




CORPORATE RESPONSIBILITY REPORT 2009

A stack of weathered wooden logs, showing various textures and colors from dark brown to light tan. A teal circle is overlaid on the left side, containing a quote in white text.

“Today’s problems
cannot be solved if we still
think the way we thought
when we created them.”

ALBERT EINSTEIN



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Registration number

1998/003951/06

Registered office

28 Sixth Street
Wynberg
Sandton, 2090
(PO Box 1955, Bramley, 2018)

Website

<http://www.steinhoffinternational.com>

Company secretary

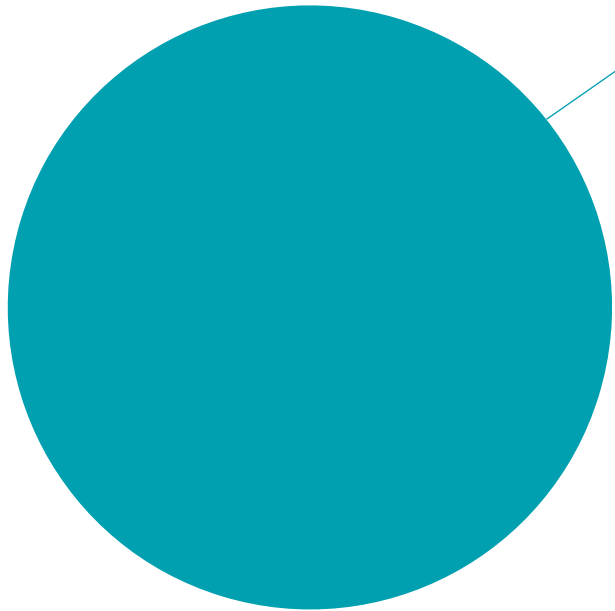
SJ Grobler

Directors

D Konar• (chairman), MJ Jooste (chief executive officer),
DE Ackerman•, SF Booysen•, DC Brink•, YZ Cuba•,
CE Daun•*, HJK Ferreira, SJ Grobler, JF Mouton•, FJ Nel,
FA Sonn•, BE Steinhoff•*, IM Topping#, DM van der Merwe
Alternate directors: JNS du Plessis, KJ Grové,
A Krüger-Steinhoff•*

#British *German •non-executive

CORPORATE RESPONSIBILITY AT STEINHOFF



We operate in a dynamic global environment that is subject to constant change. The past year saw the group weathering the turbulence that hit the world's economies and the resilience of the group is in part attributed to its ability to react to changing conditions, supported by governance and corporate responsibility structures and sustainability policies.

Details of Steinhoff's corporate governance policies and structures are given in the corporate governance report on pages 62 to 77 of the 2009 annual report.

Steinhoff regularly reviews and adapts its policies and processes to reinforce its ability to survive in a constantly changing social, economic and physical climate. To accommodate the needs of our stakeholders, our approach is to create and introduce strategies and activities that enhance business performance and our bottom line, while protecting and preserving environmental integrity and accelerating positive social change. Sustainability is a non-negotiable commercial imperative for the group.

Our focus on social change remains dominated by South Africa's transformation needs, whereas our environmental initiatives are largely influenced by global trends and are driven at divisional level. Initiatives have been structured at divisional level, not only to achieve compliance with the relevant regional legislation, but also to address the particular environmental, social and operational challenges faced by our divisions. Each division is responsible for developing its own sustainability strategy and framework, but in line with the overall group strategy of balancing stakeholder needs with social and environmental obligations. The divisional responsibility for sustainability rests with the divisional chief executives/managing directors and overall group responsibility rests with the board.

The aim of this report is to provide stakeholders with an overview of our corporate responsibility approach at both divisional and group level. The group's diversity and geographical spread, together with the varied requirements of the communities served, has resulted in certain of our operations being at the centre of many of the group's sustainability initiatives. Steinhoff, however, remains committed to the implementation of effective sustainability policies and ethical practices across all of the group's operations and is cognisant of its wider global role and responsibilities.

CORPORATE RESPONSIBILITY STRUCTURE

Our corporate responsibility management structure actively encompasses all of our business functions. It gives clear accountability to the board, while placing day-to-day responsibility with divisional management and their boards to implement and manage our corporate responsibility programmes.

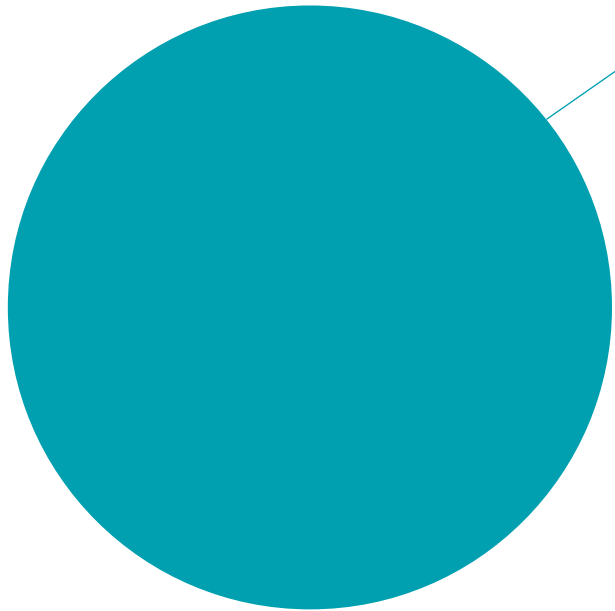
The group company secretary, and executive director Mr. Stèhan Grobler, has overall responsibility and leads discussion and decision-making on corporate responsibility at the Steinhoff International Holdings' board. He chairs the corporate responsibility steering group, supported by a small team of executives, strengthened this year by the appointment of a sustainability reporting executive.

The corporate responsibility steering group provides strategic direction to the group on corporate responsibility matters, with input from the Northern and Southern hemisphere management teams. The steering group reports into the global management structure which is outlined on page 74 of the 2009 annual report.

We include below some examples of how the group approaches its corporate responsibility challenges. Due to the size of the group and its diversity, it is not practical to report in detail on the activities of each of our operations. However, we have endeavoured to provide representative samples of initiatives from across the group. Many of the initiatives reported below under one specific division are also applicable to other divisions within the group. The following examples indicate the wide range of initiatives undertaken and the focus of our initiatives.

SOCIAL INITIATIVES

CORPORATE SOCIAL INVESTMENT (CSI)



● Monetary contributions are channeled through bodies, trusts or organisations that have the administrative capacity and expertise to ensure the optimal use of funds. Our employees also get involved in many projects, often playing a “hands-on” role.



Group approach

The group's strategy on CSI is to concentrate its efforts in the areas that require the most assistance and to ensure that the initiatives undertaken provide a long-term benefit. The main area of focus remains South Africa, where many challenges still exist. Accordingly, there is a deliberate and marked skewing of our CSI initiatives into South Africa.

Divisional approach

Each division has responsibility for identifying and reporting on the CSI initiatives that it has embarked upon. The chief executive or managing director of each division is responsible for authorising CSI projects. Projects are “championed” by employees and the projects that are selected for support are monitored to ensure that the division's contribution is appropriately applied.

The group has a solid track record of CSI initiatives. A few of these initiatives, which illustrate the group's focused approach, are highlighted below:

COMMUNITY-BASED TRAINING

Africa

Unitrans Holdings

Unitrans is a founder member and a proud sponsor of the Business Trust, which was established in 1999 and is in its second five-year phase. The trust combines the resources of business and government to create and build capacity to combat poverty and believes that, by working together, more can be achieved than by independent action. Unitrans supports this principle and contributed R1,1million to the trust over the period 2005 to 2009. The main aims of the trust are to support growth, develop skills and capacity and to combat poverty in South Africa.

Unitrans' initiatives include contributions to several training projects, with the aim of providing a legacy-type benefit to disadvantaged community member. We have recognised that there is a clear need for corporate-sponsored training in South Africa, to supplement governmental initiatives. Examples of the projects supported by Unitrans include:

Unitrans Supply Chain Solutions

- the Umjindi resource centre, which focuses on the improvement of adult literacy in the Barberton area;
- Help2Read, which provides training to community volunteers to assist with training/education for dyslexic children;
- the Astra school for learners with special needs and physically disabled learners from disadvantaged backgrounds;

- the Deaf Community of Cape Town, aims to develop and empower deaf people by offering courses in adult literacy and crafts. It also provides social and development worker services, together with education on HIV/Aids;
- Girls and Boys Town, which offers residential care and education and tends to the social and psychological needs of underprivileged, abused and orphaned children;
- the driver training programme, which is accredited with TETA, remains a key area of social investment by the Freight and Logistics division. Vehicles and dedicated driver trainers are placed into selected operations to train suitable unemployed people from the local communities. If required, the trained drivers are employed in our operations or elsewhere in the industry; and
- an investment of approximately R350 000 by Klipstone Transport, via the Afrisam social investment programme, into school infrastructure in the Tembisa area.

Unitrans Automotive

- Sesfkili Youth Structure, which is a non-governmental organisation whose focus is on providing activities and education to the youth, to reduce substance abuse and crime;
- the Cotlands Programme, which offers a variety of residential and community-based programmes to vulnerable children, including educational and emotional care. 75% of the beneficiaries of this charity are black women and children;
- the group continues to offer advisory support to CIDA, a university for talented black South African youths from disadvantaged backgrounds. (During the previous financial year, Unitrans Automotive donated R10, 8 million to CIDA).

All divisions donate computers and equipment to needy schools and institutions of learning.

The main area of CSI focus remains South Africa, where many challenges still exist. Accordingly, there is a deliberate and marked skewing of our CSI initiatives into South Africa.

PG Bison

- For 12 years, PG Bison has been the proud supporter of the Field Band Foundation. The foundation has a proven track record for youth development through music and dance outside of the formal education sector, and contributes to the fight against poverty. The target group is disadvantaged communities where unemployment is high and access by the youth to educational facilities is low. The average age of members is 14 years and 92% of members have not had access to music or arts education prior to joining the foundation. The foundation currently has 3 548 members from 272 schools in 116 townships. Building on the crucial role that arts play in societal assimilation and development, the foundation has had extraordinary success in integrating its members into the mainstream society in South Africa;
- the PG Bison Buccaneers is an all-female band based in Durban, Kwa-Zulu Natal. Although this band is still in its infancy, it recently had the opportunity of performing before the Deputy President of South Africa at the 140th anniversary of the Inanda Seminary School; and
- in addition, PG Bison runs fire prevention education programmes throughout the year for the communities that live near their plantations.

Many products such as shelving, building materials and furniture are donated to needy schools, together with computers.

Mattex

Mattex, together with KVM Manufacturing and Retail, participates in and supports the Bambanani training facility, the aim of which is to train unemployed women in the production of a range of apparel and products, from laboratory coats to table cloths. Through this partnership, work opportunities are developed for people in Nyanga Township.

Europe and the United Kingdom

Several initiatives are in place, for example:

- in the UK Pritex is working with local community schools on youth enterprise, mentoring and technology;
- Relyon UK is working actively with its local secondary school;
- Harveys has taken on a recently graduated logistics student from South Africa as part of her work experience; and
- in Germany, Steinhoff engages in the training of young people leaving school. Between 12 and 15 school-leavers a year are placed by the division on two-to-three year training courses.

SPORTS INITIATIVES

Sporting activities also play an important role in assisting the disadvantaged to become assimilated into mainstream society. Activities supported include:

Africa

Unitrans Automotive

- The Boikarabelo Karate Club, which teaches karate to disadvantaged children, many of whom are Aids orphans or street children.

PG Bison

- The main sporting initiative held is the annual PG Bison North Eastern Cape Forest (NECF) Soccer Knock-out tournament. This year marked the third year of the competition. Teams from surrounding areas compete throughout the soccer season to participate in this prestigious tournament and only the top two teams from the surrounding four regions participate. The tournament is now recognised as a “scouting” tournament and this year saw a record attendance of some 3 000 people;
- a ladies netball tournament has also been introduced and has proved to be an overwhelming success; and

- for the past 22 years, PG Bison has sponsored the under 15 Cricket Week. This has been PG Bison’s longest-standing social investment.

In each of the communities in which PG Bison operates, sport plays an important part in the upliftment of the communities. Throughout PG Bison there are numerous smaller initiatives in place in the form of donations of sports uniforms and equipment to local schools and sporting organisations.

