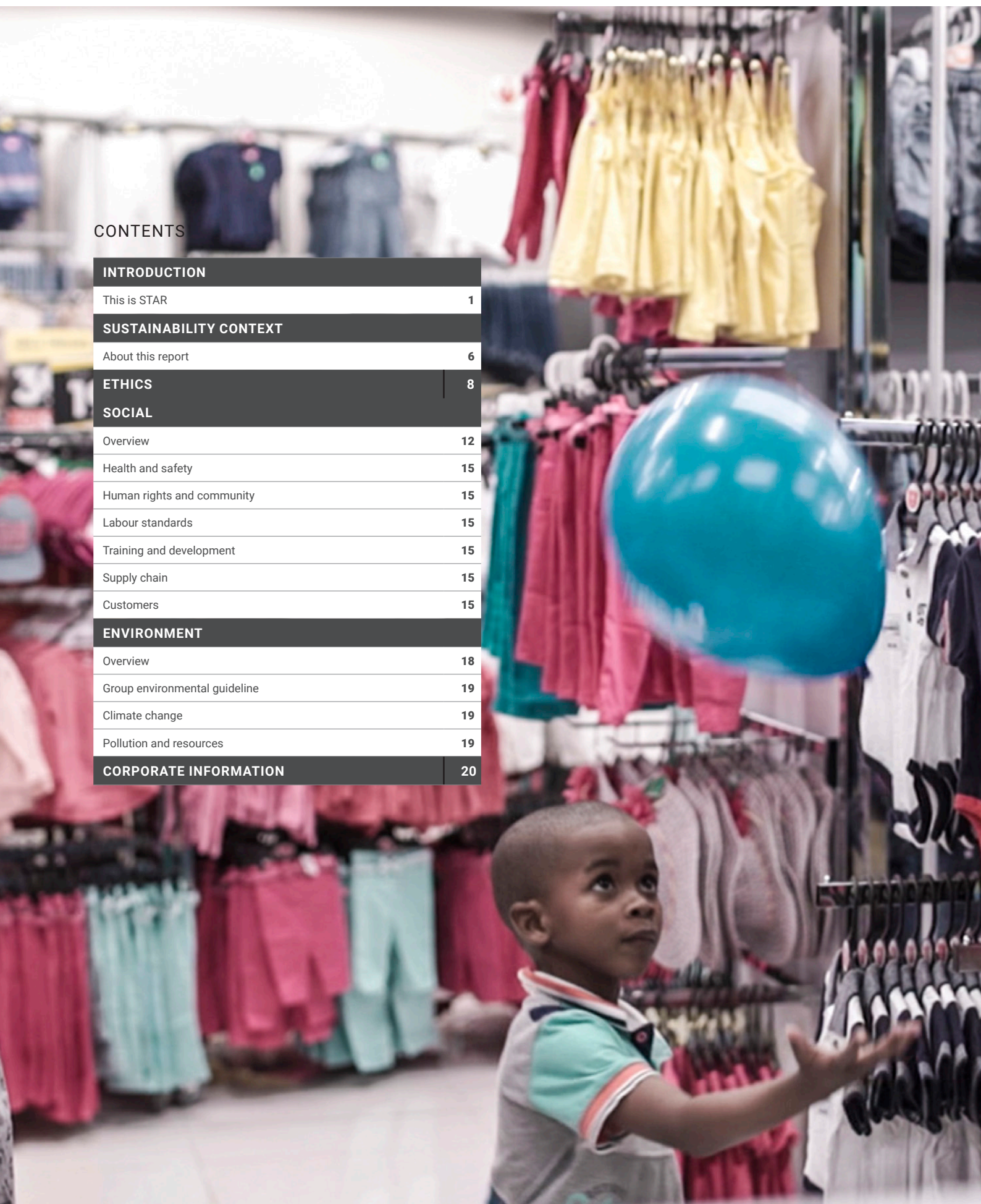




**STEINHOFF AFRICA RETAIL**  
**CORPORATE RESPONSIBILITY REPORT 2017**

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# STAR at a glance

Steinhoff Africa Retail (STAR) is a leading African retailer and the preferred destination for delivering value to the African consumer and all other stakeholders. With more than 4 900 stores in 12 African countries, STAR provides everyday products at affordable prices and serves customers at their convenience.

