA) of each divisional managing director and form part of their annual incentive bonus scheme measurement.

Employee benefits

In a competitive global business environment, the ultimate goal is to invest in people for the long-term and Steinhoff is committed to retaining valuable employees. This will ultimately not only enhance business performance but also contribute to the employee's wellbeing.

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

With most of our employees concentrated in South Africa employee benefits in this region are mostly directed towards welfare and health assistance. With operations

in developing countries on the African continent, we take on additional responsibility to assist our employees, where possible, in gaining access to services that are not always publicly available.

Examples include:

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

Remuneration, attraction and retention

Retaining our experienced and skilled labour force is a business imperative. Employees are remunerated according to appropriate market-related remuneration structures, yet performance is encouraged, incentivised and rewarded as contributions from our employees influence and add value to the ultimate success of the company.

The company's primary executive remuneration objective is to reward executives appropriately, to ensure that their interests are aligned with the interests of the group and to attract and retain high-quality individuals. Our remuneration strategy focuses on achieving a balance between fixed salaries and short-term and long-term incentives to reward performance. The annual bonus plans and long-term incentive arrangements provide a significant portion of the total reward for achieving performance objectives.

In setting remuneration levels, remuneration committees commission independent evaluations of the roles and responsibilities of the executive teams, including that of the succeeding level of management. The remuneration committees seek independent advice from experts on

market-related remuneration. This is based on like-for-like comparisons with other comparable companies operating in fields within which the group competes for executive talent.

The HR and remuneration committee monitors remuneration practices to remain competitive. Our remuneration strategy aims to embrace all aspects of remuneration, supports company strategy, reflects good corporate governance practices and is aligned with our shareholders' interests. The committee continuously implements changes to Steinhoff's incentive strategies to help deliver enhanced shareholder returns. Any proposed changes are reported to relevant stakeholders through established channels of consultation and reporting.

The following principles are used to determine remuneration levels and incentives:

- Employees linked to compulsory and binding bargaining, and other regulatory structures and forums are remunerated in line with the agreements negotiated by these bodies on their behalf. In addition, team performance-related incentive systems at this level are optional to drive performance of targets.
- A team performance-related incentive system is compulsory for all business-unit management teams.
- Supervisory and middle-management remuneration is linked to competency levels and market relativities.
- Strong group and divisional long-term incentives are linked to retention strategies.
- Collective incentives promote and reward entrepreneurial skills according to performance.

The introduction of a black management trust in Steinhoff Africa operations and an employee share incentive scheme (as outlined in the B-BBEE section on page 32), further serves to attract and retain staff in the Africa division.

Steinhoff's employer of choice programme has proved valuable in attracting and retaining skilled and qualified personnel in South Africa. This programme continuously entrenches the benefits associated with employment at Steinhoff.

The group's attrition rate remains low, with that of management at approximately 4%. This can be attributed to

the group's efforts toward the retention and development of current employees, and its succession planning policy.

Succession planning

With the diverse set of group companies, the importance of succession planning within the divisions is critical to the sustainability of the businesses and forms a fundamental part of the group's staff retention strategy.

Succession planning of directors is reviewed by the HR and remuneration committee. The same process is followed for all other levels of management but is reviewed at divisional HR and remuneration committee level. Management and implementation of succession form part of each managing director's KPAs and they are reviewed annually on the implementation and/or progress of their succession strategies. It is their responsibility to identify and develop key employees to advance into positions that will benefit the company and the individual.

Management development, with particular emphasis on candidates who have the potential for career development and internal promotions, is based on well-considered development processes. This in turn is supported by the group's HR assessment systems. A shortage of relevant skills, particularly in South Africa, but increasingly on a global scale, remains a challenge. However, processes are in place to identify, recruit, develop and appropriately use talented individuals within the group to ensure progression and succession. Our Talent Management Programme's country-specific panel systems facilitate this process.

Each division is responsible for implementing plans to ensure the smooth succession of key executives. The succession strategy also includes the recruitment of talented individuals from outside the group when needed.

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

Performance management

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

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

During the review process employee performance is directly linked to business performance. It is structured in a way that supports and incentivises employees and directly links performance with remuneration. The process and structure aims to encourage and enhance business performance and ultimately shareholder value.

Selected and divisional annual incentive bonus scheme allocations are based on a structured management performance process. This generally accommodates regular annual assessments of individuals, cascaded to all management staff. Bonuses are weighted 70% – 80% for financial performances and 20% – 30% for the achievement of KPAs.

Across the group, training and development has been set as a KPA and carries a prominent weighted percentage of the overall KPA achievement.

This assessment process measures performance against targets and assesses the individual manager or supervisor's personal training and development needs. This also assists with divisional succession planning.

For management within the South African divisions, performance on B-BBEE implementation also forms a weighted percentage of KPAs to ensure the achievement of these targets.

Labour practices: Trade unions and employee participation

In many of the group's labour intensive businesses employees form part of labour groups or unions who assist them in looking after their rights.

Both unionised and non-unionised employees are managed according to the procedures stipulated in the labour laws of each country in which we do business. A few divisions use employee forums with elected representatives, or have a committee for employee complaints and communication.

It is group policy to ensure that all parties within these structures treat one another with mutual respect – with emphasis placed on employment justice and the efficient operation of business. This framework is established at group level and is disseminated to divisional management to adapt according to the particular needs of each division. Procedures and divisional policies support the group directive and assist with the regulation of workplace relationships.

All divisions have disciplinary policies and procedures in place, which are communicated appropriately and regularly. Instances of misconduct are addressed by implementing the provisions of disciplinary codes. Management actions are required to be timeous, consistent, fair and based on the merits of each case.

However, circumstances and legislation vary from country to country and there needs to be a certain level of flexibility within the group's labour philosophy to accommodate specific dispensation requirements. Employees are introduced to these policies and procedures during induction sessions, interaction with HR departments and through newsletters, divisional intranets and written contracts of employment.

Operational workplace committees foster regular interaction between management and employee representatives on various issues. Workplace forums, which accommodate unionised and non-unionised labour, address conditions of employment and facilitate the consultation of employees within problem solving sessions. These forums also act as

a strong communication tool to and from employees regarding HR aspects. We have found these consultative workplace interactions to be instrumental in introducing more flexible working arrangements and in securing a reciprocal higher level of commitment towards the company.

In general, Steinhoff's divisions are bound by industry bargaining or government determinations prescribing minimum conditions of employment. Union representation varies between 21% and 65% in South Africa, according to region and industry, with minority representations in our European and Pacific Rim divisions.

Due to the higher level of union representation and various industry bargaining council processes in the Africa divisions, Steinhoff Africa has a senior level employee relations manager, reporting directly to the international group HR executive. Apart from ongoing relationship building with relevant in-house and external union officials, this position assists divisions to deal with disputes in an amicable manner.

Where required, we have concluded recognition agreements with majority representative unions within the divisional business units. Should any union obtain majority representation within a division, similar agreements would be negotiated.

In addition, through the B-BBEE Equity Transaction (refer to page 32 for more information), the group has made all permanent employees of Steinhoff Africa shareholders in Steinhoff International through a nine-year participation scheme. (This participation scheme excludes those senior executives already included in the Steinhoff Share Rights Scheme.) The scheme has led to enhanced employee and/or union commitment and acts as a valuable retention tool.

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

No significant incidents of labour strikes, wage negotiations or other material labour issues were reported during the year under review.

Education and training

Development of people has an impact on three levels: for the individual it is an opportunity for growth and achievement, for the company to develop and retain the internal skills pool, and the larger community or country where educated and trained citizens influence and direct socio-economic standards with higher economic participation.

Because the group operates in many countries with varying skills levels and social drivers, investment in training is evaluated according to the need of the business in each region, the existing and available skills levels required for that business and the need that exists in that area in terms of future skills risks and community upliftment.

Over the last few years there has been a shift in the group's focus on how we approach education and training. In general the external talent pool of graduates from tertiary educational institutions is growing. Because of this, Steinhoff has adopted the approach to focus our training efforts on our employees within the group and not on external development. Bursaries are therefore given to internal staff. This strategy proves more beneficial in terms of identifying talent, promoting individuals for advancement and retaining skills. Most of the ongoing group-wide training initiatives are conducted internally through various platforms and training forums.

Divisional chief executive officers/managing directors have full responsibility for the training and development of their staff. Staff members are informed of and have equitable access to training and development opportunities as far as is reasonably practical, taking into consideration the operational needs of the business.

Training and development aims to equip staff members with the competencies they need to fulfil their job requirements. The focus is particularly on the transfer of skills from the classroom to the workplace.

Targets for training are put in place and are represented as an annual financial training budget. Training budgets vary between 1.5% and 5% of total payroll costs per division, dependent on specific training needs. The execution of budgeted and planned training activities is linked to specific performance management targets and incentive bonus schemes. At group level, approximately 33% of employees received training additional to the statutory or required health and safety training.

Learning assistance through bursaries and study loans is offered in divisions where there are skills shortages. Fewer bursaries are given to non-employees due to the high oversupply of qualified candidates. Most external learning assistance given to employees is for those who have been identified for further development within various operations. The main recipients of bursaries are mostly previously disadvantaged people.

South Africa

South Africa has been recognised as the area in the group that will most benefit from a focus on education, training and development, working alongside government initiatives.

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

The number of black employees enrolled in programmes that lead to receiving recognised qualifications and work experience equated to approximately 0.5% of all employees in South Africa.

People with disabilities are included in our training and development assessments and interventions.

Internal and external training interventions addressing technical and supervisory/management competency, are offered where appropriate. In general, internal and external courses are facilitated by external service providers. It is the role of the Steinhoff Africa group training and development manager to ensure that synergies are achieved through applying common training interventions per business.

Divisional training examples include:

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- *Unitrans Supply Chain Solutions USCS*). Ongoing driver training has assisted Unitrans in securing and renewing its platform of long-term contracts. Training is conducted either through experienced internal driver trainers registered as qualified trainers/assessors, or is outsourced to accredited training providers who provide SAQA-aligned training. USCS is an accredited training provider registered with the Transport SETA.
 - *Unitrans Fuel and Chemical*. This division is a fully accredited training provider registered with the Transport SETA as well as with the Department of Transport. This division also runs several in-house, accredited training programmes, which include dangerous goods and product knowledge, the operation of vehicle combinations and economic and defensive techniques for driving articulated vehicles.
 - *PG Bison*. Bursaries were awarded to three identified employees who completed their graduate studies in Forestry. A fourth employed student is in the process of completing the same course, with a fifth studying marketing.
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International

General training extends across all divisions and includes language training, leadership training, IT courses, technical courses, tax courses, courses on soft skills, project management, effective cost-management and electronic retail training for sales staff.