Steinbuild

- Sponsorship of various sporting activities including the Plettenberg Bay Easter Surf Ski Challenge, the Beeld Trophy Schools Rugby tournament, involving about 200 schools, and sponsorship of the Waterkloof High School under 14 boys’ and girls’ hockey teams.

Europe and the United Kingdom

- Support of local sporting activities including support of the local football team at Rzepin (Poland).
- Relyon (UK): support of the Wellington football and Rugby clubs.
- Bensons for Beds (UK): support of local sports men and women.

Unitrans has sponsored Community Aids Response (CARE) since 2002. To celebrate youth day, Aids orphans from the Thabo Mbeki settlement in Soweto were treated by the CARE project team.



A steel drum ensemble member of the PG Bison Buccaneers at the 2009 National Field Band Championship.





Employee health initiatives are detailed on pages 26 to 33 and that of HIV/Aids on pages 34 to 35.

COMMUNITY-BASED HEALTH PROJECTS: HIV/AIDS

Africa

The main area of focus in Africa remains the containment of HIV/Aids. We have extended some of our HIV/Aids programmes into the communities as follows:

Unitrans

- Unitrans Fuel and Chemical operates HIV awareness committees in all of its main depots. Kwa-Zulu Natal runs an active HIV monitoring clinic three days a week (and the division's Swaziland operations interact with government-run clinics.) These facilities are available to the community;
- Unitrans Automotive supports the Cotlands programme which offers a variety of residential and community-based programmes to vulnerable children. These programmes include pediatric hospices as well as antiretroviral treatment;
- several of the community-based training initiatives, such as the support of the Deaf Community of Cape Town, also cover HIV/Aids education;
- diet and the strengthening of the immune system play a considerable role in the fight against HIV/Aids. Unitrans Freight and Logistics is investigating a potential investment in a dietary product which has been especially developed for poor communities and offers balanced nutrition at affordable rates. Trials of the product are commencing in Kimberley; and
- continuous support of CARE which provides medical care to people living with HIV/Aids. Sponsorship of this programme is focused towards orphan support and youth outreach programmes.

PG Bison

- To highlight the awareness campaign of World Aids Day, family days were held in each region in which PG Bison operates. All spouses, partners and children were invited to meet the PG Bison-trained peer educators and other Wellness Team members. The main aim of the day was to promote voluntary counselling and testing and to offer education on wellness in general, with a key focus on HIV/Aids; and
- during the year, each site is involved in wellness initiatives such as the education of workers from surrounding factories, local schools and communities on HIV/Aids and preventative measures.

Steinhoff Africa (corporate office)

- As part of Steinhoff's extended family programme (HIV/Aids orphan project), Steinhoff Africa has entered into various agreements with Phumelela Gaming and Leisure Limited.

COMMUNITY-BASED HEALTH INITIATIVES: OTHER

Steinhoff Asia Pacific

- As in previous years, both the Freedom and Snooze brands have had strong associations with children's charities in Australia and, in the case of Freedom, also in New Zealand. Freedom has been a long-term sponsor of the Children's Cancer Institute of Australia, Australia's leading child cancer research organisation and has raised money for this charity by the sale of its Dr Dinosaur product; and
- Snooze has also established a long-term relationship with the Murdoch Children's Research Institute, a specialist medical research organisation focusing on a range of childhood illnesses. Funds are raised for the institute through the sale of specially produced children's bedroom furniture and bedding products.

INITIATIVES FOR INVESTMENT INTO THE COMMUNITY

Africa

Unitrans Supply Chain Solutions

- This division assists Ikhaya Lethemba, which is an outreach team supporting the community with basic commodities and health care and counselling services; and
- El-O-Him shelter, which looks after and rehabilitates abused women and children.

Steinhoff Africa (corporate office)

- Steinhoff Africa has continued its support of the Abraham Kriel Childcare Foundation. With the foundation's management assistance, Steinhoff Africa sponsors the care of more than 200 Aids orphans and 100 adults in and around Soweto. This intervention enables children to remain in their deceased relatives' homes and assists with schooling, counselling, nutrition and medical care.
- Steinhoff Africa is an honorary member of the Tikkun Foundation, an organisation formed to uplift historically disadvantaged groups in South Africa.

All divisions

Various donations are made to community based organisations such as children's foundations, old-age homes, cultural organisations and unemployment programmes. This support may take the form of cash donations and/or the contribution of goods and services.

STAKEHOLDER DIALOGUE

	EMPLOYEES	INVESTOR RELATIONS	BUSINESS PARTNERS
STAKEHOLDER GROUPS	<p>Employees Trade Unions Regulatory bodies</p>	<p>Equity investors Institutional investors Company analysts Media Related stakeholders and regulatory bodies such as the JSE</p>	<p>Other business partners</p>
COMMUNICATION/PARTICIPATION	<p>The group employs approximately 41 500 people. Each of our divisions and business units has employee representative forums and are union and/or non-union based. Recognition agreements are negotiated with representative unions, accommodating ongoing communications to their members. Communication and feed-back occurs by way of road shows with the CE and management, employee briefings through various media, climate surveys and, in some instances, on-line access to feed-back forums. The group also has an anonymous 24 hour anti-fraud line.</p> <p>We strongly believe in, and promote, open discussion with our employees and will go into consultation and/or negotiations at any stage to resolve matters that may affect them and their working environment.</p>	<p>In addition to regulatory publications and other communications, management encourages regular contact with the investor community. Local and international road shows, investor days and one-on-one meetings and interviews are held on a regular and on-going basis. All publicly available corporate communication documents are available on the group's website.</p> <p>(e-mail: investors@steinhoff.co.za).</p>	<p>Commercial relationships are in place and are managed through the divisional operations. Where appropriate, client and customer satisfaction surveys are conducted. Customer liaison and complaint procedures are in place.</p>

OTHERS

Regulators: Central banks
 Revenue authorities
 Advisory councils
 Governments
 Competition authorities
 Stock exchanges

Communities

Industry bodies

The group encourages dialogue with governments and regulators and values strong relationships with these stakeholders. To maintain this, the group interacts directly and through industry associations on a wide range of industry specific and national imperative issues. Our approach to engagement favours personal interaction but, where this is not possible, other means of communication are used.

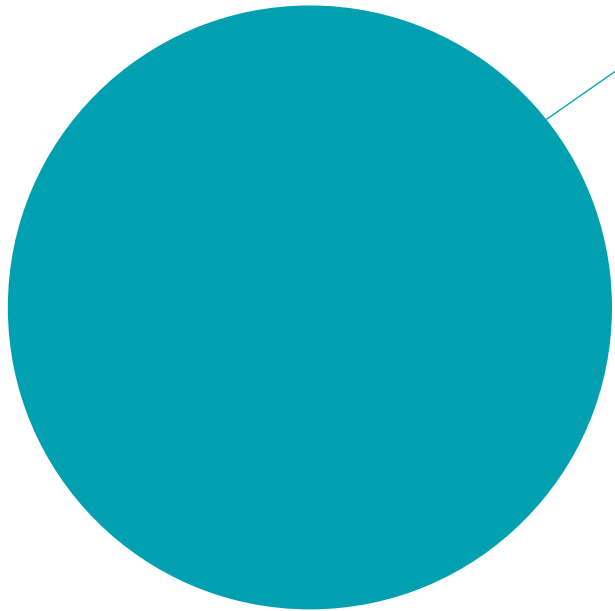
Where applicable forums are established to meet with communities, local municipal and commerce representatives. Issues, projects and programmes regarding this group and its involvement with Steinhoff are discussed. Other events like school visits, sporting events through sponsorships etc. are also used as a platform for communication and community buy-in. Due to the diversity of communities, posters, newsletters, local newspapers and radio stations are all avenues for communication.

Consultative and structured communication platforms have been established for the community surrounding the Ugie particle-board plant and the North Eastern Cape Forests.

Participation in and attendance at industry-related forums such as the Road Freight Association in South Africa, the South African Bus Operators Association, die Afrikaanse Handels Instituut, and other national and international bodies, form part of the communication platform for this stakeholder group. Senior employee representation to these forums is on-going and aids with Steinhoff's external corporate brand awareness and reputation management within the various sectors of operation.

EMPLOYEE INITIATIVES

EMPLOYEE DEVELOPMENT



The skills and dedication of our employees have in no small way contributed to the successes that the group has achieved and provide a solid foundation for sustainable growth.



Group approach

Human capital development has been incorporated into all of the group's operations to support our sustainability initiatives and to facilitate achievement of the group's vision – to provide strategic product offering focused on furniture, beds and related homewares, and, in Africa, includes integrated raw material and logistics operations and the retail of automotive and building supplies.

Directives for the management of human resources are set and endorsed at group level, yet enforced and managed within each operation. These directives are driven by the Steinhoff International human resources and remuneration committee.

Divisional approach

The directives set at group level are adopted by the divisional human resources and remuneration committees and targets are set, based on each division's specific needs. The divisional targets are incorporated into the key performance areas (KPAs) of the divisional managing directors and form part of the annual incentive bonus scheme measurements. The terms of reference of the divisional human resources and remuneration committees include remuneration, medical and retirement benefits, employment equity/equal opportunities, black economic empowerment, succession planning, training and development, industrial relations and performance management.

As a responsible employer, we are committed to ensuring that our employees world-wide work in an environment that actively fosters development and growth, recognises and appropriately rewards individual performance and assists employees to reach their full potential.

HUMAN RIGHTS

We support the human rights' dictates of the countries within which we operate. The principles of non-discrimination, employment equity and freedom of association are entrenched in the group's policies.

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 and, should this occur, appropriate disciplinary action would be taken.

HUMAN CAPITAL

The group complies with all of the employment related legislation in the countries within which it operates.

As at 30 June 2009 the group had approximately 41 500 employees worldwide, divided into regions as follows:

30 JUNE	2009	2008	2007	2006	2005	2004
Southern Africa	21 700	29 300	28 300	32 000	24 500	13 100
Eastern Europe ¹	5 100	6 000	6 800	7 000	7 200	8 000
Western Europe ²	12 000	6 000	5 900	6 500	5 500	1 200
Pacific Rim and India	2 700	3 500	4 000	4 500	4 300	4 300
	41 500	44 800	45 000	50 000	41 500	26 600

¹ Central and Eastern Europe includes Hungary, Poland and Ukraine

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

At 30 June 2009, of the total number of employees employed by the group worldwide, approximately 68% were male and 32% were female. Of the total of 21 700 employees employed in southern Africa, approximately 91% were from a previously disadvantaged background.

ATTRACTION AND RETENTION OF STAFF

Steinhoff's Employer of Choice programme has proved to be an invaluable tool in attracting skilled and qualified personnel in the face of global competition for skilled employees and in assisting to retain the key employees required to ensure our ongoing success and sustainability.

The programme addresses three main areas:

- The retention and development of current employees. The main areas of focus that are receiving attention are communications, performance management, diversity and talent management. The low headcount attrition rates experienced across the group are affirmation of the programme's success. At management level, the group's attrition rate remains low at 4,1%.
- The identification and recruitment of future employees. The steps taken to reinforce Steinhoff's corporate branding among skilled people employed outside of our group as well as within academic and tertiary institutions have helped to attract a number of high calibre candidates for employment. We offer vacation work to selected students and have established bursary schemes in relevant fields of study.
- The introduction of market-related remuneration systems focusing on competitive guaranteed and variable incentive packages as well as the participation of all management staff in our long-term incentive share scheme. The intended introduction of a black management trust as well as an employee share trust, as part of the broad-based black economic empowerment (B-BBEE) Equity Transaction, detailed on page 24, will further serve to attract and retain staff.

It has been recognised that South Africa is the area of our operations that will most benefit from a focus by us on education, training and development, working alongside government initiatives.

EDUCATION, TRAINING AND DEVELOPMENT

The managing director of each division has full responsibility for training and development of the staff within their areas of control. Training and development needs are costed as part of the annual budgeting process for each division and budgets are allocated accordingly.

South Africa

It has been recognised that South Africa is the area of our operations that will most benefit from a focus by us on education, training and development, working alongside government initiatives.

Training and development plans are captured into workplace skills plans for each legal entity and these plans are submitted annually to the applicable Sectoral Education and Training Authority (SETA). Such submissions are then used as a basis for the calculation of claims against compulsory training and the development levies paid to the South African government as a percentage of payroll costs.

Within our South African operations, literacy and numeracy training and learnerships applicable to operational needs remain prime areas of focus. Close liaison with the governmental sectoral education and training authorities 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 the divisions and are normally part of a mentoring programme.