## Financial overview#

	STATUTORY AUDITED		
	12 months ended 30 Sept 2017	15 months ended 30 Sept 2016	% change
Revenue (Rm)	57 850	61 154	(5%)
Operating profit (Rm)*	5 815	4 050	44%
Headline earnings per share (c)	133.6	60.4	121%

# Refer to the CFO's report on page 10 of the integrated report for further information pertaining to pro forma results.  
\* Before capital items

PRO FORMA		
12 months ended 30 Sept 2017	12 months ended 30 Sept 2016	% change
<b>58 582</b>	<b>51 766</b>	<b>13.2%</b>
<b>6 078</b>	<b>4 855</b>	<b>25.2%</b>

### In evaluating the 2017 financial year's performance (FY17), the following factors influence comparability:

- Change in financial year-end: STAR's financial year-end was changed from June to September in 2016, and therefore the comparative statutory numbers pertain to a 15-month period.
- Impact of acquisitions and one-off restructuring.
- Impact of listing on earnings per share: Issuing 750 million new shares on 20 September 2017 increased the total number of shares in issue to 3 450 million.

2.3 million m<sup>2</sup>  
RETAIL SPACE

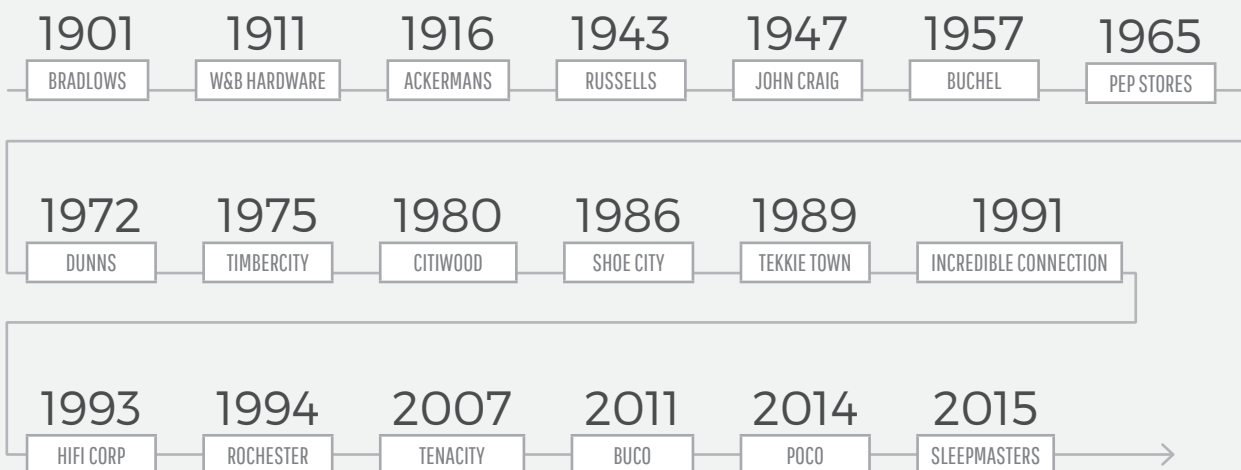
43 000+  
EMPLOYEES

4 900+  
STORES ACROSS  
12 AFRICAN COUNTRIES



# STAR has a rich and long history of doing business in Africa

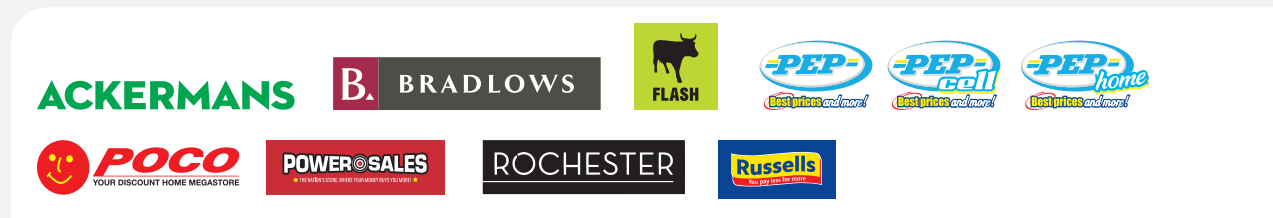
**STAR** is the preferred destination for delivering value to customers with its well-managed businesses that focus on providing value-for-money products and services. **STAR** has well-experienced retailers that are focused on opportunities and passionate about customers, supported by a solid infrastructure and, within its brands, a solid and established track record.