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- *Europe*. Apprenticeship programmes form part of external training initiatives.
 - *UK*. Programmes are provided through a combination of distance learning and in-branch modules. Various national vocational qualifications in management, leadership and business skills are also available.
 - *Australia*. Internal training is supported by an e-learning platform and all employees have to complete at least one on-line training module per year. This internet-based system allows employees the flexibility to complete workplace training at work or at home. The system delivers quality branded curricula and systems for reporting and managing training completion rates. External training is focused on computer skills, viso courses, legislation updates and technical training.
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Health and safety

The health and safety of our employees are of utmost importance, yet the intensity and frequency of activities regarding health and safety are influenced by the type of business function their involvement requires.

Our retail businesses in Europe have a very different approach to that of our manufacturing operations in Africa. Each division, based on their business activity and location will determine their own risks, the level of impact and adhere to their relevant industry and country specific regulations and laws.

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

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

Risk assessments, safety training and implementation of workplace systems are undertaken and are reported to measure improvement and to identify areas for additional focus. Internal or external assessments, reviews and independent audit results are reported regularly by divisional committees, safety representatives and management. This process follows the established reporting channels up to board level if necessary. Integrated computerised safety,

health, environmental and quality management (SHEQ) systems have been introduced by certain divisions, and assist greatly in the compilation of accurate and timeous SHEQ reports and in the identification and management of risk areas.

All new employees receive health and safety induction training which is in place across all our divisions. In the logistics businesses it includes driver training, the conveyance of dangerous goods by road, safe work procedures, defensive driving training and fatigue management. This training operates alongside and amongst others driver management programmes which regulate hours and shifts worked, and includes first aid, fire fighting and general safety awareness, food safety, etc.

Sick leave as a percentage of the number of working days varied among the divisions between 1.1% and 3.3%, and remained at approximately the same levels as was reported in 2009. During the year under review, no fines or penalties of any significance in respect of health and safety were incurred by group divisions.

Health and safety systems and initiatives

We strive to go beyond mere compliance with relevant legislation in the areas in which we operate. Accordingly, several of the divisions have specific in-house health and safety programmes and initiatives and have been certified with international and national standards. Examples of certifications attained include:

PG BISON	
Facility/location	System
Piet Retief	NOSA
Alrode	ISO 9001
Ugie	SATAS, FSC, E1
Woodline, Great Brak	ISO 9001
Woodline, Kareedouw	SABS – Wood, wood treating
Thesens	SABS – Wood, wood treating

UNITRANS FREIGHT & LOGISTICS	
Facility/location	System
Mining Services, Mooinooi	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Namakwa Sands	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Richards Bay Minerals	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Setjhaba Carriers	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
African Explosives Limited	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Exxaro Sands, Empangeni	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Mining Head Office	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
Assmang Chrome, Machadodorp	ISO 14000; ISO 9000; ISO 9001; ISO 14001; OHSAS 18001
BP Lubricant Warehouse, Durban DC	ISO 9001

UNITRANS FUEL & CHEMICALS	
Facility/location	System
Aintree Park	ISO 9001; ISO 14001
Inland, Tulusa Park, and various customer sites	ISO 9001; ISO 14001
KwaZulu-Natal, Clairwood, and various customer sites	ISO 9001; ISO 14001; OHSAS 18001; CAIA's Responsible Care Programme
Eastern Cape, East London, Port Elizabeth and various customer sites	ISO 9001; ISO 14001
Western Cape, Milnerton and various customer sites	ISO 9001; ISO 14001
Lesotho	ISO 9001
Swaziland	ISO 9001; ISO 14001; OHSAS 18001
Namibia	ISO 9001
Botswana	ISO 9001

UNITRANS SUGAR & AGRICULTURE	
Facility/location	System
Kilombero, Tanzania	NOSA 3 star
Nchalo, Malawi	NOSA 4 star
Dwangwa, Malawi	NOSA 4 star
Mafambisse, Mozambique	NOSA 4 star
Xinevane, Mozambique	NOSA 3 star
Maragra, Mozambique	NOSA 3 star
Tambankulu, Swaziland	NOSA 4 star
Barberton, South Africa	NOSA 4 star
Tongaat, South Africa	NOSA 3 star
Hulref, South Africa	NOSA 4 star

STEINHOFF UK GROUP	
Facility/location	System
Pritex	ISO 14001
Relyon	ISO 9001:2000; FSC Certified; PEFC Certified
Norma	ISO 9001:2008
Steinhoff UK Upholstery	FSC Certified; PEFC Certified

STEINHOFF EUROPE	
Facility/location	System
Kanizsa Trend, Hungary	ISO 9001

Divisional examples of health and safety practices include:

South Africa

– *USCS and PG Bison*. Integrated computerised and web-based SHEQ systems have been introduced to assist in the compilation of accurate and timeous SHEQ reports and in the identification and management of risk areas. Through these systems and reports, progress against targets is monitored and managed.

– *USCS*. Being an operator of more than 2 000 heavy vehicles, accident statistics relate mainly to road accidents. The division received the 2010 gold award for Logistics Achiever of the year. This award was specifically for a programme introduced at a site that addressed the operational and financial impact from road accidents.

Formal investigations are conducted on all accidents. Statistics are regularly reported through normal reporting channels and are reviewed by the divisional boards to detect any trends or areas that require remedial action. Any serious injuries or fatalities are reported immediately to the members of Unitrans Holdings' executive committee. During the year under review, there were four employee fatalities within the division (2009: four), all of which were attributable to road traffic accidents. All fatalities are subject to intensive investigation regardless of their cause. Many incidences arise as a result of external and/or third-party causal factors beyond divisional control.

– *Unitrans Fuel and Chemical*. Exacting health and safety standards are required by the division's customers who are mainly international oil and petroleum corporations. The management of health and safety is a vital part of the business of this division. A behavioural-based safety (changed management) process has been adopted. This process is aimed at creating awareness among staff, managing of the risks and working towards the reduction and elimination of risks. Employees, customers and the public are encouraged to report any unsafe acts and conditions.

The Behavioural-based Health and Safety Policy – CPSHEQ 1 focuses on changing at-risk behaviour, making individuals aware and responsible for their own actions, while not derogating from management's responsibility to ensure legal compliance. Other external audits or verifications in this division include Dekra ISO audits, Scott Safe Consultants OHS Act compliance audits and regular customer and ASQA audits conducted locally and internationally. An attorney has been appointed to update the division's legal registers and advise on compliance issues.

– *Unitrans Freight and Logistics*. This division runs a Blueprints programme which is designed to measure SHEQ compliance by employee self-assessment and has continued to prove effective. 'Toolbox Talks' are conducted on a weekly basis to address topics of a SHEQ nature and individual training sessions, safety sampling and job observations. All procedures are posted on the Entropy system, a computerised health, safety and environmental management system.

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- *Unitrans Automotive*. External assurance is provided through the Retail Motor Industry by Compliance South Africa (Proprietary) Limited who have undertaken audits on a number of the automotive dealerships. Internal safety assessments are conducted concentrating on floors, spillages, electrical fittings, workshop equipment, safe battery-charging environments, and power tools and lifting equipment. All lifting equipment and pressurised-air vessels are subjected to bi-annual service and inspection by external service providers.
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- *PG Bison*. A major risk to PG Bison and its employees has been identified as fires at its plantations. Fire prevention initiatives put in place include the sponsorship of various fire protection associations; compliance with the Veld and Fire Protection Act; extensive employee, contractor and community fire awareness programmes, regular training, the use of a spotter plane at the North Eastern Cape Forests (NECF); the fitting of all forestry vehicles with fire fighting equipment; maintenance of fire breaks and the construction of new roads, dams, bridges and water refilling stations. Certain areas are designated ‘No Go’ areas for non-employees.
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International

- *Europe*. High standards are maintained regarding health and safety legislation and regulatory compliance requirements. Plant managers and safety officers ensure that all safety and fire regulations and divisional policies are adhered to. First-aid personnel and clear safety instructions are in place on all production sites. Plant managers and safety officers conduct regular audits to ensure compliance with legislated standards. Health and safety committees and internal reporting structures have also been established.
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- *UK*. Documented Health and safety policies and procedures in place. Strict legislation and regulations govern these operations. Health support is provided by Relyon and Harveys to its employees. Relyon provides occupational health and physiotherapy support to employees through a contracted doctor who conducts assessments after injury or illness. Harveys contracts an occupational health provider for employees who require support after long-term absence from work.
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- *Australia*. Each business unit has comprehensive occupational health and safety policies, procedures and processes in place. These exist under the umbrella of the division’s Value Safe safety management system. This system provides specific tools and information for the division’s different locations and operational facilities. Compliance with the Value Safe system is regularly audited and incidents are centrally reported and managed.
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HIV/Aids

The group operates in 15 countries on four continents. However, the socio-economic consequences of HIV/Aids only pose a risk in South Africa.

With approximately 50% of the group's workforce employed in South Africa, we have focused our attention toward the prevention, detection and treatment of HIV/Aids in South Africa.

In Europe, the UK and Australia the prevalence rate of HIV/Aids is very low. In these regions the state generally offers adequate prevention and treatment interventions. Sourcing from China is on the increase and, as a result, this could potentially be seen as an indirect risk. However, the permanent staff complement in China consists of a small administrative group and the HIV/Aids prevalence rate for Asia is estimated at well below 0.5%, again considerably lower than that in South Africa. Therefore, the group continues to support all divisional-based plans to combat HIV/Aids in South Africa. Risks related to HIV/Aids have been identified and are continuously evaluated in South Africa.

We are committed to addressing this very real issue in meaningful ways, i.e. by striving to understand the realities, by reducing the possible future impact and by encouraging healthy lifestyles for our employees.

HIV/Aids is also addressed in divisional policies, with specific relevance to the requirements of each operation focusing on:

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- HIV/Aids awareness programmes; and
 - understanding and managing the costs of appropriate medical care and the impact of the disease on traditional family structures.
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During recent years, certain divisional operations that could be more directly impacted by HIV/Aids-related consequences have established plans and interventions to aid their employees by offering free and confidential:

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- prevention and early detection counselling;
 - pre- and post-testing counselling by external service providers; and
 - 24-hour access to on-site clinics at selected sites.
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We are pleased to report that the number of employees volunteering for testing has been higher than expected. Due to the confidentiality of the programmes and the patients' identities, further data is not made available.

Confidentiality is particularly important in an environment where factors such as social stigma, lack of awareness and low socio-economic status act as barriers to testing. The drive to enhance awareness and education around HIV/Aids, testing and care will continue and we are happy to report that employee attrition due to HIV infection has been minimal.

Risks related to HIV/Aids have been identified and are continuously evaluated in South Africa.

Examples of initiatives include:

– *USCS*. A mobile clinic provided by the National Road Freight Bargaining Council, visits Unitrans depots every two months which provides primary healthcare to employees. Employees can also register for the ARV (antiretroviral) treatment programme. Reports on the percentage ratio of the number of HIV positive employees are provided to Unitrans. The majority of employees contribute 0.5% of their income, and Unitrans 1%, to the National Bargaining Council Road Freight Industry (NBCRF) initiative which entitles them to use roadside wellness clinics and/or the other associated medical facilities. Ongoing training through wellness committees ensures greater awareness of these clinics and that the services are well known among employees.