Training budgets vary between 1, 5% and 5% of total payroll costs per division, dependant on the specific training needs of the division. The execution of budgeted and planned activities is relatively easy to monitor, being linked to specific performance management targets and incentive bonus schemes. The average number of training days per annum per employee, across the African divisions, varies between two and five days.

The number of black employees who were enrolled on programmes that lead to receiving recognised qualifications with simultaneous work experience equated to approximately 0,5% of all employees in Africa.

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

Various internal and external training interventions, addressing technical and supervisory/management competency assessed deficiencies, are offered where appropriate.

Internal and external courses are, in general, facilitated by external service providers and it is the role of the South African group training and development manager to ensure that synergies are achieved by arranging common needs interventions per region. This approach has saved us cost and time and has ensured a commonality in approach and measurement of success where applicable.

Divisional initiatives include:

Unitrans Supply Chain Solutions

The division's reputation for service excellence, which has assisted it in securing and renewing its platform of long-term contracts, requires ongoing training of the highest standard. Driver training is conducted either via experienced internal driver trainers, registered as qualified trainers/assessors, or is outsourced to accredited training providers who provide SAQA-aligned training.

Within the Unitrans Fuel and Chemical division, approximately 780 employees received internal training on dangerous goods and product knowledge, the operation of vehicle combinations and on economic and defensive techniques for driving articulated vehicles. The division's customers in the fuel and petroleum industry sector set exacting service levels, not only for health and safety, but for all areas of the division's operations. By

maintaining high standards of driver training, the division has been able to meet these stringent service level requirements. Unitrans Fuel and Chemical is a fully-accredited training provider registered with the Transport Education Training Authority and runs several in-house, accredited training programmes.

To ensure the sustainability of our operations and the availability of qualified drivers, as part of our CSI programme, driver training is offered to selected unemployed people.

Unitrans Automotive

Most training is compulsory and is provided by the franchise principals, in terms of the relevant franchise agreements. This takes the form of product-specific technical and sales training. The graduate management trainee programmes, which use an external service provider, assist with equal opportunity initiatives.

PG Bison

Internal initiatives are focused on technical skills and product training. ABET courses and learnerships in electrical engineering, mechanical engineering, forestry stewardship and in assessor, moderator and mentorship skills are provided by external facilitators.

Europe

General training extends across the workforce and initiatives include:

- language training;
- leadership training;
- IT courses;
- technical courses;
- tax courses;
- 18 month courses on soft skills, project management and effective cost management; and
- five Sigma lean-manufacturing training at Klose.

Electronic retail training for sales staff has proved successful and the accreditation of our training programmes by government institutions, as for example in Europe via the

European Union funded skills drive, has also assisted our development initiatives.

United Kingdom

Retail

Training initiatives include:

- mandatory internal induction training;
- internal sales management programmes;
- the ABC performance programme. This programme covers product knowledge, customer service, delivery and loading standards and motor vehicle driver focus training. These programmes are provided by a mixture of distance learning and in-branch modules; and
- National Vocational qualifications in various management, leadership and business skills.

Manufacturing and logistics

Initiatives include many of the programmes provided under the retail division plus:

- skills for production/service;
- safety skills; and
- skills for employee development/business skills.

Pacific Rim

The focus in this division is on internal training, supported by an e-learning platform. This internet-based system allows employees to complete workplace training, both in the workplace and at home. The system delivers quality branded curricula as well as systems for reporting and managing training completion rates. External training has focused on Excel and Viso courses, legislation updates and forklift training.

BURSARIES

The group, as well as some of the divisions, offers sponsored bursaries within disciplines where there are skills shortages. The main recipients of bursaries are previously disadvantaged people.

PERFORMANCE MANAGEMENT

Divisional/company annual incentive bonuses schemes are based on a structured management performance process which accommodates, in general, a bi-annual assessment of each individual, cascaded down to all management staff.

Bonuses are weighted 70% - 80% for financial performances and 20% - 30% for the achievement of Key Performances Areas (KPAs).

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

Accordingly, this assessment process not only measures performance against targets, but also assesses the individual manager or supervisor's personal training and development needs, which are fed into divisional succession plans.

For management within the South African divisions, B-BBEE also forms a weighted percentage of KPAs in order to ensure the achievement of targets.

SUCCESSION PLANNING

Succession planning forms part of the group's staff retention policies, and includes needs-related training and development. Management development is entrenched across the group, with particular emphasis on candidates who have the potential for high-performance. Internal promotions are assisted by this development process and by the group's systems of assessing managers and employees. Due to the current shortage of skills, in particular in South Africa but increasingly on a global scale, we have taken steps to identify, recruit, develop and appropriately utilise talented individuals within the group to ensure retention and progression. Our Talent Management Programme's country-specific panel systems facilitate this.

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

Each operation is responsible for putting plans in place to ensure the smooth succession of key executives. The succession strategy also includes, where appropriate, the recruitment of talented individuals from outside the group.

REMUNERATION

Our remuneration philosophy and its application are detailed in the corporate governance section of our annual report on pages 68 to 71, together with the terms of reference of the group and divisional human resource and remuneration committees on page 67.

Employee purchases

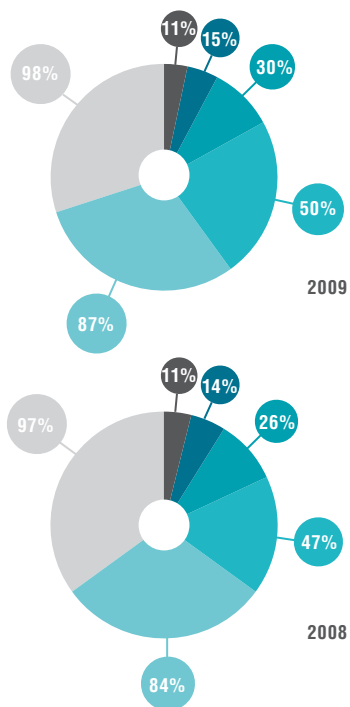
The group has utilised its diversity of products and services to ensure that employees enjoy reduced prices when purchasing these products or services. This forms part of our Employer of Choice programme and acts as a substitute for other benefits which would be difficult to manage in a geographically widespread global organisation.



Mr. Miklós Zsolt, one of our general managers at Kanizsa received an EFQM certificate for our Kanizsa operations. This was presented to him at the Hungarian parliament.



The 'Steinpol Ilamka Rzepin' soccer team is supported by Steinpol.



BLACK EMPLOYEES AS A PERCENTAGE, PER CATEGORY, OF TOTAL WORKFORCE IN AFRICA

- Top management
- Senior management
- Professional qualified/middle management
- Junior management
- Semi skilled staff
- Unskilled staff

EMPLOYMENT EQUITY/EQUAL OPPORTUNITY

Together with B-BBEE, we view employment equity/equal opportunity as a long-term commitment towards the creation of an equitable work environment. The group's employment equity programme is focused on achieving fair representation across employee groups, removing any remaining barriers to the advancement of designated groups and on unlocking the value inherent in the group's diversity. The rate of progress made in achieving employment equity targets can however be influenced by the rate of growth experienced in the divisional operations and by skills shortages in certain areas.

South Africa

Key principles have been built into our employment equity policies to redress past inequalities by:

- aligning employment equity considerations with the operation's strategic objectives and training programmes;
- promoting talented employees from previously disadvantaged backgrounds as suitable opportunities arise; and
- complying with the Employment Equity Act which requires annual reporting by each registered legal entity in South Africa on progress made towards employment equity and on targets set for the year ahead.

Employment equity is one of the pillars of the B-BBEE Scorecard and, accordingly, is an area that receives ongoing management attention. Employment equity progress also forms part of the divisional managing directors' performance management assessments.

Through our employment equity initiatives and our education, learning and development policies, we aim to create a racially equitable workplace that more closely represents the racial and gender demographics of South Africa, while retaining an efficient and motivated workforce. The progress made from the prior year, particularly in the categories

of professional qualified/middle management and skilled staff, is particularly pleasing and reflects well on our training and recruitment initiatives.

Targets set for employment equity/equal opportunity

Each of our South African entities files an employment equity plan with the Department of Labour and specific employment equity targets are set, categorised by occupational levels, race and gender. Progress against the achievement of these targets is measured both internally by our performance management system and externally by the Department of Labour.

Group operations

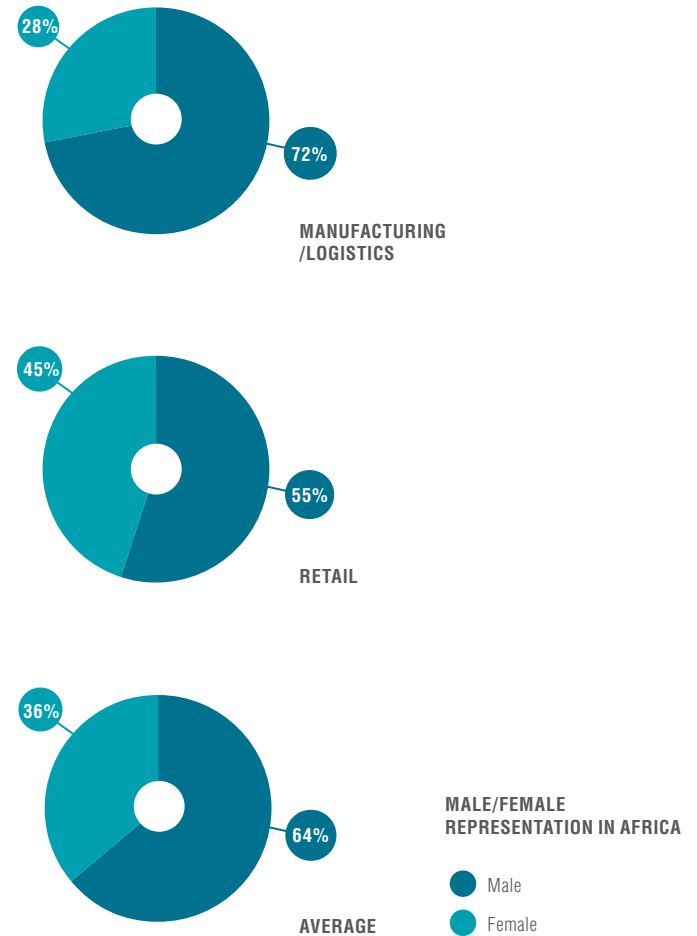
Our international divisions place a special emphasis on equal opportunities with reference to gender, remuneration and other conditions of employment, by regular monitoring and discussions held in union or employee-representative forums.

Our manufacturing and logistics working environments are less attractive to females than the retail side of our operations. The male/female representations recorded in 2009 are reflected in the charts shown on the right.

Good progress has been made with females moving to supervisory/managerial positions. The South African divisions however experience great difficulty in finding adequately skilled black females for management positions and the progress that has been made to date in this regard has been below expectations. Our focus is now on training and developing young graduates/adequately qualified females for future management positions.

Overall group target for gender representation

The group's target is to move to an overall male/female representation split of 65/35 respectively within the next two years. We believe that the retail sector gender distribution split can easily move to a 50/50 split. However, our manufacturing sector target of a 70/30 male/female split will undoubtedly present a challenge.



Steinhoff endorses a B-BBEE policy which supports the South African government's efforts towards an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Steinhoff endorses a B-BBEE policy which supports the South African government's efforts 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".

Responsibility for the implementation of the group's transformation strategy has been assigned to executive management, under the leadership of the CE, Steinhoff International.

B-BBEE scorecards

Preferential Procurement

Systems have been put in place in all divisions to track procurement spend on a quarterly basis and to ensure that supplier verifications are in place and are properly recorded.

The group will however not compromise on quality, price, delivery, and service and, in striving to reach its scorecard targets on points for preferential procurement, will ensure that all safety, technical, commercial compliance and environmental standards are met.

Ownership

The targets set for ownership will be assisted this year by the broad-based black economic empowerment equity transaction (The B-BBEE Equity Transaction) that took place in December 2008. This score will flow through to the operations and will improve their overall scores considerably. Details of the B-BBEE Equity Transaction are on pages 24 to 25.

Management control and employment equity

The target for management control and employment equity differs within the various divisions due to the diversity of the operations, the currently identified internal potential, succession plans, recruitment and attraction strategies and the availability of potential candidates in the market. Realistic targets have been set as per the annual submissions to the Department of Labour.