The group's operations are spread across two business divisions, consisting of **discount and value** and **speciality** retailers.

STATUTORY INFORMATION			
Discount and value retailers	R44.1bn	76%	96%
	REVENUE	GROUP	OPERATING
		REVENUE	PROFIT

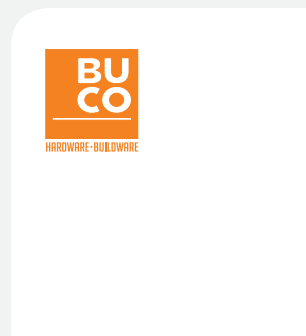
Discount brands are mainly focused on best price, while value brands focus on a bigger assortment, quality and range.



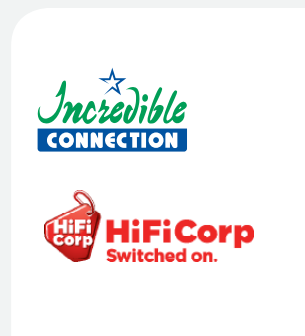
STATUTORY INFORMATION			
Speciality retailers	R13.7bn	24%	4%
	REVENUE	GROUP	OPERATING
		REVENUE	PROFIT

Brands operating through the **speciality channel** are divided into four categories:

**Do-it-yourself (DIY)**



**Consumer electronics and appliances (G2)**



**Fashion and footwear**



**Beds, bedsets and mattresses (Bedding)**





Servicing  
the increasingly  
urbanised and  
sophisticated  
African consumer  
and their growing  
demand for everyday  
products



# About this report

**STAR is focused on** managing the long-term sustainability of the group's businesses and business practices.

We are pleased to present the corporate responsibility report for Steinhoff Africa Retail Limited (STAR).

This information forms part of the integrated report suite, which is available on the company's website at [www.steinhoffafricaretail.co.za](http://www.steinhoffafricaretail.co.za). When read together, it will provide stakeholders with insight into STAR's approach to sustainability and the way in which the group manages its businesses.

This is STAR's first corporate responsibility report and the first time that the group's sustainability efforts will be reviewed and benchmarked against its peers. With a very long collective history, we are confident that all the group's businesses are well aware of their responsibilities with regard to aspects of sustainability – we would not have had successful businesses if we have not been doing what is right.

Social and environmental sustainability has been part of the businesses for many years, but as an independently listed company there is more emphasis on the monitoring and reporting of relevant and material data. The group will seek to improve processes of data collection and data management in order to report more accurately on strategic sustainability issues and to align reporting with global best practice.

Key material issues will be identified and addressed in line with the group's strategy. The group's sustainability strategy will aim to underpin and support its strategic business drivers to create long-term sustainable value for all stakeholders.

Relevant qualitative and quantitative information will be updated annually to provide stakeholders with sufficient context of the group's performance.

## **DETERMINING MATERIALITY**

Materiality is determined and defined at a divisional level. Decisions around materiality are based on the potential impact of risks and opportunities and the effect on stakeholders.

This has resulted in certain of our divisions being at the core of many of the group's sustainability initiatives.

South Africa's transformational needs drive most of the group's financial contribution towards social change. On the other hand, the group's environmental initiatives are largely influenced by global trends around climate change and resources.

## **ASSURANCE**

The group's external assurance is limited to the financial information.

With third-party assurance increasingly becoming a reporting requirement, the group will review its position on external assurance.

## **SUSTAINABLE MANAGEMENT AND REPORTING**

Day-to-day responsibility for implementing and managing sustainability programmes and initiatives sits firmly with divisional management teams.

The requirement for the company to appoint a social and ethics committee was fulfilled during the period under review by the Steinhoff Investments Holdings Limited governance and sustainability committee. Going forward, consideration will be given to the establishment of a separate social and ethics committee for STAR. The role of the social and ethics committee includes:

- addressing issues of sustainability;
- providing strategic direction to the group on corporate responsibility matters with input from divisional management teams; and
- reporting to the board of directors as prescribed by the Companies Act.