– *PG Bison*. The Isihlahla Sempilo (Tree of Life) HIV/Aids Initiative programme was established in 2007. This programme, managed independently by Right to Care, monitors and manages among others, the:

- education, awareness, training and communication of HIV/Aids to employees, management and wellness champions;
 - on-site voluntary counselling, testing and wellness screening;
 - 24-hour medical call centre;
 - treatment of HIV and Aids, both pre-HAART (Highly Active Antiretroviral Treatment) in the form of vitamins, minerals and additives and HAART;
 - prevention of mother-to-child transmission;
 - data management and reporting (monthly, quarterly and annually);
 - absenteeism, incapacity and disability management advice where applicable; and
 - free testing and counselling of employees and immediate families in existing programmes.
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Broad-Based Black Economic Empowerment (B-BBEE)

“In its broader sense, transformation is a central and strategic priority at Steinhoff Africa. We are committed to empowerment and transformation across all divisions and all levels.”

Len Konar, Chairman

Steinhoff endorses the B-BBEE strategy of the DTI which supports the policy of the South African government towards an ‘integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities’.

In line with the above statement and commitment from our board, as expressed by our chairman, making the principles of B-BBEE real and tangible is important to us. Many B-BBEE deals have over the last decade, since the inception of our democracy and South Africa’s transformation process, been brokered. Many citizens have already benefited from these, but we wanted to make sure our employees and their long-term welfare are at the core of our strategy.

We observe and proactively align our day-to-day business practices to the B-BBEE codes and guidelines. Our progress and rating in this regard are testament to the work being done by the divisions. More importantly though is the share scheme that was concluded in December 2008 which made B-BBEE and ownership a reality for the company and wealth creation a possibility for our employees. All permanent employees in the Steinhoff Africa businesses were included in the scheme which is structured in such a way that they will own their shares after a nine-year participation period. Through the special purpose vehicle, Steinhoff Sikhulasonke Investments (Proprietary) Limited (S’khulasonke trust),

40 000 000 Steinhoff International shares were awarded to approximately 19 000 employees. The first dividend of just more than R7 million was paid in December 2009.

“S’khulasonke, we share”, is a reality (please see detail of the scheme on page 32).

The benefits of implementing and maintaining solid B-BBEE principles are forthcoming on all levels of business; through the contracts awarded to our divisions, the progress we’ve made in terms of retaining and developing our previously disadvantaged employees, the increase in motivation, loyalty, retention and responsibility, and on a secondary level, the contribution through our staff to the social upliftment of their and our communities.

B-BBEE accreditation

Achievement of B-BBEE targets forms part of divisional performance management reviews. Responsibility for the implementation of the group’s transformation strategy has been assigned to executive management, under the leadership of the chief executive officer of Steinhoff.

Each division in South Africa completes its own scorecard report. These are externally audited for final accreditation. During the year under review, Steinhoff Africa improved its overall B-BBEE ratings for its divisions with ratings ranging from level 7 to level 3. The significant improvement over the previous year reflects the commitment from the various operations within South Africa to achieve their targets. To attain or exceed the current set target of level 5, an average for Steinhoff Africa, the group employs a full-time B-BBEE

manager who provides assistance in aligning the strategies of divisions and business units in South Africa.

Documented targets for preferential procurement, ownership, management control and employment equity (in line with industry-specific standards/charters/codes of good practice) are in place.

B-BBEE performance

Ownership

The group's ownership score is assisted by the B-BBEE Equity Transaction that took place in December 2008. The score given for this transaction at group level assists the divisional score levels and improves their overall scores considerably.

Ownership is verified on a consolidated basis for the group, with the group ownership score added to divisional scores. An ownership score of 18.84 out of a possible 20 points has been achieved for 2010 which will be re-assessed every year.

Management control and employment equity

The performance against the targets for both management control and employment equity are a reflection of the diversity of the South African divisions. Some divisions score as high as 7.6 out of 10 for management control and lower on employment equity, while the reverse can be true for other divisions.

Factors that further influence these two areas are the formulation of succession strategies, recruitment, attraction and retention strategies and the availability of potential candidates in the market. Specific attention is given to development plans for internal staff potential with a short- and long-term view on succession planning. Realistic targets are set and submitted annually to the Department of Labour through employment equity reports.

The B-BBEE Equity Transaction assisted greatly in the retention and attraction of black middle, senior and top management through a special share allocation under the Steinhoff Africa Black Management Trust. Among other branding and marketing efforts, this will assist Steinhoff in becoming an employer of choice for this group of people.

Skills development

The financial target set for skills development is three times that of the annual Skills Development Levy of the DTI. Considering that this target includes the levy paid for employees across all races, achieving this target remains a challenge. This is also due to the fact that B-BBEE only recognises training spend for black employees and the adjusted recognition for gender is also applied. However, Steinhoff Africa deems training of all staff essential to its success.

Training targets are set by divisions and are closely monitored each quarter. More learnership programmes are being introduced within Unitrans Fuel and Chemical which is a leader within Steinhoff Africa regarding training and development.

Preferential procurement

Preferential procurement encourages the procurement of goods and services from suppliers that have been verified as B-BBEE compliant. Verification certificates held by the Steinhoff Africa divisions have been issued by SANAS (South African National Accreditation System) accredited verification agencies. Preferential procurement places renewed emphasis on the African divisions to contract with certified suppliers. However, in striving to reach our scorecard targets on points for preferential procurement, we will not compromise on quality, price, delivery and service and we will ensure that all safety, technical, commercial compliance and environmental standards are met.

Enterprise development

This element of the scorecard aims to address certain key challenges facing Qualifying Small Enterprises and Exempted Micro-enterprises. And, more specifically, black-owned entities that struggle to take their businesses from survivalist and/or micro-level to a level of sustainability and profitability.

The challenges that enterprise development seeks to address are mainly the failure rate of start-up businesses and to support job creation through the growth of the small business sector with previously disadvantaged entrepreneurs.

Many of these initiatives are ongoing and a few examples in South Africa include:

- *PG Bison*. Supports small timber suppliers, black silvicultural contractors, a waste management solutions company and various other small enterprises and exempted micro-enterprises in the Ugie community.
- *Unitrans Passenger*. Bojanala bus was established by Unitrans Passenger and B-BBEE partners to provide commuter bus transport in the North West province.
- *USCS*. Established Klipstone Transport together with B-BBEE partners to provide logistics services to Afrisam.

Socio-economic development (SED)

The most critical aspect of SED is that these initiatives should preferably result in the sustainable economic participation by its intended beneficiaries and discourage perpetual dependence on hand-outs. This also aligns with a core value of Steinhoff to assist in creating economically viable communities. To that end, most of the divisions have policies in place to ensure long-term partnerships with specific causes, which contribute to them achieving full scores in this regard.

Continuous commitment

The Africa division remains committed to the progress being made in respect of our B-BBEE transformation and implementation. This forms part of management's KPAs, which are linked to annual incentive schemes. Progress against targets is monitored quarterly and is a standard agenda item at all divisional board meetings within the Steinhoff Africa group. Administration requirements and supporting documents for external verifications are being integrated into monthly reporting.

The following group initiatives in South Africa are examples of our ongoing commitment to B-BBEE:

- In 2006, Steinhoff provided ultimate security for funding the acquisition by Micawber 455 (Proprietary) Limited, an accredited black empowerment company, of 26 million shares in KAP International Holdings Limited, an associate of Steinhoff, for R84.6 million.
- The Steinhoff Africa Employee and Management Share Ownership Scheme was formed as part of the B-BBEE Equity Transaction.
- The sale of Steinhoff's South African furniture manufacturing interests for R1 375 million in 2007 to a consortium comprising private equity, management and a B-BBEE grouping. This reflects the group's commitment to transformation and has secured additional scorecard points for the sale of an asset to a purchaser with the appropriate B-BBEE credentials.

B-BBEE performance

Division	Ownership	Management	Employment equity	Skills development	Preferential procurement	Enterprise development	Socio-economic development	BEE LEVEL 2009	BEE LEVEL ⁽¹⁾ 2010	TOTAL SCORE
DTI TARGET	20.00	10.00	15.00	15.00	20.00	15.00	5.00			
Retail automotive:										
Unitrans Automotive Group	Dealer specific: BEE levels range between levels 3 and 7									
Unitrans Automotive – Hertz	18.84	3.81	5.91	7.97	18.57	15.00	5.00		3	75.10
Retail building supplies:										
Steinbuild Group	Store specific: Currently self-assessed									
Logistics:										
Unitrans Freight and Logistics	18.83	2.47	8.82	2.25	13.68	15.00	4.05	5	4	65.10
Unitrans Fuel and Chemical	7.27	7.63	3.31	7.73	19.72	15.00	5.00	5	4	65.66
Unitrans Passenger	18.84	3.14	2.08	7.31	13.98	15.00	5.00	5	4	65.35
Unitrans Sugar & Agriculture	21.06 ⁽²⁾	0.63	6.67	11.33	18.58	15.00	5.00	6	3	78.26
Manufacturing and sourcing:										
PG Bison	18.84	1.71	2.04	2.39	9.88	4.52	2.02	7	7	41.40
DesLeeMattex and BCM	In verification process									
Vitafoam	18.84	0.63	5.14	1.91	2.84	15.00	4.43		6	48.79

⁽¹⁾ All certificates were valid at the time of publication.

⁽²⁾ Bonus points were allocated.

The B-BBEE Equity Transaction

A B-BBEE Equity Transaction was approved at the shareholders' annual general meeting held on 1 December 2008. The transaction was effected through a special-purpose vehicle, Steinhoff S'khulasonke Investments (Proprietary) Limited (S'khulasonke). S'khulasonke means 'grow together' and reflects the view that the B-BBEE Equity Transaction will result in an enduring and value-creating partnership that will become one of the key drivers to sustainable growth of the South African operations of Steinhoff.

The parties to the B-BBEE Equity Transaction are:

- All South African permanent employees of Steinhoff Africa not currently participating in the Steinhoff long-term share incentive scheme(s) through a Steinhoff Employee Share Trust. Of these permanent employees, more than 70% are black (as defined in the Broad-Based Black Economic Empowerment Act No 53 of 2003), participating on an equal basis through an employee share ownership plan.
- The South African permanent black management of Steinhoff Africa, through the Steinhoff Africa Black Management trust. Terms of the B-BBEE Equity Transaction The B-BBEE parties listed above, together with Steinhoff (which retained an equity stake in S'khulasonke to allow for possible future allocations), have acquired the ordinary issued shares of S'khulasonke at the par value of R1.00 (one rand) per share pro rata to their allocated shareholdings. S'khulasonke holds shares in Steinhoff International (i.e. directly in the listed company).