The B-BBEE Equity Transaction will assist a great deal in the retention and attraction of black middle, senior and top management, via a special share allocation for these categories under the Steinhoff Africa Black Management Trust. Amongst other branding and marketing efforts, this will assist Steinhoff in becoming an Employer of Choice for this grouping of people.

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 this element seeks to address include:

- the high failure rate amongst black-owned start-up businesses due to lack of access to financing and other business support; and
- the support of job-creation, which cannot be achieved without the growth of the small business sector.

Examples of the group's enterprise development initiatives in South Africa include:

- Bojanala Bus – established by Unitrans Passenger and B-BBEE partners to provide commuter bus transport in North-West province;
- PG Bison – the support of various initiatives, including:
 - Eluxolweni Trading Enterprises (Cleaning)
 - Ncilashe Business Enterprise cc (Waste Management)
 - Mvelimhlophe Cleaning and Maintenance (Gardening);

- Vitafoam – support of Comfort Bedding, a B-BBEE enterprise;
- Klipstone Transport – established by Unitrans Supply Chain Solutions (USCS) and B-BBEE partners to provide logistics services to Afrisam;
- Setjhaba Carriers – established by USCS and B-BBEE partners to transport tailings for De Beers Mines in Kimberley;
- the granting by USCS, to its numerous sub-contractors and owner-drivers, of favourable credit terms and pricing on spares, fuel and tyres ; and
- the assistance by the Steinhoff Africa group with many other smaller enterprises engaged in non-core activities such as vehicle washing and valet services.

B-BBEE scorecard ratings and targets

During the period under review, the Steinhoff Africa group improved its B-BBEE rating to a Level 7 contributor. This is a significant improvement over the prior year and reflects the commitment from the various operations within Steinhoff Africa that have made this possible. The group has appointed a full time B-BBEE manager to provide internal divisional assistance in aligning the strategies of divisions/business units within Steinhoff Africa in order to attain the target of Level 5 or better within the next two years.

Documented targets for preferential procurement, ownership, management control and employment equity (in line with industry standard/charter/code of good practice) are shown in the table on page 22.



Bensons for Beds sponsored the An Tay A Primary School in Vietnam. They replaced 43 table tops, fixed the lighting, installed water filter equipment and gave the children new stationery.

	PREFERENTIAL PROCUREMENT	OWNERSHIP	MANAGEMENT CONTROL	EMPLOYMENT EQUITY
<i>Scorecard weighting</i>	20	20	10	15
Division	Target			
Steinbuild	10	5	2	4
Steinbuild is working towards its individual store targets and has appointed a dedicated external agency to assist.				
Unitrans Freight and Logistics	14	10	2	6
At Level 5. Achieving target set by Steinhoff for the group				
Unitrans Fuel and Chemical	19	10	7,5	3,5
At Level 5. Achieving target set by Steinhoff for the group				
Unitrans Sugar and Agriculture	15	10	1,5	7
At Level 6. Targets set for all pillars to achieve Level 5				
Unitrans Automotive	1,5	10	1,5	2,5
The low target on procurement is due to the fact that dealerships are contractually bound to purchase from original equipment manufacturers that are generally non-compliant. Ratings are regularly reviewed and self-assessments are conducted.				
Unitrans Passenger	16,5	10	2	3
At Level 5. Achieving target set by Steinhoff for the group				
PG Bison	10	10	2	5
At Level 7. Targets set for achieving Level 6 status within the next financial year and for meeting the Steinhoff group target of Level 5 within two years.				
Raw Materials	7	10	1,5	5
At Level 7. Targets set for achieving Level 6 within the next financial year and for meeting the Steinhoff group target of Level 5 within two years.				

For the socio-economic development element of the scorecard, all divisions have already reached their target, i.e. maximum points on the scorecard. Details of the divisions' enterprise development initiatives are given on page 20 to 21 and all divisions are working towards achieving their targets for this portion of the scorecard by initiating new arrangements and by reviewing their existing arrangements with black-owned enterprises. The element of skills development has been covered in detail on pages 14 to 15 of this report and, again, all divisions are working towards achievement of their targets, focusing on areas where skills shortages have been identified.

Systems to monitor performance against targets

The progress against budgeted B-BBEE targets is monitored quarterly as an 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. Operations have also budgeted to make use of the SANAS list of accredited verification agencies to have external verifications done on completion of the Steinhoff Africa ownership verification exercise, currently done by AQRate.

B-BBEE has become part of managements' KPAs, which are linked to annual incentive schemes.

Steinhoff Africa is piloting a human resources information system (HR Smart) within one of its divisions, with a specifically B-BBEE designed training module to assist with the capturing of any training initiatives as well as the monitoring of learnerships and other skills development programmes. Once successfully implemented in this division, HR Smart will be rolled out to the rest of the Steinhoff Africa group and will assist greatly with the monitoring of expenses against skills development targets.

Verification

Our South African operations have completed self-assessment B-BBEE scorecards and these will be audited over the next year by the recently accredited external rating agencies. Certain divisions have already been externally rated.

Ongoing commitment

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

- PG Bison, as part of its management buy-out in 1999, involved more than 650 black people who all benefited on Steinhoff's acquisition of the PG Bison group;
- the formation in 2005 of the Unitrans Limited Employee Benefit Trust, which holds 30,2% of the issued share capital of Fundiswa Investments (Proprietary) Limited (Fundiswa). Fundiswa's other shareholders are Thembeke Capital Limited (previously Arch Equity Limited) and Mvelaphanda Capital Limited, both of which hold 34,9% and are recognised black empowerment companies. Fundiswa holds 23,2 million shares in Steinhoff International Holdings Limited. Security for the funding of this transaction was provided by Steinhoff;
- 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;
- in 2007 Steinhoff required that the consortium that purchased the South African furniture manufacturing and import interests include meaningful B-BBEE partner participation; and
- The Steinhoff Africa Employee and Management Share Ownership Scheme was formed as part of the B-BBEE Equity Transaction.
- The sale in 2007 of Steinhoff's South African furniture manufacturing interests for R1 375 million to a consortium comprising private equity, management and a B-BBEE grouping, 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.

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 B-BBEE Equity Transaction

A broad-based black economic empowerment (B-BBEE) equity ownership transaction (the BEE Equity Transaction) was approved at the shareholders annual general meeting held on 1 December 2008. The transaction was effected via 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

- All South African permanent employees of Steinhoff Africa not currently participating in the Steinhoff long-term share incentive scheme(s) via 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; and
- 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 were 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 together 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.

Trade unions and employee participation

Within our labour intensive environment, it is important to ensure a set of rules, policies and procedures to assist with the regulation of the workplace relationships. This framework is established at group level and is disseminated to divisional management to adapt according to the particular needs of each division.

The union representation throughout the group is highest within our South African operations and Steinhoff Africa's policy and procedures manual covers the majority of the applicable regulatory matters.

Circumstances and legislation however vary from country to country and therefore such policies and procedures are flexible to accommodate the specific dispensation's requirements.

Employees are introduced to these policies and procedures during induction sessions, interaction with HR departments and via newsletters, divisional intranets and written contracts of employment. We have established operational workplace committees which ensure regular interaction between management and employee representatives on various issues.

Steinhoff's operations are, in general, bound by industry bargaining or government determinations in terms of minimum conditions of employment.

Our union representation varies between 21% and 65% within our South African divisions, according to region and industry, with minority representations in our European and Pacific Rim divisions.

Steinhoff Africa, due to its higher level of union representation and various industry bargaining council processes, has appointed an employer relations manager at a senior level, reporting directly to the international group human resources executive. Apart from ongoing relationship-building with relevant union in-house and external 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.

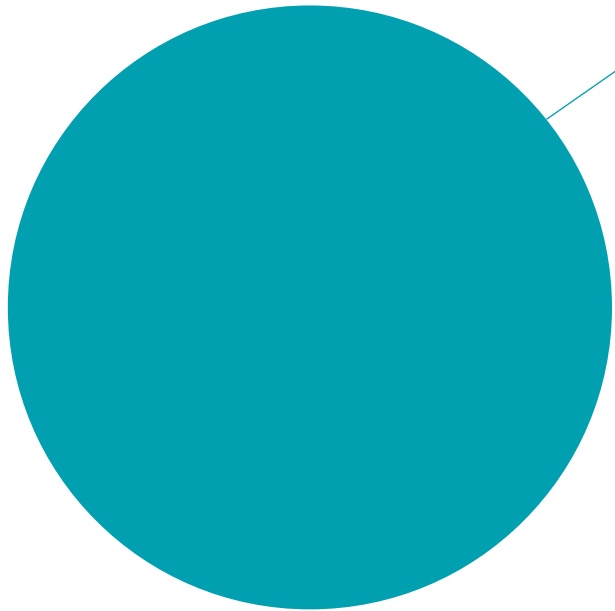
Workplace forums, which accommodate unionised and non-unionised labour, not only deal with conditions of employment but also facilitate the consultation of employees within problem solving sessions, act as a strong communication tool to and from employees and deal with health and safety and employment equity matters. 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. The group has introduced extensive awareness programmes amongst employees and the external markets to brand Steinhoff as an Employer of Choice.

In addition, through the B-BBEE Equity Transaction, the group has made all employees in South Africa, other than those senior executives already participating in the Steinhoff Share Rights Scheme, shareholders in Steinhoff through a nine-year participation scheme. This scheme has led to enhanced employee/union commitment and acts as a valuable retention tool.

Labour strikes are generally minimal but were experienced in South Africa during the last session of wage negotiations within the transport industry. A deadlock was declared by the unions within the National Road Freight Bargaining Council on an 11% increase and our drivers participated in a country-wide strike for five days over the 2009 South Africa Easter weekend period. Agreement was reached on 11%.

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 the unions, in an effort to bolster and enhance collective bargaining structures.

HEALTH AND SAFETY



Operational responsibility for health and safety rests with the management of each division, supported by general managers, human resource managers, divisional and regional health and safety managers and occupational health and safety representatives. Overall responsibility rests with the board.



Group approach

Health and safety guidelines are determined at group level. The health and safety of our employees is of paramount importance.

Divisional approach

The guidelines set at group level apply to all of the group's operations and require, as a minimum, that the legislation, regulations and codes of practice and industry standards of each country in which the group operates are complied with.

RESPONSIBILITY

Overall responsibility for health and safety across the group rests with the board.

Operational responsibility for health and safety rests with the management of each division, supported by general managers, human resource managers, divisional and regional health and safety managers and occupational health and safety representatives. Where required, health and safety committees are in place throughout the divisions. External consultants and administrators are appointed should specialised expertise be required.

REPORTING

Continuous risk assessments, safety training and implementation of workplace systems are undertaken and are reported on to measure improvement and to identify additional areas of focus. Internal or external assessments, reviews and independent audit results are reported on regularly by the divisional committees, safety representatives and management and follow the established reporting channels, if necessary up to board level. Integrated computerised SHEQ systems have been introduced by certain divisions, e.g. Unitrans Supply Chain Solutions and PG Bison, and assist greatly in the compilation of accurate and timeous SHEQ reports and in the identification and management of risk areas.

Health and safety is regularly reviewed from a risk perspective and any significant risks identified are included in the divisional risk reports and, again, are reported through the established risk reporting channels, if necessary up to board level.

FINES AND PENALTIES FOR NON-COMPLIANCE

During the period, no fines or penalties of any significance were incurred by the group's divisions.

SICK LEAVE

Sick leave is a key indicator of the efficacy of group health and safety policies and, across the group, there has been an encouraging decrease in the sick leave statistics. This is individually reported on in the divisional examples detailed below.

DIVISIONAL INITIATIVES/STATISTICS

While compliance with relevant legislation in the areas in which we operate is mandatory, the group strives to go beyond mere compliance and several of the divisions have introduced specific in-house health and safety programmes/initiatives, examples of which are detailed below together with details of sick leave statistics, the number of employees who underwent training and external verifications:

Africa

Unitrans Supply Chain Solutions

Unitrans Supply Chain Solutions has introduced integrated SHEQ systems across its operations. This is supported by a structure of SHEQ managers, coordinators and safety managers and an extensive advanced integrated computerised SHEQ and compliance system, Entropy. The system is accessible to all staff and incorporates all of the division's policies and procedures, encompassing incident/root-cause analysis, risk assessment programmes and legal and statutory registers.

