



Annexure A

PIC/GEPF statement following a meeting on Steinhoff

The Investment Committee of the Government Employees Pension Fund (GEPF) and the Public Investment Corporation (PIC) held a meeting yesterday to discuss the recent developments regarding Steinhoff. It is important to note that notwithstanding the collapse in the Steinhoff share, the GEPF portfolio remains financially healthy, because of its diversified nature. It is also important to note that GEPF members' benefits will not be changed by these developments, given that the GEPF is a defined benefit pension fund.

The investment loss recorded was 0.6% of the total GEPF portfolio on 6 December 2017. Despite the fall in Steinhoff share, the total GEPF equity portfolio had created a value of approximately R140 billion over the preceding 12 month period, and had performed better than the equity benchmark. Albeit a relatively small reduction in the total portfolio, and despite the signs of recovery in the share price this week, the PIC and GEPF remain deeply concerned about Steinhoff.

GEPF and PIC agree that the recent developments point to serious governance challenges at Steinhoff and that the following steps are necessary to secure the GEPF's interest in the company:

1. GEPF and PIC will insist on the appointment of at least two independent non-executive directors on the Steinhoff and Steinhoff Africa Retail (STAR) boards.
2. GEPF and PIC will highlight their discomfort with the lack of independence of the Board, including the possible conflict of interest by Dr Christo Wiese as interim Chief Executive Officer. Furthermore, the GEPF and PIC will express their concern about the Steinhoff Audit Committee concluding the terms of reference of the investigations independently.
3. GEPF and PIC will insist on representation on the Board Committee tasked with investigating the Steinhoff situation, so as to ensure that the process is transparent and that, amongst other matters, the terms of reference address critical governance issues.

The GEPF and PIC believe that now, more than ever, the Steinhoff matter makes a case for the need to rotate auditors and long-serving board members in investee companies, an issue that the PIC has continuously raised.

The PIC would like to state that it has engaged with Steinhoff consistently but has often not received positive feedback from the company. Specifically, the PIC has previously pointed out structural issues relating to the material shareholding of the Steinhoff and Wiese families, which are perceived to create the dominance of controlling shareholder representatives on the Board and as a result, potential conflicts of interest.

The PIC has also raised concerns about the absence of a clear assessment of the risks introduced by the Steinhoff group's acquisitive strategy as the company has become progressively complex.

Whilst the PIC has tried to use its position as a major shareholder to vote against some of the resolutions tabled at Steinhoff annual general meetings, the reality is that the PIC is only one amongst many shareholders who have voted differently on certain resolutions.

The PIC, on behalf of the GEPF will continue to raise environmental, social and governance issues in all its investee companies for the benefit of their stakeholders.

End....

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