

STATEMENT

ISSUED BY : A P STEMMET

CAPACITY: SPOKESMAN ORGANISATION : GEPF MONITOR GROUP CAPE TOWN
8TH DECEMBER, 2017

Statement of 8 December 2017 by GEPF on Steinhoff shareholding.

The abovementioned Statement refers.

It is appreciated that the GEPF is, by communicating on this matter, attempting to calm the emotions that are running at fever pitch at the moment. On paper, the losses of the GEPF as of the time writing this amounts to in excess of about R25 000 000 000. This is, to most of us ordinary people, an incomprehensibly large amount of money.

It is therefore unfortunate that certain assertions are made in the Statement which underestimate the intelligence and good sense of the reader, and especially the members of the Fund- including its pensioners.

For one, it is indisputable that the lower the returns earned by the Fund are, the lower the pension benefits to members and pensioners will likely be-especially in the medium to long term. To therefore, for example, make the statement that "benefits to members and pensioners are safe" is misleading, condescending and oversimplifying the matter. The fund is clearly still solvent, but undoubtedly serious damage has been sustained. Similarly, there are a number of other assertions made in the statement which do not provide the appropriate perspective.

Having said that, it is clear that the GEPF finds itself in very good company as far as sharing of the losses and reputational damage, whatever these may eventually amount to, are concerned.

It is also always easy to be clever with the benefit of hindsight.

These perspectives are taken into account in what follows below.

It is heartening to note the view of the GEPF in the Statement that "The GEPF expects the highest standards of corporate governance from all investee companies". If this standard is expected from the investees of the GEPF, the same should clearly also apply to the GEPF itself.

In this vein therefore, the GEPF should be able to demonstrate that it has adequately discharged its responsibilities by providing detailed answers to the following very specific questions.

1. Regarding the composition of the current Trustees of the GEPF, how many of the Trustees at present have formal recognised academic or professional qualifications in investment management?

2. Are there any upper limits on individual investment exposure by the GEPF (in terms of amount, % ownership or the proportion of investment totals or sub totals? If so, what are these limits? Further, if indeed so, how often does rebalancing take place?

3. Regarding Steinhoff specifically:

-Is the GEPF aware of the press reports concerning a problem the present chairman had with HMCR regarding the importation of currency/coins or the like some years ago, and was this matter specifically independently researched by the GEPF from a risk and governance perspective? If so, what was the outcome?

-Is the GEPF aware of press reports going back as far as 4 December 2015, and as recently as 24 August 2017, concerning investigations (including that of fraud) pertaining to Steinhoff and/or persons associated with it in Germany? Were these matters specifically independently researched by the GEPF from a risk and governance perspective? If so, what was the outcome? -Is the GEPF aware of the report of the Viceroy Research Group on Steinhoff published on about 6 December 2017. If so, who at the GEPF was aware of this report, and what action was taken, if any? If the GEPF is, or was unaware of this report immediately after it was published, why not? What steps are in place at the GEPF to be kept timeously up to date of all significant publicity, and rumours, regarding its investments?

-What standing procedures, if any, are there in place at the GEPF to take urgent steps to protect the value of its investments and minimise any possible losses where this is required?

-When last was the investment in Steinhoff specifically discussed within the GEPF by any of its committees, and what was specifically discussed at that point?

-Given that the GEPF has about a 10% investment in Steinhoff which is very significant shareholding and second only to that of the Chairman, surely just monitoring the situation is an inadequate response. Time is clearly of the essence. For example, have enquiries been made, and definitive answers been insisted upon as to what exactly the points of concern by the Board

of Directors and the External Auditors are, what the deadlines are that have been agreed with PWC regarding their investigation, and how often does the GEPF undertake to communicate with its stakeholders regarding progress?

-Finally, what pro-active measures have the GEPF taken to ensure that its interests are not in any way treated as inferior to the rights of any other shareholders in Steinhoff? How will this absolutely crucial aspect be operationalised?

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