For the past three years, Unitrans Supply Chain Solutions has received the coveted South African Focus on Excellence "Transporter of the Year" award and the division is again a finalist for this year. In October 2009, a gold award was presented to Unitrans Supply Chain Solutions in the South African Logistics Achiever Awards. The comprehensive SHEQ systems introduced have contributed towards these achievements.

Integrated computerised SHEQ systems have been introduced by certain divisions, e.g. Unitrans Supply Chain Solutions and PG Bison, and assist greatly in the compilation of accurate and timeous SHEQ reports and in the identification and management of risk areas.

As an operator of approximately 2 300 heavy vehicles, Unitrans Supply Chain Solutions' accident statistics relate mainly to road accidents. Formal investigations are conducted on all accidents and statistics are regularly reported through the 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 the Unitrans Holdings' executive committee.

During the period, there were four employee fatalities within the division, all attributable to road traffic accidents (2005: five). These statistics should be viewed against the approximately 200 million kilometers that were travelled by the division's vehicles and the background of external causal factors beyond the control of the division. Nevertheless, all fatalities, however caused, are the subject of intensive investigation. (These four fatalities were the only employee fatalities recorded in the Steinhoff group.)

Driver training, including defensive driving training, remains a key area of focus. (See under education and training on page 14).

Unitrans Fuel and Chemical

Exacting health and safety standards are required by the division's customers, who are mainly international oil and petroleum corporations, and the management of health and safety is a vital part of the business of this division. A behavioral-based safety (changed management) process, aimed at creating awareness in staff, management of the risks and working towards the reduction and elimination of risks, has been adopted. Staff, customers and the public are encouraged to report any unsafe acts and conditions. The Behavioral- Based Health and Safety Policy, CPSHEQ 1 focuses on changing at-risk behaviour, making individuals more aware and responsible for their own actions, while not derogating from management's responsibility to ensure legal compliance.

Training, reporting and monitoring is an integral part of this process. The "Hantle Process", which is a behaviour modification programme, has been adopted. This process focuses on safety samples, moment-in-time observations, on-the-road observations, job plan observations and the correction of at-risk behaviour.

Days sick leave taken expressed as a percentage of normal working days fell to 0.80% (2008: 0.89%).

Safety training by employees (305 trained) was well over the target set (244), with a target of 342 employees to be trained set for 2010. Driver training includes defensive driving training and fatigue management and operates alongside driver management programmes which regulate hours and shifts worked.

The accident rate per million kilometers for this division has dropped to 5.5 (2008: 7.91).

External audits/verifications include Dekra ISO audits, Scott Safe Consultants OHS Act compliance audits, and regular customer and ASQA audits, both local and international. A firm of attorneys has been appointed to update the division's legal registers and advise on compliance issues.

Unitrans Freight and Logistics

The Blueprints programme, designed to measure SHEQ compliance by employee self-assessment has been put in place at a number of contracts and is proving very effective.

"Toolbox Talks" are conducted on a weekly basis to address topics of a SHEQ nature as well as individual training sessions, safety sampling and job observations. All procedures are posted onto the Entropy system.

A driver-fatigue management programme is being implemented at a number of contracts and operates alongside driver-scheduling programmes which control the number of shifts worked and the hours on duty.

Days sick leave taken expressed as a percentage of normal working days fell to 0,54% (2008: 0,99%).

Safety training remains an area of high focus and, annually, approximately 1500 employees receive training in areas such as first aid, firefighting and defensive driving.

An external agency has been engaged to audit legal compliance with the provisions of the OSHAct and periodic group SHEQ audits are carried out.

Unitrans Sugar and Agriculture

This division has introduced a system of publicising incidents, including near-miss incidents, to promote awareness. The outcomes of accident investigations are publicised and distributed across all depots.

The days sick leave taken, expressed as a percentage of normal working days fell to 0,70% (2008: 1,08%).

50 employees attended safety courses during the period. This figure is unchanged from the prior year.

Each depot conducts an annual internal health and safety risk assessment.

Unitrans Passenger

To minimise the risk of injuries and fatalities and to decrease accident incidences, regular root-cause analyses are conducted, with the implementation of corrective action through re-training and awareness programmes.

Days sick leave taken expressed as a percentage of normal working days fell to 0,07% (2008:0,12%) and disabling injuries on duty fell to 13 (2008: 28).

Safety representatives conduct monthly inspections at all depots, followed by bi-annual audits from head office. Major clients also conduct external audits to ensure full

compliance with policies and procedures and the applicable legislation.

Unitrans Automotive

The divisional policies on health and safety matters are reinforced through franchise standards set and are monitored by the franchise principals. Each franchise division is responsible for its own health and safety management and the operational responsibility for this rests with the divisional group service managers. Service managers chair monthly SHEQ meetings and the general managers sign off on compliance. Any areas of non-compliance are reported through the normal reporting channels.

Fire has been identified as a potential risk area within this division and independent external infra-red inspections for electrical fire risk prevention and risk assessments were undertaken at selected dealerships.

110 employees attended safety course during the period (2008:16) and days sick leave taken as a percentage of normal working days remained steady at 0,22% (2008:0,21%).

External assurance is provided through the Retail Motor Industry by Compliance South Africa (Proprietary) Limited, who has undertaken audits on a number of the division's dealerships and has provided meaningful feedback. In addition to this, the service managers undertake their own safety assessments, 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.

Unitrans Automotive is a regular winner of dealer of the year and other top awards given by the motor manufacturers, who monitor compliance with SHEQ standards.

Steinhoff sponsors the Beeld Trophy Schools Rugby tournament which includes about 200 schools.



PG Bison

Health and safety risks are managed through a recently-appointed group enterprise and commercial risk manager, who consolidates all associated risk matters, including health and safety matters, managed by 18 divisional risk managers and officers from 69 sites across the Steinhoff group. Sites include forest locations, sawmills, production plants and related operations.

An integrated web-based programme is being installed for incident recording, investigation, risk performance measurement and reporting purposes, with a separate programme for managing occupational health.

The divisional SHEQ policy requires that every site will have a full or part time occupational health practitioner and that any on-site injury must be attended to immediately.

During the year, health risk assessments of all PG Bison's plantations and timber beneficiation operations were undertaken by the appointed occupational hygienist. Occupational risk exposure profiles have now been completed for the whole division.

PG Bison's NECF mechanical harvesters. Operators of the advanced harvesting machinery shown in the picture are local community members who have undergone extensive training.

A major risk to PG Bison and its affected employees has been identified as that of fire on its plantations and land. The following fire prevention initiatives have been put in place:

- PG Bison is a member and sponsor of various fire protection associations;
- compliance with the Veld and Fire Protection Act is monitored on a regular basis;
- extensive employee, contractor and community fire awareness programmes are run throughout the year and training takes place on a regular basis;
- a spotter plane is used at the NECF and all forestry vehicles are fitted with fire fighting equipment. Standby firefighting vehicles are available, together with a helicopter for water bombing;
- fire breaks are maintained and new roads, dams, bridges and water refilling stations are constructed; and
- certain areas are designated “No Go” areas for non-employees.

Safety awareness is key and training programmes are conducted for employees and contractors, under the Contractor Management System. All employees undergo induction training, general safety awareness and safe work procedure training. 80% of employees completed mandatory training during the year (2010 target: 100%).

Disabling injuries for the division reduced by 64% to 49 (2008: 76) and days sick leave taken expressed as a percentage of normal working days reduced to 1,67% (2008: 2,08%)

Vitafoam

Subsequent to the fire that occurred at the Vitafoam factory in Industria last year, environmental consultants conducted tests on air and water quality and feedback on both reports indicated that levels were well within prescribed limits. Continued auditing by the major chemical supplier ensures compliance with international standards.

Following the recommencement of operations at Industria, an internal audit was undertaken and all recommendations made have been complied with.

During the period, days sick leave taken, expressed as a percentage of normal working days fell to 2,08% (2008: 2,54%) and 92 employees attended safety courses (2008: 86).

Independent Fire and OSHAct audits are conducted bi-annually. In addition, internal audits are conducted monthly and an ASIB inspection is carried out bi-annually.

Europe

The legislation and regulations applicable to health and safety for our European operations require a high standard to be achieved to meet the prescribed 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. The plant managers and safety officers conduct regular audits to ensure compliance with legislated standards. Health and safety committees and internal reporting structures have been established.

Days sick leave expressed as a percentage of normal working days fell to 5,5% (2008: 5,7%) and the number of employees who attended safety courses increased to 1 315 (2008: 977)

External audits are conducted by public health and safety officers, and state labour and sanitary inspectors. There were no areas or incidences of non-compliance of any significance reported during the period.

Internal or external assessments, reviews and independent audit results are reported on a regular basis by the divisional committees, safety representatives and management and follow the established reporting channels, if necessary up to board level.

Steinhoff UK

All of the group's UK businesses have documented health and safety policies and procedures in place and strict legislation and regulations govern these operations.

Additional health support is given by Relyon and Harveys to its employees. Relyon provides occupational health and physiotherapy support to all employees via a contracted doctor who conducts assessments post injury or illness, and Harveys contracts to an occupational health provider for employees who require support after long-term absence from work.

The industry norm for reportable incidents in the UK is 3 718 per 100 000 employees. Applying Steinhoff's UK employee base of 5 115 employees and their reportable incidents totalling 110 to a base of 100 000 employees, the equivalent Steinhoff UK group figure for the period would be 2 151 per 100 000 employees, well below the industry norm.

Days sick leave taken expressed as a percentage of normal working days varied across the many operating units and ranged between 0,33% to 4,13%. All units however reported a drop in sickness rates over the prior year.

Within the manufacturing and logistics businesses, 517 employees attended health and safety training sessions (2008: 406). A job-role health and safety needs matrix has been developed to assist with the targeting of training to fill identified gaps. On the retail side, three managers attended the IOSH managing Safety Course and three managers completed the NEBOSH certificate during the year.

Health and safety management in the UK is generally based on the concept of risk analysis. Risk assessment exercises are carried out or supervised by the person responsible for health and safety at each business unit, working in tandem with operational management to ensure that appropriate remedial action is taken.

There are specific requirements for inspection of lifting and other equipment. Inspections

are carried out by external specialist providers. During the period, the logistics division had 12 external audits conducted by NQA and no major non-conformances were raised.

Pacific Rim

The operational responsibility for health and safety matters rests with the Steinhoff Asia Pacific board and executive management.

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, which 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.

Review and analysis is conducted on all reported incidents to ensure that the division's policies, training and training manuals appropriately cover preventative safety measures.

During the period there were no fatalities or permanently disabling injuries. Days sick leave taken expressed as a percentage of normal working days has remained at the 2008 level of approximately 0,4% .

100% of the workforce complement has undergone health and safety training and this percentage has been set as an annual target. A compliance programme is compulsory for all new store-based employees. Safety programmes, including food safety programmes have been developed and the on-line ELF system (an internet based training programme) allows for the monitoring of all compliance issues across operations.

A Value Safe audit is conducted annually by the regional managers and a self-audit of each site is conducted bi-annually.