Funding for the B-BBEE Equity Transaction

Funding for the Steinhoff shares was raised by S'khulasonke through redeemable cumulative preference shares issued to Steinhoff Investment Holdings Limited. These preference shares accrue dividends at the prime interest rate payable in South Africa, with a floor of 12% per annum. The preference share funding will be repayable after a period of six years. After repayment of the preference share funding, S'khulasonke will retain ownership of the Steinhoff shares for a further period of three years, i.e. up to the termination date of the nine-year B-BBEE Equity Transaction – save for any shares that may be required to settle the preference share funding and the resultant preference share costs on expiry of the initial six years.

Voting rights and rights to participate in distributions

The Steinhoff shares to be held by S'khulasonke will carry full voting rights with full rights to participate in distributions, which will be used as follows:

- 50% to service the preference share funding;
- a portion to pay for the ongoing costs of S'khulasonke; and
- the balance to be distributed to the shareholders of S'khulasonke.

Effect of the B-BBEE Equity Transaction

We believe that the B-BBEE Equity Transaction will continue to preserve shareholder value and will contribute to the sustainability and growth of our operations in South Africa.

Black employees as a percentage, per category, of total workforce in South Africa:

	2010	2009	2008
Top management	12%	11%	11%
Senior management	10%	15%	14%
Professional qualified/middle management	26%	30%	26%
Junior management	51%	50%	47%
Semi-skilled staff	87%	87%	84%
Unskilled staff	97%	98%	98%

Suppliers and customers

The group's ethical trading practices

aim to promote safety, quality, legal, environmental and social matters with trading partners and is deemed one of the most important aspects of responsible business.

With business interests in many countries across numerous cultures, Steinhoff not only operates a diverse business model, but also cross diverse social boundaries. Understanding this context we cannot afford to compromise on any social, moral or legal aspect that drives responsible business practices.

Our ethical trading practices incorporate standards for suppliers of goods and services and the requirement to work with suppliers to ensure compliance. We strive to source goods from suppliers who comply with relevant legislation and who operate in terms of established and responsible policies.

The group does not compromise on quality, price, delivery and service in striving to reach any targets. We ensure that all required safety, technical, commercial compliance and environmental standards are met and remain in place.

Steinhoff is conscious of its own responsibility to protect the environment and of the market advantage that environmental policies and practices can afford us with increasingly environmentally aware consumers.

South Africa

– As described in the B-BBEE section of this report preferential procurement is used in South Africa to drive transformation throughout the economy by encouraging procurement from suppliers that are compliant with B-BBEE and have their verified certificates in place.

– *PG Bison*. The NECF⁽¹⁾ and Southern Cape Plantations⁽²⁾ have been granted Forestry Stewardship Council (FSC) certification. This internationally recognised accreditation assures consumers and customers that our plantations are managed in a responsible manner. PG Bison's manufacturing sites, where possible, produce fibre from sources that are FSC certified. They also source waste residue from sawmills and timber from the eradication of alien invasive species.

⁽¹⁾ North Eastern Cape Forests (Proprietary) Limited – SGS-FM/COC-001338
©FSC A.C. 1996

⁽²⁾ Steinhoff Southern Cape (Proprietary) Limited – SGS-FM/COC-001143
©FSC A.C. 1996

– *Unitrans Automotive*. This business retails and repairs motor vehicles and provides associated services in the motor retail industry which can lead indirectly to an increase in greenhouse gas emissions through an increase in vehicles on the roads. Our franchise principals, i.e. the original equipment manufacturers (OEMs), are moving rapidly to the design and manufacture of more fuel-efficient vehicles and the more responsible OEMs are leading the field in this regard. These OEMs have implemented extremely strict standards for themselves and for their dealer networks. Unitrans Automotive has embraced the adoption of these standards and leads the way with their implementation.

– *Unitrans Automotive*. Many of the Toyota dealerships are rated according to Toyota South Africa's Eco grading and achieved an Eco III rating, the highest level being awarded. These dealerships include:

Pat Hinde Boksburg; East Rand Toyota; Lexus East Rand; Killarney Toyota Houghton; Rivonia Toyota; Monument Constantia; Lexus Constantia; Monument West Rand; Limpopo Toyota; Buffalo East London; Buffalo King Williams Town; Algoa Diaz Road; Algoa Newton Park; Algoa Uitenhage; Market Toyota Tokai; Market Toyota Cavendish; Market Culemborg; Market Athlone; Oranje Bloemfontein; Oranje Klerksdorp; Oranje Kroonstad; Oranje Welkom; Oranje Kimberley.

International

– *UK*. Harveys takes precautions to ensure that its suppliers are compliant with current environmental and ethical sourcing requirements. A Chain of Custody certificate is required for all timber purchased. And, the division only purchases products manufactured from appropriately sourced timber.

– *Steinhoff International Sourcing*. Identifies potential suppliers in China; Malaysia; Thailand and Vietnam for various of the group's retail brands. Each potential supplier is carefully vetted against a comprehensive list of criteria including ethical issues. Only audited suppliers are selected as listed Steinhoff suppliers.

Human rights

Our approach to human rights

is to act in accordance with the principles of non-discrimination, employment equity and freedom of association which are entrenched in the group's practices and business values. Across all borders, in all countries the company deems itself responsible to encourage behaviour which is in line with the values we believe in.

We support the human rights dictated by the countries within which we operate. The group does not tolerate any form of discrimination based on religious or other beliefs, nationality, gender or race. Harassment in any form of fellow employees is viewed in a serious light. Should this occur, appropriate disciplinary action would be taken. No incidents of human rights violations, child labour, forced and compulsory labour or violations of the rights of indigenous people in any of our operations were reported during the year under review.

In Africa, a 24-hour hotline is in place whereby employees can report any incidents of fraud, corruption or unethical behaviour. This hotline is managed by KPMG and any employee in South Africa has access to the toll-free 0800 00 49 63 number. In Australia an initiative called Partners in Prevention make use of a hotline through which employees can report fraudulent behaviour. A similar service is also available in the UK. The call-rate currently being reported is testament to the success of the implementation and the pre-emptive strategy is supports. Although not all calls are relevant to issues of its intent, 100% of calls are followed up. Incidences are reported at divisional board level on a quarterly basis and are dealt with and concluded at operational level.

Corporate Social Investment (CSI)

The group's CSI projects

have a strong affiliation towards education, child welfare, health and socio-economic upliftment, with projects in South Africa receiving special attention.

Getting involved in CSI projects has less to do with a business decision than wanting to give back to our communities. We are privileged to have successful businesses which allow us to get involved in projects and initiatives in the communities and the areas where we operate. As in business we build long-lasting relationships that foster trust, respect, loyalty and responsibility towards mutually beneficial partnerships. We do this because we believe in creating environments where there is a culture of family and caring. These values are inherent to how we conduct ourselves and want to be remembered. All we want in return is to see the positive difference our programmes have on people's lives and children's futures.

The group is not prescriptive in CSI investment, yet all projects are underpinned by similar values to that of the group and our efforts are concentrated in areas that require the most assistance. South Africa remains the geographical area of focus given its socio-economic environment.

Monetary support is channelled and managed in ways that optimise the use of funds and provide the best possible short- and long-term benefit. All projects are managed and monitored to ensure that the funds are appropriately and responsibly used. Formal bodies such as trusts or charitable organisations are partner to the management of most contributions.

The final decision for CSI contributions resides with the management of the individual divisions. Group-funded projects are mostly executed and championed by the employees. Depending on the type of project employees also get personally involved through raising additional funds, and in many cases volunteer their time. The time spent by employees in raising funds and volunteering in projects is not accounted for and no monetary value has been associated with these contributions.

Education

Career developments

- *Hertz*. Together with South African Airways sponsors Vulindlela, a project which aims to bring careers in aviation to children from disadvantaged rural communities.
- *UK*. Relyon funds the Relyon career development centre. Both Relyon and Pritex are actively involved with local schools to provide work experience to students.
- *Europe*. In Germany, the annual 'Future Day' project affords young boys and girls the opportunity to be exposed to technical and science careers. One of the aims of Future Day is to reduce male gender dominance in these professions.

Literacy

- *Unitrans Fuel and Chemical*. They have been a long-term anchor sponsor of the Help2Read project that provides training to community volunteers to assist with the training and education of dyslexic children.
- *Unitrans Sugar and Agriculture*. Supports an adult literacy project at the Umjindi resource centre in the Barberton area in South Africa.

School sponsorship

Groupwide ad hoc donations and projects include development and contributions towards various schools in the immediate areas of our businesses. These include schools for disabled children, volunteer programmes to renovate school buildings, and the provision of learning material, stationery, furniture and school uniforms.

Other

– *PG Bison*. The Khulanathi education centre is situated in the NECF and hosts education programmes for schools from the surrounding communities of Ugie, Maclear, Elliot and Mount Fletcher. These programmes focus mainly on conservation, environmental awareness and at times, incorporate teambuilding.

– *Unitrans Automotive*. Contributions are made toward consumer education through the South African Insurance Association. This programme focuses on educating the lower-income groups on financial management as part of the industry's consumer education strategy.

Child welfare

– *Steinhoff Africa*. Since 2003 Steinhoff has been the main sponsor of the Steinhoff Extended Family project. In collaboration with the Abraham Kriel Maria Kloppers Children's home, this project supports approximately 200 HIV/Aids affected children in Soweto, Johannesburg. Most of these children are from child-headed households. The project contributes towards school fees, daily meals, after-school care and clothes.

– *Unitrans Automotive*. Through its dealerships and Hertz, it sponsors transport, after school care, life skills training and sport training for the youth of disadvantaged communities. It also raises funds for homes for abused children, supports the distribution of clothing and sponsors fund raising events in support of handicapped children.

– *Vitafoam*. The SOS Children's village is supported with an annual donation towards living expenses of the children, birthday parties, social events and Christmas gifts.

– *PG Bison*. A 13-year founding partnership exists with PG Bison and the Field Band Foundation in KwaZulu-Natal which focuses on the development of youth through incorporating music and dance in after-school programmes outside the formal education sector.

– *UK*. The chief executive Mr Ian Topping, with the group's former chairman Mr Bruno Steinhoff, completed a cycle tour in May 2010 which raised funds for three child welfare projects. These projects include the South African Steinhoff Extended Family Project in Soweto, the Kinderschutzbund Ammerland and Leer in Germany and the James Hopkins Trust in the UK. The five-day tour started in Thurrock and ended in Westerstede. Total funds raised exceeded R1 million and more than 400 Steinhoff employees in the UK and European businesses supported the tour through participation or indirect involvement.

Health (other than HIV/Aids)

– *Australia and New Zealand*. The Dr Dinosaur product range of Freedom is linked to cancer research in Australia. Proceeds from the sale of Dr Dinosaur in Freedom retail outlets go to the Children's Cancer Institute of Australia.

– *Australia*. Snooze entered into a three-year partnership with the Murdoch Children's Research Institute to support the research of priority child health issues. Money from the sale of the Simplee Kidz bed range goes towards this fund.

Socio-economic

– *Unitrans Automotive*. Through its dealerships, this division contributes to many communities throughout South Africa. Some of the projects include financial and vehicle contributions; volunteering of employees towards campaigns against crime, abused women, elderly care, homeless and disabled people, food distribution, and building and environmental campaigns.

