



BRIEFING NOTE: FOLLOW-UP MEETING ON STEINHOFF AT STANDING COMMITTEE ON FINANCE, JOINTLY WITH OTHER RELEVANT COMMITTEES - 19 MARCH 2019

Compliance Notice to Steinhoff International Holdings N.V.:

1. The Companies and Intellectual Commission (“**CIPC**”) issued **STEINHOFF INTERNATIONAL HOLDINGS N.V. (“Steinhoff”)** with a Compliance Notice on 29 January 2018, requiring the following:
 - 1.1 Within 6 months from the date of the Compliance Notice (29/01/2018), the Board of Directors of Steinhoff **must identify individuals** that were involved in the falsification of any accounting records of Steinhoff and/or any related or interrelated business unit(s); division(s); associate companies; joint venture companies and/or subsidiaries of Steinhoff.
 - 1.2 Within 6 months from the date of the Compliance Notice, the Board of Directors of Steinhoff **must institute criminal action, by opening criminal cases**, irrespective of geographic location, against those individuals identified in paragraph 1 above.
 - 1.3 Within 6 months from the date of this Compliance Notice, the Board of Directors of Steinhoff **must institute civil action** as per section 77 and section 162(2) read with section 162 (5) (a) to (c) of the Act in the Republic of South Africa and the equivalent of this action in other jurisdictions where Steinhoff and/or any related or interrelated business units; divisions; associate companies; joint venture companies and/or subsidiaries of Steinhoff operates, against those individuals involved in the falsification of the accounting records as per paragraph 1 above.
 - 1.4 Provide **monthly reports to the CIPC** on the progress and implementation of paragraphs 1; 2 and 3 above.



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- 1.5 **Publish on the Johannesburg Stock Exchange News Service** (“JSE SENS”) the contents of this Compliance Notice within 24 hours of receipt.
2. During the period of the Compliance Notice the CIPC held monthly meetings with Steinhoff to ascertain the progress in respect of the Compliance Notice. It was also during these discussions that the establishment of a **Social and Ethics Committee** was discussed and Steinhoff, albeit an external company, established a Social and Ethics Committee.
3. At this point in time an external company is not required to establish a Social and Ethics Committee in term of Regulation 43 of the Companies Act No. 71 of 2008, as amended. Steinhoff’s example of establishing a Social and Ethics Committee proves that it is not an insurmountable barrier for an external company to comply with Regulation 43.

Compliance Certificate to Steinhoff International Holdings N.V:

4. On 11 September 2018, the CIPC issued a Compliance Certificate to Steinhoff stating that the CIPC is satisfied that the requirements set out in the Compliance Notice have been met on 24 July 2018. Specifically:
 - 4.1 Steinhoff has identified certain individuals that have been directly involved in the falsification of the accounting records of the Group.
 - 4.2 A specific criminal case has been opened against these individuals.
 - 4.3 On the civil action front Steinhoff has a statutory cause of action against directors who have caused it harm.
 - 4.4 Please note that the names of these individuals, as well as, the monthly reports that have been received by the CIPC have been provided to the CIPC under cover of confidentiality as provided for by section 212 of the Companies Act. The CIPC has accepted the confidentiality



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claim on the basis that the disclosure of the identities of the specific individuals as well as the monthly reports at this stage may jeopardize the criminal investigation by the SAPS.

Section 69 of the Companies Act

5. The CIPC is watching closely the unfolding investigations on the Civil and Criminal side and will be looking at S69 in terms of Director Delinquency applications being instituted.

Possible amendments to the Companies Act and/or Regulations

6. Social and Ethics Committee

- 6.1 CIPC requested a legal opinion on the requirements for **establishment of Social and Ethics Committees** in respect of **External Companies** and the possible wording for inclusion in the Companies Act and/or Regulations. A comprehensive opinion was received as well as a proposed amendment to include the establishment of Social and Ethics Committees as a requirement for external companies in the Companies Act and/or Regulations.
- 6.2 **the dti** will undertake further debate and discussions on this matter. The amendments on the external companies are important and require extensive policy debate and will be included in the future amendments to the companies Act. The Social and Ethics Committee issues are included in the Amendment Bill from the context of disclosure of companies that apply for exemptions.