## **DRIVING SUSTAINABLE POLICIES AND MEETING TARGETS**

We recognise that in order for STAR to continue its success in attracting affordable capital and retaining a loyal workforce and sustainable customer base, it needs to protect and enhance its reputation as a group with ethical, profitable and responsible businesses and brands.

Respect for stakeholders, employees and the environment is a non-negotiable business principle throughout the group, and



management is confident that it has appropriate systems in place, not only to protect the businesses, but also to provide long-term benefits to various stakeholders.

Responsibility for the implementation of and compliance with policies lies with the managing director of each division. These executives take responsibility for the communication of the group's policies to all employees in their respective divisions. However, it is the ultimate responsibility of each employee (and extended stakeholders) to observe principles of honesty, integrity and fairness and to act in accordance with all the laws and regulations relevant to that division and country of operation.

Various policies and best practice guidelines, subject to overarching policies adopted at group level, assist divisional management with managing appropriate behaviour. These are in place across the group, and include:

- Anti-fraud and anti-corruption practices
- Disciplinary procedures
- Enterprise risk management
- Ethical sourcing
- Health and safety
- HIV/Aids
- Information technology

- Labour regulations
- Performance management and remuneration
- Procurement and supplier management
- Product quality and safety
- Recruitment and selection and other employment-related practices
- Training and development
- Transformation and equity in employment

Directives to achieve certain targets are driven by the group's strategy, and targets are set at divisional level to support operational efficiencies.

Collection and reporting of sustainability data forms part of divisional reporting structures and is part of the group's annual internal reporting processes. Much of the data is also used for other reporting requirements, for example, statistics on employment equity relating to African operations are submitted to the Department of Labour in South Africa.

All data collected is used to further the group's understanding of its position and that of its subsidiaries, and to assist in developing relevant targets and strategies where appropriate, applicable and material.

\* Please also refer to case studies on the group's website for additional information on divisional initiatives

# Ethical behaviour is good business

All employees, in the performance of their duties, are expected to act in good faith, in a manner promoting STAR's aspiration to be a good corporate citizen. Any employee who has questions regarding conduct in specific situations is encouraged to obtain guidance from his or her manager, the company secretary or the legal department.

It is the duty of all directors and all managers in the group to ensure that the group's code of ethics and policies are made known to all employees for whom they are responsible. Ultimately, however, it is the responsibility of each employee to respect and adhere to STAR's principles of honesty, integrity and fairness, and to perform their duties in accordance with all laws and regulations of the countries and industries in which they work.

\* Please refer to group's code of ethics that is available on the company's website.







When people go to work, they shouldn't have to leave their hearts at home.

Betty Bender



**CSI CONTRIBUTION**

**R24 million**

**INVESTMENT IN TRAINING AND DEVELOPMENT**

**R42 million\***

\* This amount excludes the value of time spent on training and conducted by store managers in stores. For B-BBEE reporting purposes, the training spend is likely to include this value of time.

**PAID IN SALARIES**

**R5.4 billion**

**25 800+**  
**EMPLOYEES TRAINED**

**177 000+**  
**TRAINING HOURS  
REPORTED**

**800+**  
**BURSARIES, INTERNSHIPS  
AND LEARNERSHIPS**

**ZERO**  
**FINES OR PENALTIES DUE  
TO ANTI CORRUPTION  
PRACTICES**

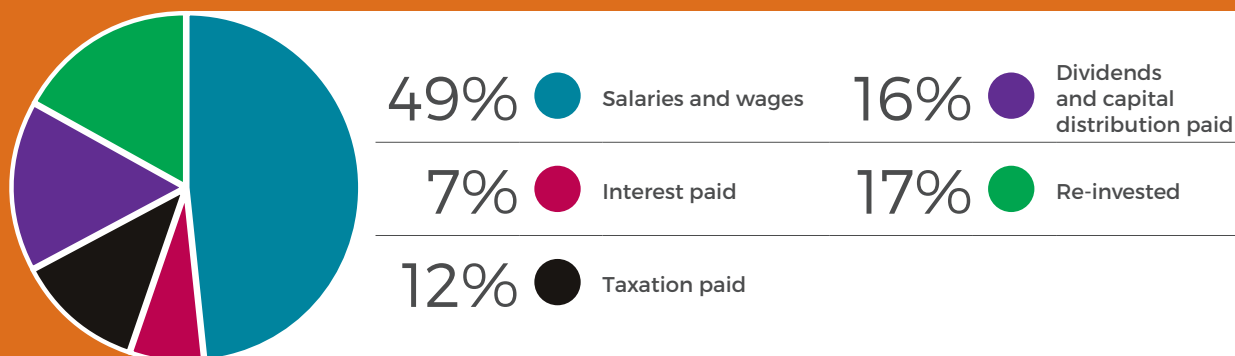
**91%**  
**OF EMPLOYEES ARE BLACK,  
INDIAN OR COLOURED**