DIVISIONAL CERTIFICATIONS: AFRICA

Unitrans Freight and Logistics

ISO9001 Certificate of accreditation: Durban BP Lubes Warehouse

ISO9001, ISO14001, OHSAS 18001: Mining Services Mooioi

ISO9001, ISO14001, OHSAS 18001: Namakwa Sands

ISO9001, ISO14001, OHSAS 18001: Richards Bay Minerals

ISO9001, ISO14001, OHSAS 18001: Serjhaba

ISO9001, ISO14001, OHSAS 18001: African Explosives

ISO9001, ISO14001, OHSAS 18001: Mining Head Office

Unitrans Fuel and Chemical

ISO9001: 2000/ISO14001:2000: Clairwood

ISO9001: 2000/ISO14001:2000: National Logistics and Easigas - International

ISO9001: 2000/ISO14001:2000: Elfgas Ermelo

ISO9001: 2000/ISO14001:2000: Elfgas Secunda

ISO9001: 2000/ISO14001:2000: Ineos Silicas

ISO9001: 2000/ISO14001:2000: African Amines

ISO9001: 2000/ISO14001:2000: Air Liquide - Tulisa Park

ISO9001: 2000/ISO14001:2000: Total Alrode

ISO9001: 2000/ISO14001:2000: Total Matsapha

ISO9001: 2000/ISO14001:2000: Western Cape regional office

ISO9001: 2000/ISO14001:2000: Milnerton depot

ISO9001: 2000/ISO14001:2000: Eastern Cape regional office

ISO9001: 2000/ISO14001:2000: Killarney

ISO9001: 2000/ISO14001:2000: East London

ISO9001: 2000/ISO14001:2000: Port Elizabeth

ISO9001:2000: Botswana

OHSAS 18001: Clairwood, Swaziland

Unitrans Sugar and Agriculture

NOSA: Sezela – 3 stars

NOSA: Felixton – 3 stars

NOSA: Amatikulu – 2 stars

NOSA: Swaziland Piggs' Peak – 5 stars

NOSA: Maragra (Africa) – 3 stars

DIVISIONAL CERTIFICATIONS: AFRICA (continued)

PG Bison

ISO 9001: Alrode

ISO 9000: Woodline pole plants

SABS (mark scheme): Alrode

NOSA Alrode – 5 star

NOSA Boksburg, Piet Retief – 4 star

Forest Stewardship Council certification:
Southern Cape Plantations¹, NECF² and Ugie Particle Board³

ASIB: at all manufacturing and warehouse sites

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

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

3 - PG Bison Limited – Ugie – SA-COC-002195 ©FSC A.C.1996

CERTIFICATIONS: EUROPE

ISO9001: 2000: Klose – Czerska

ISO9001: 2000: Klose – Pomorska

ISO9001: 2000: Klose – Goscicinska

European Foundation for Quality Management (EFQM):
second level – recognised for excellence: 2009: Kanizsa

CERTIFICATIONS: UNITED KINGDOM

ISO9001:2000: Relyon – 4 sites registered

ISO9001:2000: Pritex

ISO14001: Pritex

TS16949: Pritex, Automotive Quality management

Ford Q1 Supplier Status: Pritex

ISO9001:2000: Unitrans – 8 sites

ISO14001:2004: Unitrans – 8 sites

ISO27001:2005 (Security management system): Unitrans – 1 site

HIV/AIDS

In Europe, the UK and Australia, the prevalence rates of HIV/Aids are much lower than in South Africa and, in these regions, the state generally offers adequate prevention and treatment interventions. However, in South Africa, there is a requirement for additional assistance and interventions to support state and industry programmes. More than 50% of the group's workforce is employed in South Africa.

Although the group operates in 15 countries on four continents, the group operations which have the potential to be most impacted by the socio-economic consequences of HIV/Aids are those in South Africa. Recent international research shows that South Africa's HIV/Aids infection and prevalence rates are amongst the highest in the world. The group has accordingly focused its attention towards the prevention and treatment of HIV/Aids in South Africa.

As sourcing from Asia increases, HIV/Aids could become an indirect risk related to suppliers. However, with an average prevalence rate of only 0,3%. Asia is at present perceived as a low risk area for the group. There is only a very small administrative group staff component permanently residing in China.

The group continues to support all divisional plans to combat HIV/Aids in South Africa, and is committed to addressing this very real issue in meaningful ways – aiming to understand the realities, to lessen the future impact, and to promote healthy lives for the employees. Indicators taken into consideration include the number of HIV/Aids infections amongst employees, the progressive impact of HIV/Aids on infected employees' health, the efficacy and availability of treatment programmes, as well as medical and other costs associated with the disease.

The previously established executive project team for HIV/Aids has been augmented by the newly-formed corporate responsibility committee. This sub-committee has

representation on the Steinhoff International board and will assist and guide all other task teams and divisional representatives dealing with corporate responsibility issues, of which HIV/Aids management and prevention strategies form a part. On a divisional level, the communication and responsibility channels of reporting into specific management groups remain in place.

HIV/Aids is addressed in divisional policies, with specific relevance to the requirements of each operation. However, the project team that was established to lead comprehensive group wide strategies will remain focused on collating and reviewing information received in respect of the group and on aligning actions with a particular emphasis on:

- HIV/Aids in the workplace;
- understanding and managing, to the extent practicable, the costs of appropriate medical care;
- the impact on traditional family structures; and
- demographic profiles in South Africa.

During recent years, some of the divisional operations that could be more directly impacted by HIV/Aids related consequences have established plans and interventions to aid their employees by offering:

- Prevention and early detection counselling;
- free on-site testing facilities;
- free pre- and post-testing counselling; and
- 24 hour access to on-site clinics at selected sites.

In a social environment where factors such as social stigma, lack of awareness and lower socio-economic status act as barriers to testing, the number of employees volunteering for testing where testing facilities are available, has been pleasing. Two of Unitrans's operations reported 89% and 97% of employees tested, indicating that the drive towards voluntary testing is proving successful.

Risks related to HIV/Aids have been identified and are continuously evaluated. These include risks relating to the employees' health, the impact of absenteeism on production and, ultimately, product delivery and service, with possible future skills shortages and future economic impacts on the business related to the lower-income customer base in certain areas.

Divisional Initiatives in South Africa

PG Bison

- All operations within the panel manufacturing and distribution centres have established voluntary counselling and testing (VCT) programmes;
- the Right to Care HIV/Aids Initiative Programme has been in place since 2007. Through this programme, monthly, quarterly and annual reporting on all divisional HIV/Aids interventions is facilitated;
- on-going HIV/Aids policy training is provided for all panel-product employees;
- interventions for employees and their spouses with regard to counselling and blood testing, where this is not covered by medical aids, are available;
- peer educators form part of wellness teams at every site. These team members are trained by the Wits Health Consortium;
- access to health services and advice through a communication call centre, has been put in place;
- financial and confidentiality matters are managed by Alexander Forbes; and
- on-going internal education sessions are provided for managers, supervisors, employees and representatives with regard to prevention, nutrition and social services.

In 2008 PG Bison was judged at the national HIV/Aids symposium, to have the most successful HIV/Aids initiative amongst medium-sized companies in South Africa. The division continues to build on this achievement.

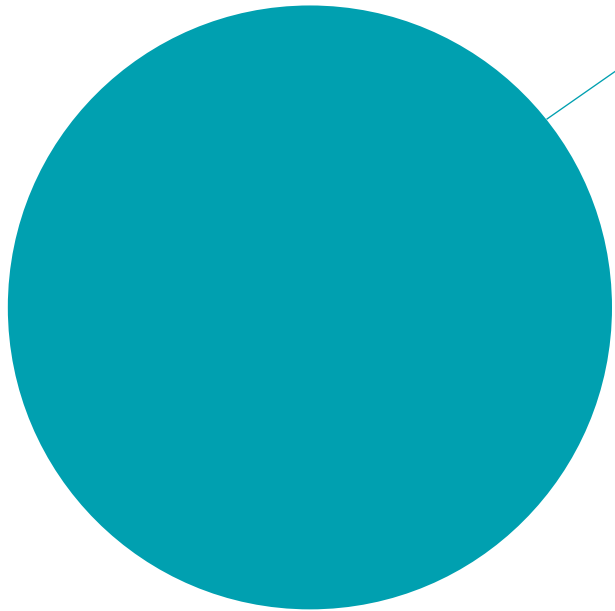
Unitrans

- Prevention programmes directly aligned to employee needs remain in place. These programmes were established after in-depth consultation with employees to ensure the applicability and sustainability of such programmes.
- Support for the anti-retroviral (ARV) programme proposed by the National Bargaining Council. This initiative has been based on a Unitrans pilot programme and focuses on establishing national roadside assistance clinics to provide access to ARV treatment for employees working within the South African road freight industry.
- Regional AMS 16001 committees remain in place. These committees provide assistance with training, counselling and voluntary testing, at no cost to employees.



Several drivers from MegaBus in Secunda participated in a regional Driver of the Year competition. Moses Mahlangu from Unitrans, third from the left, was the overall winner.

ENVIRONMENTAL INITIATIVES



Steinhoff remains committed to responsible stewardship of resources and to identify, assess and, where practicable, reduce the environmental impact of its activities or services. The group endeavours to lessen both its direct and indirect impacts on the environment by implementing sound environmental practices in all of its operations.



Group approach

The group's operations are spread across a variety of geographical locations and encompass different industries with varying potential impacts on the environment. As a result of this it is not feasible to prescribe an overriding group environmental policy, Steinhoff requires that each of its divisions operate in a responsible and ethical manner and, as a minimum, comply with all applicable environmental legislation and regulations and with the conditions of any permits under which they operate.

Divisional approach

Within this framework, the management of each of our divisions sets and monitors adherence to environmental policies that are appropriate for the regions in which they operate, taking into account the particular environmental challenges that their operations face.

Notwithstanding the increasingly stringent global and regional environmental requirements, Steinhoff has an established record of meeting required environmental standards and of being a corporate citizen of good standing. The group aims to build on this reputation and will continue to invest in systems, practices, education and facilities to elevate standards in line with best practice.

Through its diverse manufacturing and logistics operations, Steinhoff operates from more than 50 factory locations and 230 logistics depots and sites. Waste, energy and effluent systems differ from location to location. The group strives to keep waste materials to a minimum and to reduce, recycle and, where necessary, dispose of waste by the safest and most responsible means available in order to reduce the impact on the environment. We are conscious, not only of our responsibility to protect the environment, but also of the market advantage that our policies and practices afford us with increasingly environmentally-conscious consumers.

RESPONSIBILITY FOR ENVIRONMENTAL MATTERS

The board has overall responsibility for the impact of the group's activities on the environment. However, in line with our decentralised approach, the operational responsibility for divisional environmental matters rests with each divisional CE and each division, has the responsibility for determining their environmental policy and for implementing and monitoring the application and efficacy of that policy.

REPORTING OF ENVIRONMENTAL MATTERS

On a quarterly basis, each division reports on any environmental issues to its relevant committees and regional boards i.e. either to the European or the African board. Any specific concerns raised at the regional boards are in turn reported to the board of Steinhoff International by director and group company secretary, Mr Stèhan Grobler.

Mr Grobler serves on the European board, is secretary of the African board and furnishes an overview on environmental matters to the main board.

A separate environmental committee, chaired by Mr Johann Du Plessis, an alternate director on the board of Steinhoff International, has been formed for Steinhoff Africa. This committee, which is comprised of representatives from the Steinhoff Africa operations and the group compliance officer, meets on a quarterly basis to review any environmental issues that may arise within the region's operations. Any material concerns are reported to the relevant divisional boards and, if necessary, are escalated to the Steinhoff International board.

Reporting on environmental matters also forms an integral part of our risk management process (see the section on internal controls and risk management in the corporate governance section on page 72 of our annual report). Environmental risks are identified as part of each division's risk assessment and any material risks identified, together with recommended mitigating actions, are reported, firstly to the divisional audit committees and then to the divisional boards, and, if necessary, to the board of Steinhoff International.

TRADING POLICY AND STANDARDS FOR SUPPLIERS OF GOODS AND SERVICES.

A group ethical trading policy covering safety, quality, legal, environmental and social matters has been adopted. The policy incorporates required standards for suppliers of goods and services and it is the group's global policy to work with its suppliers to ensure compliance. The group will aim, wherever practicable, to obtain goods from suppliers who comply with environmental legislation and who operate in terms of established and responsible environmental policies. Wherever feasible, the group will endeavour to use renewable resources and will work with its suppliers to conserve natural resources where renewable options are not available.

In May 2009, the group participated in the Carbon Disclosure Project and disclosures were made in respect of all of our major global operations. This exercise will be repeated in 2010 and, going forward, the area of carbon emissions has been earmarked as an area for particular attention, at both operational and board level.

PG Bison's NECF¹ and Southern Cape Plantations² have been granted Forestry Stewardship Council (FSC) certification. They also source waste residue from sawmills as well as timber from the eradication of alien invasive species. 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.

PG Bison is currently engaging with international suppliers regarding the FSC status of their paper suppliers, with the intention of applying for the FSC Chain of Custody certificate for the PG Bison laminate plant.

Harveys, which forms part of our UK operations, 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 product manufactured from appropriately sourced timber.

Unitrans Automotive is in the business of retailing and repairing motor vehicles and associated services, an industry which indirectly can lead to an increase in greenhouse gas emissions via 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, not only for themselves, but also for their dealer networks. Unitrans Automotive has embraced the adoption of these standards and leads the way with their implementation.