– *PG Bison*. Please refer to the PG Bison Ugie case study on page 60 for comprehensive information on the impact this division's contribution has had on the socio-economic development of the Ugie/Maclear area.

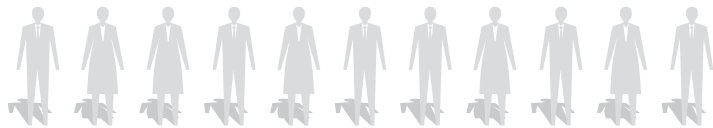
Sport sponsorships

Sport is used as a channel to emphasise the importance of balanced education while learning the values taught by the participation in team sports.

– *Steinhoff Africa*. The annual Varsity Cup championships, Koshuis rugby, and other team sports in South Africa receives sponsorship. Through this, more than 1 500 students at tertiary institutions are sponsored for participation in rugby, soccer, cricket and hockey.

– *Unitrans Automotive*. Sponsorship is provided to the Randburg Football Club's street children's programme. Soccer is used as a vehicle where training and playing matches are combined with invaluable life skills training.

– *Europe*. Steipol has, since March 2003, been active with their local football team and is the main sponsor of the football club. The Steipol Ilanka Rzepin soccer team forms a central point in the community with promoting physical activity, especially amongst the younger players.



Planet



Case study: Logistics making a difference



Water management in wash bays

When MegaExpress (Pty) Ltd, in which Unitrans Passenger holds a majority shareholding, received the long-term contract to operate the Gautrain bus transport network, it also participated in consulting on the design and construction of the Gautrain bus depot in Midrand, outside Johannesburg.

The specially designed and installed wash bays and water run-off systems on this site have purpose-built oil traps to control water pollution. Any oil, diesel or other surface pollutants are contained in the storm water run-off system. These are cleaned through a purification process before being discharged into the natural water system.

All run-off water is fed through the Ecosep system. This oil/water separator is designed to separate free non-water-soluble light liquids with a maximum gravity of D.950 from water. These liquids include petroleum by-products such as gasoline, diesel and other mineral oils, such as brake fluid, anti freeze soap and vehicle polishes.

Currently the depot, with only one leg of the Gautrain operational, has 44 buses in use, which are washed every day. When the full fleet eventually services the entire bus network, 120 buses will be washed, using approximately 150 litres of water per bus.

The system is unique in that it follows a continuous flow. Buses are washed using cleaned/purified water from an 80 000 litre reservoir. Each wash cycle is 45 seconds and fresh water is

used only in the final rinsing process. The fresh water, together with the remainder of the wash water goes through the Ecosep separator system, gets purified and fed back into the reservoir. As new water enters the reservoir, the excess, approximately 5% of the total capacity is pushed out of the reservoir through an overflow system into the specially built water capture dam before entering the Jukskei River. And so the cycle repeats itself – continuously cleaning used water by removing any pollutants, recycling it for re-use with excess being put back into the river.

A specialised feature of the system is the oil spill control valve which automatically shuts off when an unusually high pollutant reading is detected. This makes the Ecosep system the only separation system to provide maximum security against accidental petroleum spills that could have a negative downstream environmental impact.

Independent test results from the German LGA (TUEV Rheinland LGA Beteteiligungs GmbH) institute show that the residual hydrocarbon content in the purified effluent does not exceed 5mg/l, a measure well within international accepted standards and well below the norm.



Responsible supply chain management through customer partnerships

In 2009 Unitrans Supply Chain Solutions was appointed Pick n Pay's logistics partner to manage the design, implementation and further expansion of the Longmeadow distribution centre (DC), east of Johannesburg.

The Unitrans and Pick n Pay supply chain teams jointly managed this huge project, ensuring a purpose-built centre to meet Pick n Pay's supply chain needs.

The design not only prioritised delivery services but also incorporated integrated logistics services taking into consideration Pick n Pay's sustainability goals. These included major resource-saving green initiatives focusing on energy management, water management and refrigeration as well as the building materials used during construction.

Unitrans and Pick n Pay have deployed the latest thinking and technologies to ensure that the carbon footprint of its combined supply chains is minimised.

Initiatives include:

- improved emission control through the green initiatives;
- vehicle trailer design that optimise payload and aerodynamics resulting in improved fuel consumption; and
- continuous research and development on alternative fuel sources.

Even within the parameters of green awareness, through the well considered implementation strategies, the DC will reach its target to distribute approximately 40% of the inland regions grocery volume. This has been a massive undertaking as the DC previously only delivered on 20% of

inland grocery volume. Achieving these volumes translates into the delivery of about 1 million cases of fast moving consumer goods per week.

Although focused on distribution and optimising the vehicle fleet, the supply chains team also implemented a world class equipment strategy. A third of Pick n Pay's stores now receive their deliveries on rolltainers, where previously only pallets were used. This has improved turnaround times of deliveries by 28%, eliminating the need for heists and pallet jacks. The combination of these seemingly small changes means quicker turn-around time and better usage of vehicle distribution, resulting in an ultimate reduction of fuel consumption and carbon emissions.

DC statistics:

- Situated on 273 000 m² of land
- Occupying 112 000 m² of warehouse space
- Utilises 270 vehicles
- Serves 289 Pick n Pay stores (including Coastal Hypers and other regional DCs)
- People on site: 1 627



THE OTHER GREEN INITIATIVES WITHIN THE DC PROJECT INCLUDE:

As a result of the partnership, Unitrans and Pick n Pay received two major awards in August and September 2010:

- The Best Project Award from the annual Green Supply Chain Awards in the category for projects larger than R10 million. These awards are a joint initiative of the Chartered Institute of Logistics and Transport: South Africa CILTSA, the Consumer Goods Council of South Africa and the Supply Chain Today magazine.
- The Logistics Achievers Enviro Award in recognition of the green initiatives implemented at the Longmeadow DC.

- Daylight harvesting whereby roof lights and the south lights in the grocery warehouse provide natural lighting, reducing the required daytime electrical lighting by 50%.
- All internal lights have motion sensors with dimming and energy-saving lamps.
- Photo Voltaic roof mounted cells are being implemented for battery charging, external lighting and signage. These cells are charged using solar energy, thereby reducing the use of grid electricity, providing savings on costs and environmental impact.
- A natural gas, ammonia refrigeration system in the perishables chilled building and cold room to reduce energy consumption from refrigeration, which is one of the largest areas of electricity use at the DC.
- A solar heating system which is supplemented by pumps. Heat pumps, used for heating water, are 40% more efficient than geysers.
- All site irrigation is fed from an attenuation dam which collects water from the rainwater harvesting process and condensate water from the cold room.
- The grocery extension section of the DC has waterless urinals. Chemicals are used to keep them clean and hygienic.
- Electronic food-safety Geberit taps, which only switch on when needed, have been installed in the preparation kitchen to prevent excessive water loss.



Steinhoff remains committed to responsible stewardship

of the resources under its control and to identifying, assessing and, where practicable, reducing the environmental impact of its activities.

Geographical and operational diversity

Divisions are spread across a variety of geographical locations and encompass different industries. With approximately 50 factory locations, 280 logistics depots and sites and 1 300 retail outlets, waste, energy and effluent systems and requirements vary from location to location. Within this context of extreme diversity and varying potential impact on the environment, the group:

- strives to keep waste materials to a minimum and to recycle and dispose of waste in safe and responsible ways;
- is also focused on the reduction of its energy and fuel consumption;
- is cognisant of our impact on water resources.

Global and regional environmental requirements are constantly evolving and are becoming increasingly stringent. We have managed to keep abreast of these changes and we have an established record of meeting the required environmental standards, implementing international environmental management systems and of being a corporate citizen of good standing. We continue to invest in systems, practices, education and facilities in order to maintain standards in line with international best practice.

Steinhoff International requires each of its divisions to operate in a responsible and ethical manner. As a minimum requirement, divisions must comply with all applicable environmental legislation and regulations and with the conditions of any permits under which they operate.

Divisional initiatives are in place to address risks and to leverage opportunities relating to environmental issues of materiality. As part of our internal reporting structure, all material risks are identified, reported and monitored through our established risk management and reporting structure.

Climate change

We have, however, identified at group level that the global concern with climate change is a material issue and has a direct and indirect impact on all our businesses and the communities within which we operate. For this reason, as a group we are participants in the Carbon Disclosure Project and, in 2010, utilising the services of external consultants, we calculated our group's global carbon footprint.

This process has enabled us to gain a comprehensive understanding of our global climactic impact and will assist us with the further formulating appropriate strategies to address climate change issues.

Certain potential risks were identified during this process:

- Financial risks through the implementation of carbon taxes in various countries to encourage emission reductions.
- Market and supply risks through increased awareness for product efficiencies through higher standards and stringent regulations.
- Operational risks through an increase in extreme weather conditions which could put pressure on resources, in turn impacting the group's delivery and services both up-stream and down-stream.
- Reputational risk through not taking proactive steps to address environmental risks.

The group will continue to monitor and manage environmental risks and to identify opportunities arising from potential risks through effective management and control.

Carbon footprint

The group participates in the annual Carbon Disclosure Project (CDP) and has adopted the greenhouse gas (GHG) protocol for emission calculations. We acknowledge the requirements of the governments of the countries in which we operate and we are working toward international protocols and frameworks. During 2010, using the services of an external consultant, we calculated the group's carbon footprint for the financial period July 2009 to June 2010.

The objectives of the assessment were to:

- Use the report results as the basis for understanding our global and divisional carbon emissions impact and to better measure, manage and reduce emissions material to the group and our environment.
- Establish a baseline against which future performance relating to climate change mitigation can be benchmarked and tracked.
- Understand how operational efficiencies can be increased and operating costs can be reduced.
- Increase awareness of climate change among employees.
- Provide better quality data for the group's reporting requirements and future CDP responses.

Findings of the assessment are summarised as follows:

- Steinhoff's activities across the divisions that were included in this assessment for Scope 1 and 2 emissions accounted for a total of 823 880.71 tons of carbon dioxide equivalent (CO₂e).
- 405 228.52 tons CO₂e (49.19%) were from Scope 1 emission sources (fossil fuels).
- 418 605.13 tons CO₂e (50.81%) were from Scope 2 emission sources (energy sources).
- 'Other' direct non-Kyoto emissions (R-22 gas), contributed 47.06 tons CO₂e (0.006%).
- Electricity usage was the highest single emission source, accounting for marginally under half of the emissions (49.98%), followed by group-owned vehicles, which accounted for 43.66% of emissions.

- The third highest contributor was stationary fuel typically used in our South African manufacturing businesses, although this only accounted for 4.08% of total emissions.

- No indirect, Scope 3 emissions were measured during this assessment.

Divisional climate change initiatives include:

- *Logistics*. Our logistics operations design supply chain solutions when negotiating new contracts. They work with customers to develop solutions that generate cost-benefits for the customer by virtue of the efficiencies introduced which, in turn, minimise the impact of our operations on the environment. This is achieved by reducing the number of trips undertaken, the number of kilometres travelled and, as a consequence, fuel consumption and carbon emissions.