## VALUE ADDED STATEMENT

Total operations	12 months to 30 September 2017
Turnover	57 850
Cost of products and services	(44 704)
Value added	13 146
OPEX before working capital changes	7 269
Salaries and wages	6 634
Turnover	(57 850)
Inventories	(1 910)
VAT payable	-
Accounts payable	1 153
Cost of products and services	(44 704)
Income from investments	312
<b>TOTAL WEALTH CREATED</b>	<b>13 458</b>

DISTRIBUTION OF WEALTH	
Salaries and wages	6 634
Interest paid	932
Taxation paid	1 599
Dividends and capital distribution paid	2 013
Re-invested	2 280
	<b>13 458</b>

## 12 MONTHS TO 30 SEPTEMBER 2017



# PEOPLE

WE MAKE  
DREAMS  
BY WORKING  
LIKE A DREAM

Employee wellness and development are key contributing factors to maintaining and building a sustainable business. Our employees are the reason for the group ability to deliver on our business targets.





### HEALTH AND SAFETY

The health and safety of our employees are of the utmost importance. Each division is required to adhere directly to its own relevant industry and country-specific regulations and laws.

Divisional programmes around HIV/Aids are in place to protect and educate all employees.

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

### HUMAN RIGHTS AND COMMUNITY

The group supports the human rights principles dictated by the countries within which it operates.

According to the South African Companies Act, it is the social and ethics committee's responsibility to oversee and manage the group in this regard. The committee will put a process in place to determine and report on the group's efforts to prescribe to the ten principles of the United Nations Global Compact.

Aspects of human rights are addressed in the group's code of ethics and employment policies.

Suppliers undergo a procurement process to review quality, health and safety and basic working conditions of their employees. There is a zero tolerance for violations in this regard.

### LABOUR STANDARDS

Most labour standards are addressed within the employment and B-BBEE practices.

STAR is mindful of the need to drive the B-BBEE strategy of the Department of Trade and Industry, which supports the policy of the South African government.

### TRAINING AND DEVELOPMENT

The company implements and monitors education and training programmes where necessary. Training and development aims to equip employees with the competencies they need to fulfil their job requirements.

Training and development is aimed at developing the individual and to enhance critical skills to support the business.

### SUPPLY CHAIN

With business interests in 12 African countries, STAR's operations cross many social and cultural boundaries. The group sources from various suppliers, mostly from Africa and the Far East. The group does not compromise on any social, moral or legal aspects that drive responsible business practices.

Across the group, ethical trading practices incorporate standards for suppliers of goods and services and the requirement to work with suppliers to ensure compliance with these standards. Divisions endeavour to source goods from suppliers that comply with relevant legislation and that operate in terms of established and responsible policies.

The group strives to ensure that all required safety, technical, commercial compliance and environmental standards are met and monitored. Suppliers of products and services are reviewed and managed at divisional level within the group's framework, which addresses health and safety, human rights and labour standards.

As an example, all timber used in the manufacturing of furniture products and timber sold in the DIY business has to comply with the Forest Stewardship Council's certification, and all products containing wood must adhere to the European Union Timber Regulation (EUTR).

To manage the long-term sustainability of our business, the availability of raw materials is an aspect that is integrated into the contracts we have in place with our manufacturing and logistics suppliers. Our sourcing teams work in close relationship with their suppliers to ensure that products are made available to our customers in the most responsible way, without compromising on quality or price.

### CUSTOMERS

STAR delivers products to millions of customers and is committed to providing them with responsible and sustainable solutions that address their need for value and quality. Therefore we continuously seek and actively take customer feedback into account.