EMISSIONS: CARBON DISCLOSURE PROJECT

In May 2009, the group participated in the Carbon Disclosure Project and disclosures were made in respect of all of our major global operations. This exercise will be repeated in 2010 and, going forward, the area of carbon emissions has been earmarked as an area for particular attention, at both operational and board level. For example:

- In the Freedom operations, which form part of Steinhoff Asia Pacific, a sustainability forum has been established. Key initiatives to reduce carbon emissions have been communicated to all staff by the forum and a baseline review of carbon and greenhouse gas emissions has been undertaken. The forum has been working with PriceWaterhouseCoopers on this initiative.
- Our Polish operations have introduced initiatives to reduce harmful emissions by switching from burning hard fuel and oil to gas. The consumption of gas is regulated by the setting of receivers and temperature control in the premises. The use of diesel-powered cars has resulted in the decreased consumption of fuel. The plant operates its own water intake system and has developed a water treatment station. The water is used for general purposes, including fire protection and the maintenance of green areas around the plant. Emissions from the plants are checked in accordance with the applicable regulations and stack emissions are within prescribed limits. All 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 analysed on a monthly basis. The fall-out at all plants is within the prescribed limits.
- Emissions from the PG Bison plants in South Africa are checked in accordance with the applicable regulations and stack emissions are within prescribed limits. All 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 analysed on a monthly basis. The fall-out at these plants is within the prescribed limits.

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- The Carbon Trust in the UK completed a site survey of our Relyon operations in 2008 and the implementation of the trust's recommendations is currently being investigated. 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 the same standards will be applied for new vehicles acquired for The Bed Shed.
- Within our logistics divisions, vehicle performance and emissions are measured by comparing fuel consumptions, and are managed by 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.
- When negotiating new contracts and designing supply chain solutions, our logistics operations work with our customers to develop solutions that not only generate cost benefits to the customer by virtue of the efficiencies introduced, but also minimise the impact of our operations on the environment by reducing the number of trips undertaken, the number of kilometres travelled, fuel consumption and, as a consequence, energy consumption and carbon emissions.

ENERGY CONSERVATION

All of our operations are conscious of the need to use energy wisely.

The German division manages energy needs via a centrally co-ordinated energy team. This team ensures that energy consumption is optimised and it continuously monitors and compares the usage of the different plants, based on benchmark reports. Significant amounts have been invested to ensure that insulation is optimised to decrease energy waste.

There is a continuous drive to reduce energy needs by investment and awareness programmes. Some plants, for example Hukla Gengenbacher and Klose, are heated by renewable resources.

An energy forum has been established at Relyon in the UK with the aim of identifying potential savings in the use of all utilities. Energy source consumption is monitored on a weekly basis and targets are set and reported on.



Tanya Smith, the Endangered Wildlife Trust's crane conservation field officer, ringing a crowned crane fledgling as part of the PG Bison habitat protection project.

Two of the Unitrans UK logistics operational sites will undergo trials next year to improve electricity consumption. This project will be managed in partnership with Steinhoff's property division.

Steinhoff Africa, with the assistance of Steinhoff's property division, has embarked on an energy conservation project. A target of reducing energy consumption in our African operations by between 10% and 30% within a two-year time frame has been set. The Vitafoam operations in Johannesburg are being used as a pilot for this project.

PG Bison is currently exploring options for alternative energy supply.

In our tannery operations in India, an energy audit is conducted on an annual basis. Steps taken to reduce energy consumption include the planning of production to synchronise the use of all machinery requiring heat with boilers, and the installation of energy-efficient lighting.

Where practical, lighting in our plants has been changed to energy-saving incandescent compact fluorescent lighting.

STAKEHOLDER DIALOGUE ON ENVIRONMENTAL ISSUES.

The group is committed to communicating with internal and external stakeholders on all matters of significance, including environmental issues. Please refer to the section on dialogue with stakeholders, on pages 10 and 11 of this report. A corporate responsibility report (previously a sustainability report), containing details of the group's approach to and management of environmental challenges and issues, is published annually by the group.

INTERNAL COMMUNICATION OF GROUP ENVIRONMENTAL POLICIES

This is effected via staff training, induction courses, notice boards, posters, workshops, intranet, the internet, letters of appointments and on-the-job training.

TRAINING ON ENVIRONMENTAL MATTERS

The operational work complement receives training on all SHEQ issues, including environmental issues.

EXTERNAL VERIFICATION

The ISO accreditations referred to on page 33 are all externally audited.

External verifications take place on a regular basis throughout the group. Examples are:

- Within PG Bison, the services of Morris Environmental and Groundwater Alliances (MEGA) were procured to assess the environmental legal compliance of the following sites: NECF, Southern Cape Plantations, Braecroft, Empuluzi, Weatherboard, Malenge, Pietermartizburg, Stellenbosch, Grootbrak, Kareedouw and Springfield Park.
- MEGA was also used to ensure compliance with all relevant requirements for the closure of the division's Malenge sawmill. Draft close-out reports are issued by MEGA and corrective actions are implemented on all findings.
- the major portion of PG Bison's particleboard production is FSC certified. Annual surveillance audits are carried out by the FSC to ensure compliance. The PG Bison particleboard plant in Ugie is the first board plant in South Africa to receive an FSC Chain of Custody certification. (PG Bison Limited – Ugie– SA-COC-002195 © FSC A.C.1996)
- Via its Entropy software system, Unitrans Supply Chain Solutions has introduced a system of environmental legal audits to complement its SHEQ systems.

- Unitrans Supply Chain Solutions, Unitrans Fuel and Chemical and Unitrans Passenger are compliant in the disposal of their waste materials, as is the Unitrans Automotive division. The process is audited internally or externally in the case of effluent, and is monitored by the local authorities. Where necessary consultants are engaged to ensure that our practices are in line with the regulatory requirements. Unitrans Fuel and Chemical is currently working with the local authorities to evolve an improved system for the disposal of effluent at its Clairwood operations.
- Unitrans Fuel and Chemical, which is seen as being one of our high-risk areas of operation, is regularly audited from an operational and environmental perspective. It is a contractual condition of the division's service level agreements with its customers that the division comply with specified international best practice. This requirement encompasses environmental issues. An initial baseline environmental impact assessment has been undertaken at all depots and an external legal audit was completed at three depots. Legal registers have been compiled for all depots and all regions. Regular audits are undertaken and all external audits undertaken during the year, including customer and DEKRA audits, were passed
- The Environmental Agency recently audited the packaging systems and materials employed by Unitrans Logistics UK (Southall) and no adverse observations were made. This operation is fully compliant with The Producer Responsibility Obligations (Packaging Waste) regulations 2007.
- Performance of Unitrans Automotive against standards set by the OEMs on their franchise networks for sound environmental practices is independently assessed by the OEMs on a quarterly basis. Unitrans Automotive has a history of excellent performance in meeting these stringent standards, as evidenced by the many OEM awards accorded to the division. The division has been awarded ECO3 (Toyota's highest environmental grading for dealerships) at 6 of its dealerships. Only 10 dealerships have achieved this in the whole of South Africa.

SETTING OF TARGETS

PG Bison has set targets for improvement in key areas of all the divisions in compliance with the screening audit reports submitted by MEGA. MEGA will externally verify achievement against the targets set.

A baseline review of environmental issues was undertaken at the logistics operations in the UK, objectives and targets for improvement have been set in key areas of these operations and a programme for implementation has been drawn up and adopted. Progress against the targets set is measured on a monthly basis and is audited three times a year via the ISO 14001:2004 Environment management system. The logistics operations set a target of increasing recycling of packaging by 10% last year and this target was met.

Targets have been set for the reduction of energy source consumption. (Please see under Energy Conservation on page 39 above).

FINES OR PENALTIES

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. All fines, penalties or prosecutions are reported by the divisions, to their respective boards on a quarterly basis and, bi-annually, to their audit committees.

The group strives to keep waste materials to a minimum and to reduce, recycle and, where necessary, dispose of waste by the safest and most responsible means available in order to reduce the impact on the environment.

MANAGEMENT/ DISPOSAL/ UTILISATION OF WASTE PRODUCTS AND RECYCLING INITIATIVES

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

Manufacturing and raw materials

Europe

- All Steinhoff Germany plants participate in the Grüne Punkt programme, and take responsibility for the effective management of all waste related to packaging. The Klose plant mainly sells goods from wood, which is a renewable resource. For all other products, European Union standards are adhered to in terms of packaging and components.
- 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 and cabins in the paint shops have been modified from water-cleaning to dry-air cleaning.
- There is a concerted drive in our European operations to use recycled material and waste products that cannot be used in our own processes are on-sold 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.
- 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.

United Kingdom

- In the group's United Kingdom operations, wherever possible, the design of products is environmentally friendly and efforts are made to minimise raw material use, which in turn reduces cost. However, in certain areas of the operations it is proving more challenging to progress this aim. For example, there is a high consumer demand for memory foam products, which contain chemical products. Efforts are being made to address this by including more latex products, which are a natural substance, and a range of latex pillows has been introduced together with more latex beds. Organic cotton and linen products have proved a success and a new series of beds with natural bamboo ticking, was launched in September 2008 under the "International Collection" label.
- Management 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.
- In Pritex, the amount of waste material produced is a key driver of that unit's profitability and is closely monitored. Foam waste has been driven down from a scrap rate of 37,3 % in 2001 to 32% for the year under review. This is a substantial saving and reflects the division's commitment to containing waste. Other divisional initiatives include the purchase of engineered sub-components that entail no waste, policies to limit the type and size of raw materials used to enable maximum conversion and utilisation on site, recycling of plastic and cardboard, local sourcing of timber, and the sourcing of timber from managed and sustained forests.

Pacific Rim

Steinhoff Asia Pacific has developed a number of initiatives to decrease the impact of its operations on the environment, including:

- At the manufacturing operations positive changes have been made. Examples include the replacement of all solvent-based petro-chemical glues with water-based environmentally-neutral, organic glues, a reduction in the use of woodchip products (which generate high carbon emissions in the production process) and the specification of a minimum content of 20% regenerated fibres in all plastic packaging; and
- the recycling of all powder coating material used.

All waste products are disposed of or recycled in accordance with the relevant legislation and environmental planning standards.

In 2008, Freedom established a Sustainability Forum comprising representatives from merchandise, logistics, manufacturing, store development/fit out and human resources to approach the issue of sustainability.

Via its compliance programme, Freedom actively seeks to comply with all relevant standards in its product categories, including product origination, labelling and safety standards. Freedom currently offers products made from renewable sources, as well as products made from organic materials.

The Indian operations recycle most of its waste materials, including chrome and packaging materials. Any materials that cannot be recycled are disposed of via a governmental agency. Other effluents are processed through the operation's pre-treatment plant and are released into the common effluent treatment plant of the Calcutta Leather Complex, which makes the water suitable for drinking.



Pupils from Piet Retief Primary School participating in the river clean-up initiative. This small river leads into the Assagai River, which supplies the drinking water for the whole town of Piet Retief.

South Africa

The Ugie board plant, which was commissioned in April, was subjected to an extensive environmental programme throughout its construction, and its equipment and processes were designed to contain the plant's impact on the environment.

All of PG Bison's manufacturing sites have programmes for the handling of waste and comply with legislation/regulations pertaining to the removal of waste materials.

Board products from PG Bison are traditionally supplied on dunnages, 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.

Waste residue is actively sourced from sawmilling operations and 37% of all post-industrial waste is utilised. 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 Ugie 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.

A waste management contractor was appointed at Alrode in September 2008. Since then, the landfill 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 11000 kgs of recycled cardboard were used for packaging during the period.

A total of over 9 000 tons of general waste and over 300 tons of hazardous waste, all of which were appropriately disposed of or recycled, were generated through PG Bison's manufacturing processes during the period.

99% of Vitafoam's product can be recycled. All scrap off-cuts are recycled and, during the period, 4 300 tons of rebond products were produced, with a 30% imported scrap content. All waste chemicals are disposed of using certified disposal companies.

Logistics and retail automotive

As part of their policies and procedures, each division within the Unitrans' operations 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, alternatively, are dumped at authorised sites, against the issue of a certificate;
- company-owned wash bays are managed and monitored in accordance with the local by-laws and the applicable acts or regulations;
- used oil is disposed of through recycling agencies or is 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 the vehicle workshops are collected in special bins and are dumped at approved and authorised dump sites, against the issue of a certificate; and
- effluent being discharged goes through a sand trap, separator pits and, if required, through the effluent treatment plant before being discharged from the property.

OTHER ENVIRONMENTAL INITIATIVES

Manufacturing

All forestry operations are managed through a stringent procedure system which aims to minimise impacts on the environment. This includes strict guidelines regarding the harvesting and planting of trees, the use of chemicals and the management of infrastructure such as road networks. PG Bison is a member of the Timber Industry Pesticide Working Group, which aims to regulate and manage pesticide use in accordance with the highest international standards.