South Africa

- *PG Bison*. Emissions from the PG Bison plants are checked in accordance with the applicable regulations and stack emissions are within prescribed limits.
- *Unitrans*. Within our logistics divisions, vehicle performance and emissions are measured by comparing fuel consumption. This is managed through compliance with the manufacturers' maintenance standards. As the fleet age decreases and more new generation vehicles are introduced, fuel performance has improved and emission levels have decreased. A large portion of the Unitrans Passenger division fleet is already Euro 3 emission standard compliant, even though South Africa has yet to enforce Euro 1 compliancy.
- *Steinbuild*. The retail division has introduced a pilot project to use biodiesel for vehicles that make deliveries to retail outlets. The initial findings are positive and the project is being monitored to establish viability for further roll-out.

– *Steinhoff Africa*. With the assistance of Steinhoff's property division, this division has embarked on an energy conservation project. A target has been set of reducing electricity consumption in our Africa operations by at least 10% within a two-year time frame. We are still in the process of completing the roll-out of the installation of the measurement equipment and of establishing a baseline reading for consumption over the past four years. However, at certain divisional sites the monitoring equipment is already fully operational and electricity consumption at these sites is being tracked.

International

- *Australia*. Freedom has established a sustainability forum. Key initiatives to reduce carbon emissions have been communicated to all staff by the forum and a baseline review of carbon and GHG emissions has been undertaken.
- *Europe*. Our Polish operations have introduced initiatives to reduce harmful emissions by switching from burning fuel and oil to gas. The consumption of gas is regulated by the setting of receivers and temperature control in the premises. The introduction of diesel-powered vehicles has reduced fuel consumption. Emissions from the plants are checked in accordance with the applicable regulations and stack emissions are within prescribed limits.
- *Europe*. The German division manages its energy needs via a centrally co-coordinated energy team. This team ensures that energy consumption is optimised and it continuously monitors and compares the usage of different plants, based on benchmark reports. Significant amounts have been invested to ensure that insulation at various sites is optimised to decrease energy waste. There is a continuous drive to reduce energy needs by investment and awareness programmes. Plants such as Hukla Gengenbacher are heated by renewable resources.
- *UK*. Relyon operations had a site survey completed in 2008 by the Carbon Trust and since then have been monitoring their energy usage closely.
-

– *UK*. All new vehicles for the Bensons for Beds Home Delivery service have been placed onto the more fuel-efficient Euro 4 and Euro 5 standards and all new vehicles for The Bed Shed have been placed onto Euro 5 standards.

– *UK*. Group Property is currently rolling out Automatic Meter Readers (AMRs) across all retail divisions, enabling them to monitor consumption of electricity. The divisions use this data to review their consumption by site and to identify areas where consumption can be reduced.

Management of natural resources and waste

The management of natural resources and waste is on the agenda of each of the group's divisions and forms part of the over arching group policy.

The group subscribes to the protection of natural habitats, the responsible use of water and closely manages the disposal of waste materials.

Examples of the many initiatives in place across the group include:

South Africa

- *PG Bison*. The Ugie board plant commissioned in April 2006 was subjected to an extensive environmental programme throughout its construction. Its equipment and processes were designed to contain the plant's impact on the environment.
- *PG Bison*. All manufacturing sites have programmes for the handling of waste and comply with legislation and regulations pertaining to the removal of waste materials. All sites have a bucket system to measure the dust fall-out on the sites. The fall-out and any imported dust are collected and analysed each month. The fall-out at these plants is within the prescribed limits.
-

– *PG Bison*. Board products from PG Bison are traditionally supplied on dunnages. Dunnages are made from recycled/rejected particleboard and are re-usable. The cardboard cover-board contains a minimum 20% recycled material content and is fully recyclable, as are the product labels and strapping.

– *PG Bison*. Waste residue is actively sourced from the sawmilling operations and close to 40% of all post-industrial waste is used. Domestic and hazardous waste is removed by approved waste removal companies to classified dump sites. Old oils and greases are also removed by the respective removal companies usually for recycling, and effluent is handled via a laundering system which removes solids from the water. All sites have certificates to deposit waste water. The Ugje plant uses its treated effluent for dust suppression and the slag or residue from the effluent is then disposed of by an approved disposal company. At sites where creosote is used, waste creosote is moved to rehabilitation land farms.

– *PG Bison*. A waste management contractor was appointed at the Alrode site in September 2008. Since then, the landfill waste for this plant has been reduced by 80% and a variety of materials have been sent for recycling. Across all of PG Bison's operations, over 11 000 kg of recycled cardboard was used for packaging during the period.

– *PG Bison*. A total of approximately 9 000 tons of general waste and 300 tons of hazardous waste, all of which were appropriately disposed of or recycled, were generated through PG Bison's manufacturing processes during the year under review.

– *Vitafoam*. 99% of Vitafoam's product can be recycled. All scrap off-cuts are recycled and 4 000 tons of rebond products were produced during the period under review with a 20% imported scrap content. All waste chemicals are disposed of using certified disposal companies.

– *Unitrans*. Each division within the Unitrans' operation manages the life cycle of all materials purchased including, fuel, oil, tyres, batteries and spare parts. The disposal of certain materials is effected in compliance with the law and ISO standards as follows:

- depending on their condition, used tyres or batteries are returned to the supplier or, are dumped at authorised sites, against the issue of a certificate;
 - company-owned wash bays are managed and monitored according to the local by-laws and applicable acts or regulations and local authorities are consulted to ensure compliance;
 - used oil is disposed of through recycling agencies or returned to the supplier for disposal;
 - used parts from the division's workshops that require scrapping are placed into designated scrap bins and are collected by approved scrap merchants;
 - oily rags and used filters from vehicle workshops are collected in special bins and are dumped at approved dump sites, against the issue of a certificate; and
 - discharged effluent goes through a sand trap, separator pits and, if required, through the effluent treatment plant before being discharged from the property.
 - Water from wash bays and run-off rain water are cleaned and recycled. Please see page 41 for the MegaExpress case study.
-

International

– *Europe*. Our Polish manufacturing sites have a bucket system to measure the dust fall-out on the sites. The fall-out, together with any imported dust, is collected and disposed of according to local laws. The fall-out at all plants is within the prescribed limits. The manufacturing plant has an independent water intake system and has developed a water treatment station. This water is used for general purposes, fire protection and the maintenance of green areas.

– *Europe*. In Germany, plants participate in the Grüne Punkt programme and take responsibility for the effective management of all waste related to packaging. For all other products, European Union standards are adhered to regarding packaging and components.

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- *Europe.* Water is recognised as a scarce resource and, where possible, surface water is used in the plants. At the Gengenbacher Polstermotel in Germany, water from the local river is used to feed the sprinkler systems, rather than water from the municipal supply. In the Rzepin plant natural water resources are used for fire protection and in the sanitary systems.
 - *Europe.* There is a concerted drive in our European divisions to sell material and waste products that cannot be used in our own processes for recycling. New state-of-the-art leather and chip board cutters have been introduced to reduce the scrap portion of the materials used in production. Dust extractors also recycle heat into the buildings to save energy. Further significant investments are planned to reduce waste and energy usage.
 - *Europe.* During the product design phase, emphasis is placed on minimising the use of raw materials and on reducing transport costs. Operations holding ISO 14001 certification, such as Kanizsa Trend in Hungary, use up to 95% environmentally friendly materials. In 2009, our operations in Kanizsa were awarded the prestigious EFQM Quality award – second level: recognised for excellence.
 - *UK.* The development of new products always considers the issue of waste and the amount of materials used. Although memory foam is not an organic material, with limited recyclability, the consumer market still shows a demand for these products. However, the mattress manufacturing division constantly works closely with the raw material manufacturers in developing new and alternative materials/environmentally friendly products. These include organic cotton and linen products as well as latex foams.
 - *UK.* Attention has been given to the recycling of waste packaging materials. This is managed internally through the division's own quality management procedures and is further endorsed by external audits resulting from ISO registrations.
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- *UK.* The foam scrap ratio in Pritex has been a particular target for improvement and this has fallen from 37% in 2001 to 27% in the current year. Nearly all foam waste is being recycled through the supply chain and ultimately ends up in many other third-party products.
 - *UK.* The manufacturing divisions have a dedicated waste recycling department which has continued to increase the amount of waste being recycled.
 - *Australia.* Freedom actively seeks to comply with all relevant standards in its product categories via its compliance programme. This includes product origination, labelling and safety standards.
-

Management responsibility

The group has an environmental policy in place that establishes overall guidelines and principles for the divisions. Divisional management monitors adherence to environmental policies that are appropriate for the regions in which they operate, taking into account the particular environmental challenges of their divisions.

The Steinhoff International board has overall responsibility for the impact of the group's activities on the environment. The operational responsibility for divisional environmental matters is delegated to divisional chief executive officers/managing directors. Each division has the responsibility to identify environmental risks, determine their specific environmental policy and implement and monitor the application and efficacy of that policy.

Group environmental policy

Steinhoff is committed to proactively promote awareness of environmental management throughout the group and to maintain proper standards of environmental management in all of its operations.

Our policy is to ensure that group operations utilise environmentally acceptable practices that benefit the environment, our shareholders, employees and the community at large. We will continuously aim towards improving our environmental practices. Where viable, we will minimise our use of water and energy, our emissions to air and water and contain our production of waste.

We will strive to achieve this by our commitment, both at board and divisional level, to:

- comply, as a minimum, non-negotiable requirements, with all environmental legislation, regulations, standards and codes of practice applicable to our operations,
- identify all significant environmental aspects relevant to our operations and to develop and implement appropriate environmental management strategies,
- develop environmental awareness across the group through effective communication, training, consultation and interaction,
- set and use objectives and targets,
- measure and report, through group reporting structures, on compliance with applicable legislation and regulations and on performance against objectives and targets,
- monitor new developments in environmental control and technology relevant to our operations, and
- adopt environmental management as a key strategic objective.

The group's divisions may formulate separate divisional environmental policies to address specific issues.

Such divisional policies shall incorporate the principles of this group environmental policy.

The ultimate responsibility for group environmental matters rests with the Steinhoff board.

Steinhoff will publicly report, on an annual basis or more frequently should circumstances require, on the group's progress on environmental matters and is committed to appropriate communications with internal and external stakeholders on any environmental matters of significance.

Reporting of environmental matters

Each division reports quarterly on environmental issues to its relevant committees and to the regional European, Pacific Rim and African boards. Environmental risks of material concern raised at the regional boards are in turn reported to the board of Steinhoff International, either through the divisional directors or through the group secretary, who is also chairperson of the corporate responsibility committee. The Steinhoff corporate responsibility committee inter alia considers environmental and climate change issues within the group and reports on significant matters to the board.