We won't have a society if we destroy the environment.

Margaret Mead



TOTAL CARBON EMISSIONS (tonnes)

262 037 CO<sub>2</sub>e

TOTAL SCOPE ONE (TONNES)

56 441 CO<sub>2</sub>e

TOTAL SCOPE TWO (tonnes)

212 860 CO<sub>2</sub>e

### GROUP ENVIRONMENTAL GUIDELINE

STAR is a retail group with a relatively small direct environmental impact. Nevertheless, we are fully aware of our responsibility towards environmental stewardship, and we follow best practice guidelines to minimise the group's impact on fuel, energy and water usage.

STAR is committed to proactively promoting awareness of environmental management throughout the group and to maintaining proper standards of environmental management.

Throughout the group we aim to ensure that all operations utilise environmentally acceptable practices to not harm our environment, our customers, employees and the community at large. Where practicable, we will minimise our use of fuel and energy and our emissions to air and water, and will contain our production of waste.

### CLIMATE CHANGE

At group level, STAR has acknowledged that the global concern with climate change is a material issue, and that climate change has a direct and indirect impact on all businesses, as well as on the communities within which the group operates. The group therefore measures and monitors its carbon footprint to manage fuel and energy use.

- Scope 1 and Scope 2 greenhouse gas emissions were measured in accordance with the GHG Protocol (WRI & WBCSD, 2004).
- Emissions from non-Kyoto gases (such as Freon/R22) were measured and classified as "Out of Scope: Product Use Emissions."
- Scope 3 emissions were not included in the group's emission assessment.
- The financial control approach was used to consolidate all emissions within the specified boundary.
- All emission factors used were from UK Government GHG Conversion Factors for Company Reporting (2017) unless otherwise stated.

- Global warming potentials (GWP) were in accordance with the IPCC AR4 (2007) GWPs 100-year values.
- Electricity grid emission factor for South Africa of 0.98 kg CO<sub>2</sub>e/kWh was applied, Eskom (2017). Scope 2 emissions were calculated using the location-based method for South African grid-connected electricity.
- Electricity grid emission factor for all African countries reported under PEP Africa were sourced from IEA CO<sub>2</sub> Emissions from Fuel Combustion 2017, using most recent available factors (2016).
- For Malawi and Uganda, the "Other Africa" category grid emission factor was applied – IEA CO<sub>2</sub> Emissions from Fuel Combustion 2017.
- Scope 2 emissions were calculated and reported using both the location-based and market-based methods. This is in accordance with GHG Protocol Corporate Standard's "Scope 2 Guidance" (January 2015).

### POLLUTION AND RESOURCES

All divisions have to comply with environmental regulations.

Globally, organisations are becoming more aware of the impact that a potential lack of water in the future and increased water costs could have on business processes. Water usage is monitored and managed where we have control.

Waste is mostly governed by regulations and legislation. Divisional waste management and reduction initiatives are in place. Through these initiatives, waste is sorted, compacted, reused, sold or discarded in a sustainable and responsible manner.

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**REGISTRATION NUMBER** 2017/221869/06

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**SHARE CODE** SRR

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**ISIN** ZAE000247995

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**BUSINESS ADDRESS**

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36 Stellenberg Road  
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7493

PO Box 6100  
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7501

Telephone 021 929 4800  
Facsimile 021 929 4829  
E-mail [info@star-group.co.za](mailto:info@star-group.co.za)

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**REGISTERED ADDRESS**

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28 Sixth Street Wynberg  
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2090

PO Box 1955  
Bramley  
2018

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**INDEPENDENT AUDITORS**

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**COMPANY SECRETARY**

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**Steinhoff Secretarial Services Proprietary Limited**

(Registration number 1992/004646/07)

28 Sixth Street  
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2090

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Bramley  
018

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**CORPORATE SPONSOR**

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**PSG Capital Proprietary Limited**

(Registration number 2006/015817/07)

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**INVESTOR RELATIONS**

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A group of African school children in a classroom, looking attentively at a presentation. The children are wearing school uniforms, and the background shows a classroom setting with colorful decorations.

We rise by lifting  
others.

Robert Ingersoll



[steinhoffafricaretail.co.za](http://steinhoffafricaretail.co.za)