PG Bison's NECF recently pioneered a biodiversity planning initiative to look at new ways of managing biodiversity-rich grasslands in partnership with forestry companies. This innovative project will now be rolled out nationally to all forestry companies in South Africa.

PG Bison manages all non-commercial forestry areas as conservation areas and rehabilitation is undertaken on notably old erosion areas.

The Mattex operations in South Africa have embarked on a "War on Waste" project, to assist with the reduction of waste in all areas, including water usage. Progress is monitored.

The Pritex operations in the UK monitor and control their solvent emissions, which are regulated under a local council permit and their ISO14001 registration. Measures have been taken to reduce solvent usage and usage has now been reduced to below the local authority limit for disclosure.

Logistics

The consumption of resources is managed by internal controls covering all aspects of the operations. Particular emphasis is placed on lowering fuel consumption, which plays a large role in carbon emissions. Technical and operational interventions, including the installation of vehicle speed monitoring systems, have played an important role in curbing fuel consumption.

Unitrans Supply Chain Solutions is actively engaged in developing an in-house "Green" supply-chain competency to ensure that all aspects of its service offerings are conducted in such a way as to minimise any impact on the environment. This project, which has the full support and commitment of senior management, is in its initial stages and will be more fully reported on next year, as it is rolled out.

Unitrans Fuel and Chemical is installing rainwater tanks in East London for use in its washbays.

The logistics operations in the UK are considering several environmental initiatives including fuel management, the use of bio-fuels, increased emphasis on the sustainability credentials of its suppliers, the use of recycled products and water-saving initiatives.

An approved environmental management plan formed the basis against which construction at Ugie was managed, to ensure that environmental impacts during construction were kept to a minimum.

DIRECT AND INDIRECT IMPACTS ON THE ENVIRONMENT

Ugie Particleboard Plant

PG Bison, as a prominent industrial company in South Africa, endeavours to lead by example in its development practices. Development efforts are primarily concentrated in impoverished communities.

An outstanding example of this focus is the R1,5 billion green fields cluster development in 2008 by PG Bison near Ugie in the North Eastern Cape, which involved the acquisition of the NECF and the erection of the largest and most up-to-date particleboard and upgrading plant in Africa. This development represented a milestone in the history of PG Bison, and was not only the culmination of many years' planning and preparation, but also an affirmation of the group's ability and commitment to invest in the future.

Ugie was located in an extremely impoverished and under-developed area, A decade ago, Ugie was little more than a small settlement in the middle of nowhere, with a single four-way stop connecting the main tar roads to the dirt roads. Today, as a result of the development of the cluster by PG Bison, Ugie is a thriving timber town with a permanent workforce.

The development, which centres around a 1 000m³/day particleboard plant and the local forestry plantations, was a significant economic injection for the region and has created approximately 2 700 direct jobs. It includes a 35 000m³/day melamine-faced board press plant for further beneficiation of particleboard and allowance has been made for further timber beneficiation processes.

The plant is the largest of its kind in Africa, producing quality board suitable for both the local and export markets. The plant's continuous press almost doubles the group's particleboard production capacity, allowing PG Bison to better service domestic demand and explore new opportunities offshore.

The plant was been designed and implemented, not in isolation, but as part of an integrated development and with due regard to the people and the environment.

Management of direct environmental impacts

An approved environmental management plan formed the basis against which construction at Ugie was managed, to ensure that environmental impacts during construction were kept to a minimum.

The design of the plant took into account related environmental concerns including:

- Noise. The large machinery within the plant is housed within enclosed buildings and all opening doors face away from the town.
- Dust. Ducts placed throughout the factory collect dust i.e. particulate matter smaller than 10µ for incineration in the energy plant, which produces heat for the dryer.
- Water. Waste water is treated on site and re-used as process water. Storm water is monitored and up and downstream monitoring systems have been put in place on the Wildebeest river.
- Air quality. Gaseous, particulate and smoke emissions are monitored against the plant permit requirements to ensure legal compliance.
- Solid waste. Solid waste is sent to a registered waste disposal site.
- Wildlife. Every effort is made to ensure that wildlife in the vicinity of the plant is not disturbed.

The plantation boasts six natural heritage sites, covering some 5 690 hectares. Rare threatened and endangered species such as the wattled crane, the blue crane and the grey crowned crane are actively protected for through habitat protection and special projects.

Indirect impacts- adding value to the community

Ugie

The Ugie particleboard plant has brought unprecedented development to this remote region.

The investment brought about massive infrastructure development, which not only benefited the company, but also the local community. This included upgrades in the provision of electricity, improved sewerage and water systems and upgrades of the roads.

The Eastern Cape Development Corporation and power utility Eskom shared the cost of installing the 66 kilometre, 132 KV, electricity power line from Qumbu to Ugie. This has improved the quality and reliability of supply to the Ugie/Maclear area. Government spent a total of R800 million on public infrastructure to promote the project.

PG Bison is fully committed to adding value to the community by creating employment and to enhancing and broadening its involvement with the communities of the Elundi municipal area by building sustainable partnerships.

A total of 1 300 tons of timber is required daily for use in the plant and is sourced from our own NECF plantation in the area. PG Bison's strategy is to optimise the use of renewable forest plantations in the Eastern Cape by creating various timber beneficiation operations close to its plantations. It is in the process of engaging local communities and individuals in establishing out-grower schemes to secure additional timber supplies. The Etwa and Gcunkunga communities are the first to be engaged in this activity, with almost 3 000 hectares to be planted.

Aside from the direct jobs initially created, the development has opened up numerous opportunities for local entrepreneurs to provide supporting services such as maintenance, security, cleaning, canteens, fuel supplies, spare part supplies, waste removal and management of forest waste. PG Bison will extend its training and learnership programmes to include selected non-employees who will be afforded the opportunity to acquire technical skills and competencies that will be needed.

As a result of the investments in the timber and wood-processing industries, approximately 1 200 jobs were created during the construction of the plant and positive spin-offs have been felt in all areas of the community.

Stellenbosch

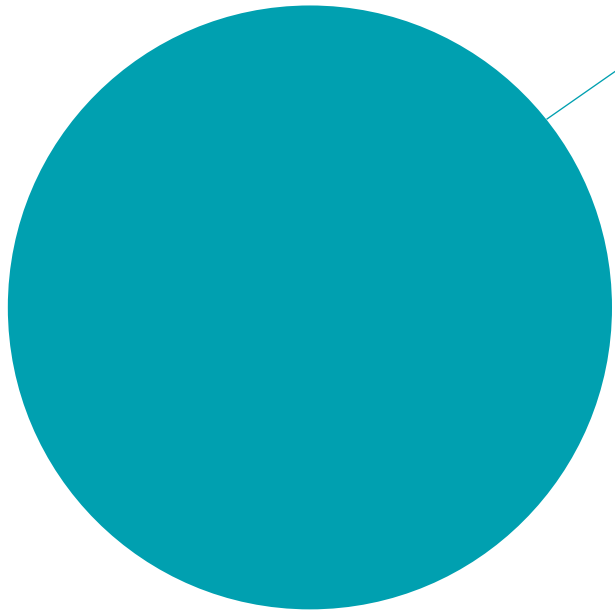
As a result of the commissioning of the Ugie plant in 2008, the PG Bison Stellenbosch factory was closed.

Working alongside the local authorities, this redundant site is being converted into a mixed use industrial/office park. It is intended to open up the area for the local community, encouraging entrepreneurship and stimulating small businesses.

The project will be rolled out in phases over the next three years. The investment into the first phase will amount to approximately R15 million.

RISK MANAGEMENT

OUR MAJOR RISKS AND HOW WE HANDLE THEM



The board's policy on risk management encompasses all significant risks to the group, including financial, operational and market and general risks which could undermine the achievement of the group's business objectives.



Details of the internal control and risk management systems in place to identify and manage the key risks faced by the group are given on page 72 of the corporate governance report which forms part of the annual report.

The other main categories of risk that have been identified are as set out on the pages that follow.

OPERATIONAL RISKS

At operational level, 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 and are actively managed and reported on by all operations.

Competition risk

Furniture and household goods are subject to fashion trends and geographic 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 daily touch with customers. From the development stage, we encourage our retail partners to assist and advise us on our portfolio and product range, and 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.

The furniture and household goods market in Europe 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, and 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 offering of the automotive retail sector of Unitrans Automotive, which is principally aimed at the volume sector of the market, is strategically spread across several marques. Assisted by its focus on customer satisfaction and high service levels, Unitrans

Automotive, in comparison to many of its competitors, is well-positioned to weather the current adverse market conditions, which have been exacerbated by the strict lending requirements imposed under the National Credit Act, the global credit crisis and the resultant drop in approval rates by the South African banks of applications by customers for vehicle financing. The parts and service departments of Unitrans Automotive provide a counter-balance to the motor vehicle retail sector.

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 and 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 and no prosecutions have been made.

Pursuant to a complaint, the Competition Commission has referred a complaint against, *inter alia*, Vitafoam, a division of Gommagomma (Proprietary) Limited, and Loungefoam (Proprietary) Limited for adjudication. The complaint is being defended and the case is expected to be decided upon in the next year with no administrative penalties levied.

Acquisition risk

In recent years we have grown both organically and through a number of strategic acquisitions and joint venture arrangements, which have 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 success in identifying and making appropriate acquisitions and joint venture arrangements.

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.

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 for the respective business units of the group. A dedicated mergers 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 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. This in turn will enable us to exercise a greater influence over the sustainability credentials of our suppliers, which will be an area of particular focus going forward. 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 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 sourcing expertise elsewhere, 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 second hand vehicles, both internally and externally.

On the motor retail side, the wide spread of marques handled by Unitrans Automotive would serve to mitigate the risk should any one motor manufacturer experience problems in effecting supply.

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, which also provides additional security in long-term supply.

Risks associated with vertical integration

Management is acutely aware of the risks such as creating bureaucracy, complacency, loss of flexibility to respond to changing market conditions and potential cost inefficiencies that could accompany the benefits associated with vertical integration. The focus accordingly 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.

In addition, management 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 as well as 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.

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

Health, safety and environmental risks

This is an area which is receiving increasing attention, as outlined in the foregoing 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 would be 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 with certain activities, such as our automotive retail operations, being more susceptible to this risk than others. The company 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 also 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 “Hot Line” or crime whistle-blowing service has been introduced via KPMG. Any incidents are reported to the divisional audit committee and to the divisional boards and appropriate remedial action to prevent any recurrence is taken. During the year there were no major incidences of fraud or corruption reported via the Hot Line and most calls taken related to issues of a human resources nature. Experiences and methods of combating fraud and corruption are shared across the group to ensure that the group’s divisions remain at the forefront of fraud and corruption prevention.

The KPMG Hot Line will shortly be rolled-out to our UK operations and KPMG will assist with marketing and communication initiatives.

Steinhoff Asia Pacific has a similar Hot Line service for Australia and New Zealand.

MARKET AND GENERAL RISKS

Downturn in the global economy

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.

Due to the discretionary nature of most of these purchases and the fact that they often represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty. These general economic factors affect not only the ultimate consumer, for example with new vehicles, furniture and household goods, but also impact mass and speciality retailers, who are our primary customers in the furniture and household goods arena.

Where the group supplies into the volume sectors of the furniture and automotive retail markets, this has 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, together with 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 territories 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 if we were unable to replace such customer 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. Prior SARB or authorised dealer approval is however 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 in order to be compliant and 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. Should these conditions continue, the group's South African operations may have difficulty in attracting and retaining qualified skilled employees.

The political situation in Zimbabwe, where the group has only a minimal exposure, 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 are being carefully monitored from a regional perspective.


Our operations in Poland, Hungary, the Ukraine and Asia may be adversely affected by political and economic risks related pertaining 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 brokers, 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. In April 2009, the assets, commercial crime, liability and political risks insurance covers for Steinhoff's operations in South Africa were placed via Unitrans Insurance Limited. These risks, other than in respect of approved deductibles and aggregates, 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.

A group of young girls in green school uniforms are playing a large metal gong on a school playground. The girls are smiling and looking towards the camera. The gong is a large, circular metal drum with a wooden frame. The background shows a school building and other children in the distance.

“Light tomorrow
with today”

ELIZABETH BARRET BROWNING

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