Our strategy is to minimise the impact of our operations on the environment where possible. A separate environmental working group has been formed for the South African operations. This group is chaired by an alternate director on the Steinhoff International board. It comprises of representatives from the South African operational divisions, the group compliance officer and representatives of the corporate responsibility committee. It meets on a quarterly basis to consider any environmental issues that have arisen or may arise within the South African operations. Concerns are reported to the relevant divisional boards and, if deemed material, are escalated to the Steinhoff International board.

Reporting on environmental matters also forms an integral part of our group risk management process and the financial dimensions of any environmental impacts are reported through these risk processes, but are managed at divisional level.

Setting of targets

Targets for short- and long-term goals are set and managed within each division to contain the impact of their operations on the environment. Some divisional examples include:

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- *PG Bison*. Targets have been set for improvement in key areas in compliance with the screening audit reports submitted by Morris Environmental and Groundwater Alliances (MEGA). MEGA will externally verify achievement against the targets set.
-
- *UK*. A baseline review of environmental issues was undertaken at logistics operations, objectives and targets for improvement have been set in key areas and a programme for implementation has been drawn up and adopted. Progress against set targets is measured on a monthly basis and is audited three times a year via the ISO 14001:2004 Environment management system.
-
- *Unitrans Fuel and Chemical*. This division, through their Entropy system, sets specific targets throughout the year to manage and control environmental impacts at various locations. These targets are reviewed and set according to the immediate short-term needs of a specific operation, or against achieving long-term strategic goals. Examples include waste management, fuel consumption and recycling initiatives.
-
- *Steinhoff Africa*. Targets have been set for the reduction of energy source consumption (Please see further detail on energy conservation on page 46).
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Training and communication

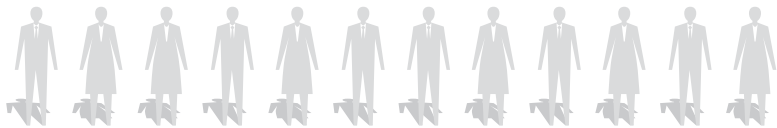
Training is provided at operational level on all Safety Health Environmental and Quality issues. Communication to staff is effected through induction processes, training, notice boards, posters, workshops, intranet and internet communications. External communication with stakeholders on environmental concerns is managed through the appropriate channels. The annual corporate responsibility report details the group's approach and commitment to and management of environmental challenges. Updates of any material significance are published on the company's website. We remain committed to continuous internal and external communication on all significant matters. Ultimate responsibility regarding climate change issues flowing from the group's operations, resides with the board.

Fines or penalties

All fines, penalties or prosecutions are reported by the divisions on a quarterly basis to their respective boards and, bi-annually, to their audit committees. During the period under review, no fines or penalties of any significance were imposed upon our operations for contraventions of environmental legislation or regulations and there were no accidents that lead to environmental damage.

Conservation protection initiative

The PG Bison Ugie plantation boasts six natural heritage sites covering some 5 700 hectares. Rare, threatened and endangered bird species are found in these protected areas. These include the wattled crane, the blue crane (the South African National bird), and the grey crowned crane. PG Bison supports the Endangered Wildlife Trust and the crane conservation working group through an annual sponsorship. The joint programme focuses on actively protecting and monitoring the birds and their natural habitat in the Ugie area.



Profit



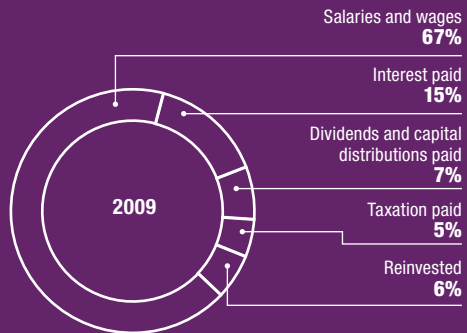
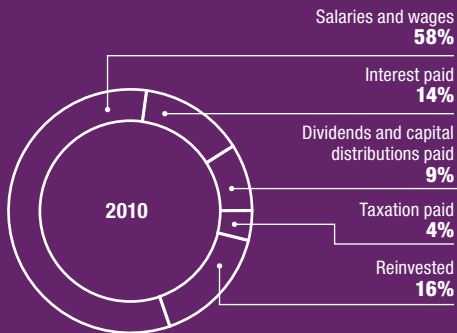
Value-added statement

	2010 Rm	2009 Rm
Revenue	48 040	50 869
Cost of products and services	(33 850)	(37 081)
Value added	14 190	13 788
Income from investments	(924)	(959)
Total wealth created	13 266	12 829

Distribution of wealth

Salaries and wages	7 691	8 599
Interest paid	1 876	1 968
Taxation paid	481	581
Dividends and capital distributions paid	1 139	940
Reinvested	2 079	741
	13 266	12 829

Distribution of wealth



Risk management

Internal control and risk management systems

are in place to identify and manage the key risks faced by the group.

Risk management

In accordance with the principles for risk management contained in King III, risk management within Steinhoff forms an integral part of the group's strategic and business procedures. The sustainability of the group's businesses, in no small measure, depends on our ability to recognise, quantify and react appropriately to the risks that are presented in the constantly-changing financial, economic and operational global climate.

Divisional audit committees have been established to assist the board in carrying out its risk responsibilities and, in line with Steinhoff's decentralised approach, the board has delegated to divisional management the responsibility to design, implement and monitor divisional risk management plans. Details of internal control and risk management systems are set out in the corporate governance report which forms part of the annual review.

Notwithstanding this decentralised approach, the board, which is supported by executive and non-executive audit and risk committees, has assumed ultimate responsibility for the governance of risk within the group and for determining the level of the group's tolerance for risk.

The main categories of risk that have been identified are set out below.

Financial risks

These risks are covered in the Finance Report which forms part of the annual review.

Operational risks

The group runs a number of risk-control initiatives including safety management, security, fire defence and quality-control initiatives.

The risks explained below have been identified by the group risk advisory committee as key risks facing the business. They are actively managed and reported on by all operations.

Competition risk

Furniture and household goods are subject to fashion trends and geographical consumer tastes which can change rapidly. We need to be able to respond timeously to such changes to ensure that our products remain relevant and in demand.

We collaborate closely with our strategic retail customers and the retail business units who are in touch with customers on a daily basis. From the development stage, we encourage our retail partners to assist and advise us on our portfolio and product range and we aim to secure orders prior to manufacturing or sourcing our ranges.

Our collaboration with retail customers affords us key insight into the drivers of consumer demand.

In Europe, the furniture and household goods market is fragmented and highly competitive and consists of a large number of manufacturers who produce products similar to Steinhoff, none of whom dominate the market. Competition is generally based on product quality, timing of delivery, product design, product availability, brand name recognition, price and customer service.

While we believe that we have a number of competitive advantages in the markets in which we operate, we recognise the necessity to monitor and maintain if not enhance, our competitive position in all of these markets.

The strategy of Unitrans Supply Chain Solutions to focus on building wider and long-term partnerships with its current and future customers has proved successful. This division continues to secure and renew major long-term contracts. It has also been successful in penetrating selected new markets, including warehouse management and distribution in the fast moving consumer goods sector.

Our global marketing strategies and our strong brands serve to underpin our ability to retain and grow market share in competitive environments and to weather the recent turmoil in the global markets.

Certain advertising campaigns and practices of the group's various retail businesses are under scrutiny from time to time by the relevant authorities. However, no prosecutions have been made.

In respect of South Africa, the Competition Commission referred a complaint against, *inter alia*, Vitafoam, a division of Gommagomma (Proprietary) Limited, and Loungefoam (Proprietary) Limited for adjudication. The litigation is ongoing in respect of the complaint, which is being defended.

Acquisition risk

In recent years we have grown organically and through a number of strategic acquisitions and joint-venture arrangements. This has all contributed significantly to the growth of our businesses and operations. Our ability to continue to grow our business in new markets will depend

in part on our continued success in identifying and making appropriate acquisitions and joint-venture arrangements.

A formal due diligence process and procedure is in place which sets out the approach and framework to be used when acquisitions are being investigated. This includes the continued strategic analysis of intended targets and the development of acquisition criteria, both in terms of the group's strategic direction and the potential value creation or the respective business units of the group. A dedicated merger and acquisition department reviews and manages the entire process relating to mergers and the application and implementation of business combinations. Acquisitions are identified and management is tasked with realising the synergies locked in the acquired business. Reports on the progress made in realising these synergies are reviewed at Steinhoff International board level and post-acquisition reviews are undertaken.

Supply risk

Our furniture operations depend on our ability to source reliable supplies of raw materials of appropriate quality and we continuously seek to attain greater control over our supply of raw materials. In turn, this will enable us to exercise a greater influence over the sustainability credentials of our suppliers, which is an area of particular focus. The principal raw materials we purchase from third parties for use in our operations are leather, fabrics, timber, particle board, foam and springs. We do not have any long-term contracts for the purchase of raw materials from third parties, other than our timber supply arrangements in South Africa (where we own and continue to invest in timber plantations and sawmills).

Our fibre-sourcing strategy and the risks associated with future supply are reviewed quarterly at board level. We believe we have appropriate triggers in place to bridge any possible supply gap until our own forestry initiatives are in full operation. Furthermore, with the restructuring of our own textile operations and given our other sourcing expertise, we are in a position where we are more able to adapt our supply arrangements as economies and currencies fluctuate.

Vehicles required for our logistics operations in South Africa are subject to the normal risks of supply from the various manufacturers. These risks are mitigated by long-term forward planning, strong relationships with the suppliers and by the availability of internal and external pre-owned vehicles.

The offering of the automotive retail sector of Unitrans Automotive is principally aimed at the volume sector of the market and is strategically spread across several marques. Although the Unitrans Automotive division has shown resilience to the current adverse market conditions the continued slowdown in new vehicle sales poses a risk for the pre-owned market.

Lastly, the group fosters a preferred-customer relationship with its suppliers through swifter payments and regular orders, evidenced by the group's cash flow. These long-term relationships secure a preferred customer status with suppliers that provide additional security in long-term supply.

Risks associated with vertical integration

The vertical integration model adopted by the group has been structured to allow for the optimisation and realisation of the potential benefits flowing from vertical integration and the minimisation of potential risks.

Management is acutely aware of the risks such as creating bureaucracy, complacency, a loss of flexibility and thereby a lack of ability to respond to changing market conditions and potential cost-inefficiencies that could accompany the benefits associated with vertical integration. Therefore, the focus remains on retaining the group's flexibility in sourcing from third parties and the International Sourcing department in China plays a significant role in this regard. Management also places a strategic focus on team building and intergroup co-operation with a view to deriving optimum benefit from the synergies classically associated with vertical integration models.

The group's strategy of sourcing products and raw materials from its own and third-party suppliers enables it to remain at the forefront of its market, technology and product innovation. Geographic diversification, group best-practice initiatives and a dedicated team to secure group collective

advantages and communication ensure that appropriate information is provided to executives.

Health, safety and environmental risks

This is an area which is receiving increasing attention as outlined in the earlier sections of this report. Compliance with all relevant legislation and regulations is mandatory and is monitored throughout all of our operations. Any significant areas of non-compliance are reported to the divisional and regional boards and to the board of Steinhoff International following the processes outlined.

Ethical risks

Fraud and corruption is a risk that has been identified across the group. Certain operations such as our automotive retail operations are more susceptible to this risk than others. The group has adopted a code of ethics which has been communicated to employees, via posters, flyers in wage packets, printed advice on wage slips, in-house publications, letters of appointment and intranet sites, and to significant suppliers of goods and services. A zero-tolerance approach to any incidences of fraud or corruption has been adopted. In South Africa, a hotline or crime whistle-blowing service has been introduced through KPMG. Any incidents are reported to the divisional audit committees and to the divisional boards and appropriate remedial action is taken to prevent any recurrence.

During the year under review, there were no major incidences of fraud or corruption reported via the hotline and most calls related to issues of a human resource nature. Experiences and methods of combating fraud and corruption are shared across the group to ensure that divisions remain at the forefront of fraud and corruption prevention.

Similar hotline services are in place for Australia, New Zealand and the UK.

Market and general risks

Historically, the automotive retail, furniture and household goods industries have been cyclical, generally fluctuating with economic cycles and conditions. Demand is sensitive to general economic conditions, including in the case of furniture and household goods, housing activity. Interest

rate levels, current economic climate, credit availability and other factors also affect consumer spending, including the purchase of motor vehicles.

Such purchases may be deferred during times of economic uncertainty due to the discretionary nature of most of these purchases and the fact that they often represent a significant expenditure to the average consumer. These general economic factors affect the ultimate consumer, for example with new vehicles, furniture and household goods, and impact mass and speciality retailers who are our primary customers in the furniture and household goods arena.

Group supplies into the volume sectors of the furniture and automotive retail markets have provided a buffer against the impact of the global credit crisis. There has been a marked swing by consumers towards products and vehicles that are seen to be 'value' products and these sectors have generally performed well.

Steinhoff maintains a geographic and industrial diversity of businesses as a natural hedge to protect the group against an economic downturn in specific regions. The geographical spread of the manufacturing, sourcing and warehousing functions allows units to quickly adjust operations to counter market difficulties. The ability of units to adapt to changing circumstances and market forecasts is reviewed and measured at regional board level, which consists of all key operational directors. The manufacturing and sourcing divisions are able to provide key insights in this regard.

Regulatory environment

Our operations are subject to the laws and regulations of the countries in which we operate and we need to be able to react appropriately and timeously to any changes. Various forums, led by functional experts, are used throughout the group to communicate the effect and direction of anticipated legislative and regulatory changes to key personnel.

Concentration risk

The loss of any significant customer, whether through business failure or otherwise, or a substantial reduction in purchases by any customer, could have a material adverse effect on our business and results of operations should we be unable to replace such customers or purchases. This risk is mitigated by the wide geographical and operational spread of the group. No single customer contributes 10% or more of the company's revenue.

Political and economic risk

South Africa's exchange control regulations restrict the export of capital from the common monetary area (CMA). Transactions between South African residents (including companies) and non-residents of the CMA are subject to exchange controls enforced by the South African Reserve Bank (the SARB).

In general, South African companies are not permitted to export capital from South Africa or to hold foreign currency without the approval of the SARB or authorised dealers (the commercial banks). In addition, South African companies are restricted from providing financial assistance, such as loans and guarantees, to non-South African subsidiaries without SARB or authorised dealer approval. The company may retain abroad all dividends received from its operations outside the CMA. However, prior SARB or authorised dealer approval is required to export capital from South Africa or to raise capital abroad to fund acquisitions, capital expenditure and operations outside the CMA.

The struggle to uplift large parts of the South African population continues and many people still do not have access to adequate education, housing and other services, including water and electricity. Government policies aimed at alleviating and redressing past inequities may require the group to implement certain costly procedures to be compliant. This could have an adverse effect on operations and profits.

The problems of crime and unemployment in South Africa have not diminished and continue to impede fixed inward investment and prompt the emigration of skilled workers. The group's South African operations may have difficulty in attracting and retaining qualified skilled employees should these conditions continue.

The group has only a minimal exposure in Zimbabwe where the political situation remains unsettled. The economy of that country is still fragile and this could have serious implications for the southern African region. The political and economic developments in Zimbabwe continue to be carefully monitored from a regional perspective.

Our operations in Poland, Hungary, and Asia may be affected adversely by political and economic risks related to these regions.

Insurance programme

The group reduces its overall exposure to risk by way of its group insurance programme. In conjunction with the group's insurance advisors, the group undertakes an annual assessment of the group's risk exposure relative to its assets and possible liabilities. The insurance philosophy of the group is to take advantage of self-insurance and funding arrangements where exposure can be estimated with reasonable certainty, but to cater for unpredictable losses of a catastrophic nature through insurers. Uninsured risks in respect of assets or profitability are contained at a level which should not materially damage the group should claims arise.

All risks, save for political risks, are considered to be adequately covered, either via self-insurance programmes or by the group's insurers. The assets, commercial crime, liability and political risk insurance that covers Steinhoff's operations in South Africa was placed via Unitrans Insurance Limited. These risks, other than in respect of approved deductibles and aggregates, are fully covered by external reinsurance arrangements. The assets and

business interruption insurance covers for Steinhoff's operations in Europe, Pacific Rim and the UK are placed through a Steinhoff owned cell facility in White Rock Insurance (Gibraltar) PPC Limited. Similarly these risks, in respect of approved deductibles, aggregates and a retention portion in the cell, are fully covered by external reinsurance arrangements.

Regular risk management audits are conducted by the group's risk management and insurance consultants, whereby areas for improvement are identified and resultant action plans implemented.

Case study: Socio-economic development



You can never have an
impact on society if you have
not changed yourself.

Nelson Mandela

Ugie

is a small town nestled in the mountains of the North Eastern Cape.

During this year, R100m was indirectly invested in Ugie and the surrounding communities.

For the last four years we have reported on the investment and subsequent progress of the PG Bison particle board manufacturing plant in Ugie and the North Eastern Cape Forest (NECF) cluster.

In the first year, our focus was on the capital investment in the area, the partnership with government and local authorities, and the projected development that was planned for the greater Ugie Maclear area. A capital investment of R1.5bn ensured the building of one of the most modern and state-of-the-art particle board plants, and included the acquisition of 80 000 hectares of land comprising 33 000 hectares of plantations. Construction began in April 2006 with an historic ground breaking ceremony and the plant began production 13 months later.

Creating opportunities

Four years later, with the Ugie plant and the NECF forestry operations fully established, PG Bison can proudly report on an additional financial investment of more than R100m into the local community. This investment contributed to, among other initiatives, enterprise development, community projects, bursary schemes and local business support.

Many specialists and technical experts from the PG Bison group were re-deployed to the area. However, business activities are now dependent

on more than 400 permanent staff members and over 2 000 seasonal and casual workers from the immediate community. As a result, the annual salary and wage bill amounts to in excess of R70m. With most of the employees living in the towns of Ugie and Maclear, the local businesses and municipalities have benefited handsomely.

Many of the services required by the operations have created entrepreneurial opportunities. This has ensured the growth and development of existing businesses and the establishment of new businesses to fulfil new demands.

The peripheral service requirements of the board plant have secured employment contracts for more than 140 people, amounting to a value of more than R8m per annum. These services include elements such as garden services, waste management, office cleaning, security, road construction and maintenance, and catering services.

Silvicultural activities and other related services are contracted to five community-based service providers, three of which are black-owned enterprises. These services include fire protection and the planting and tending of trees. The five local businesses employ more than 250 local residents and the contracts were valued at R10m during 2010.

As the community grew and evolved, so too did its needs and demands. Opportunities were identified and new businesses created. This resulted in more than just 150 small timber suppliers being appointed, and more land being leased for cattle grazing. These initiatives benefit approximately 760 individuals and approximately R10m was spent on additional timber procurement. To further enhance the livelihoods of rural communities, PG Bison, NECF and ASGISA (Accelerated and Shared Growth-South Africa) are working on future development programmes such as the establishment of community-based plantations.



With the development and increasing number of small timber suppliers, the need for additional transport and opportunities for residue utilisation will also grow. New opportunities for black entrepreneurs constantly arise and a skills development centre, focused on for agriculture and forestry training, will be established to ensure continued success for local entrepreneurs. An amount of R3m has been earmarked for this investment in 2011.

The development of the Ugie plant and NECF plantations and the subsequent expansion of the immediate infrastructure, also resulted in the upliftment of the greater Elundini region. New shops within the township opened and it is estimated that more than 2 000 jobs were created indirectly by the Ugie development. The lives of the communities have changed dramatically for the better. And, as opportunities continue to present themselves, the residents of Ugie, Maclear and the whole Elundini region will continue to be positively influenced.

Investing in people

Financial contribution and employment opportunities are aspects crucial to the development of communities. However, without skilled and trained staff, such opportunities are not sustainable in the long term. With the establishment of NECF, a team of people were identified and trained as specialist machine operators. Three of them have moved on to become graduated Foresters after receiving bursaries and completing their studies at the Nelson Mandela Metropolitan University. A fourth is in the process of completing the same course and a fifth student is studying marketing. The full investment for learning and development amounts

to over R2.1m and includes training initiatives for the staff of the Ugie/NECF cluster.

The Khulunathi Educational Centre, part of NECF, provides invaluable environmental education in the form of awareness programmes to local schools. The number of children that experience the Khulunathi Educational Centre increases ever year. So far, more than 1 600 local pupils have attended the classes, programmes and team-building days. This centre is pivotal to the sustainability of our forests, bird and wildlife habitats, water conservation and fire protection in the area.



The centre builds an awareness and stresses the importance of protecting our natural resources to students and possible future employees. This is what the future of the community and PG Bison is built on.

Community fun and participation

PG Bison and NECF are now part of the community. The continuous investment of time and money in the form of various actions all enhance our involvement in the community on all levels. Some of these investments are: ad hoc donations, fuel for sport tours, building supplies for school maintenance, support for Arbour Week, assisting in local vegetable gardens and the hosting of the annual PG Bison Soccer Knock-out Cup and Netball Tournament.

The annual PG Bison Soccer Knock-out Cup and Netball tournament creates a platform for communication, participation and additional partnership

development. The tournament is used to unite the residents of Ugie, Maclear, Mount Fletcher and Elliot. We also use this event to bring across important messages regarding local activities, HIV/Aids education and community projects. Set against the back-ground of sport, fitness and fun, approximately 4 000 people are involved in some way or another either as players, referees, coaches, supporters, performers, service providers, volunteers, charities or as supporting staff members.

Of this number, 2 000 people are direct beneficiaries through their work over the course of the weekend, and all 4 000 people involved at present receive cooked meals, with supplies

provided by the local stores. Through hard work, dedication and continuous community involvement, 'Building winning partnerships' has become a recognised slogan of the event, further enhancing PG Bison's reputation in this community that holds great promise.



Corporate information

Registration number

1998/003951/06

Registered office

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