



Building resilience through diversification

INTEGRATED REVIEW 2016

rbh^o
royal bafokeng holdings

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This integrated review is a key element of Royal Bafokeng Holdings (RBH) engagement with its stakeholders. It presents an opportunity to provide our stakeholders with a concise, transparent and balanced view of the most material issues facing RBH, the strategy it has in place to address these issues and how it has performed against this strategy.

1 key facts about the Royal Bafokeng Nation (RBN)*

- The RBN owns 1 400 km² of land in the North West province of South Africa
- The Bafokeng community comprises approximately 128 000 people in 36 000 households
- Adults make up 63% of the population (18-64)
- Youths make up 30% of the population
- 20% of the population are learners
- 97.5% of the Bafokeng community is literate
- 52.3% of households have an income of R3 000 or less per month
- 39% unemployment rate
- 97.5% of households have access to piped water.

**All statistics taken from the 2016 Pula survey*



2 about this review

We choose to report in an integrated manner because we believe by doing so we can provide our stakeholders with a transparent and balanced view of our business; the risks we have identified and our management of these risks; our material issues; the strategy we have in place to address these issues and the business model we use to deliver against our strategy and create value for our stakeholders.

Finding your way in our review



When you see this icon it is showing you the page on which you can find more information on this subject



This icon shows you where there is more information available on a website

This review conforms to the requirements of the South African Companies Act 2008. We have also taken into consideration the principles of King IV in this review.

Our summarised audited financial statements are published separately and will be available on our website from June 2017.

Please give us your feedback

We would welcome your feedback on this review and any suggestions you may have in terms of what you would like to see incorporated into the 2017 edition.

Please give us your feedback:
info@bafokengholdings.com
www.bafokengholdings.com



3 organisational overview

Our value statement



Vision

To protect and manage the Royal Bafokeng community's assets in order to provide predictable income and capital growth for the intergenerational benefit of the Bafokeng nation



Values

We operate ethically and execute with integrity. We embrace and drive positive change. Trust and respect (*tlhompō*) are central to all our relationships



Our purpose

To deliver sustainable and predictable income and capital growth to service the intergenerational development needs of the Bafokeng community

We are long-term and prudent investors.

Our success is determined by our ability to manage our robust and purpose-driven portfolio to fund the Royal Bafokeng community's aspirations. We do so by acquiring stakes in high quality companies in high growth and defensive sectors. Our vision is tied to that of the nation, which strives to be a relevant and innovative traditional African community.

Royal Bafokeng Holdings (RBH) is an African community investment company which, together with its sole shareholder, the Royal Bafokeng Nation Development Trust (RBNDT or the Trust), is entrusted with the unique responsibility of preserving and growing the financial capital of the RBN and ensuring its long-term future.

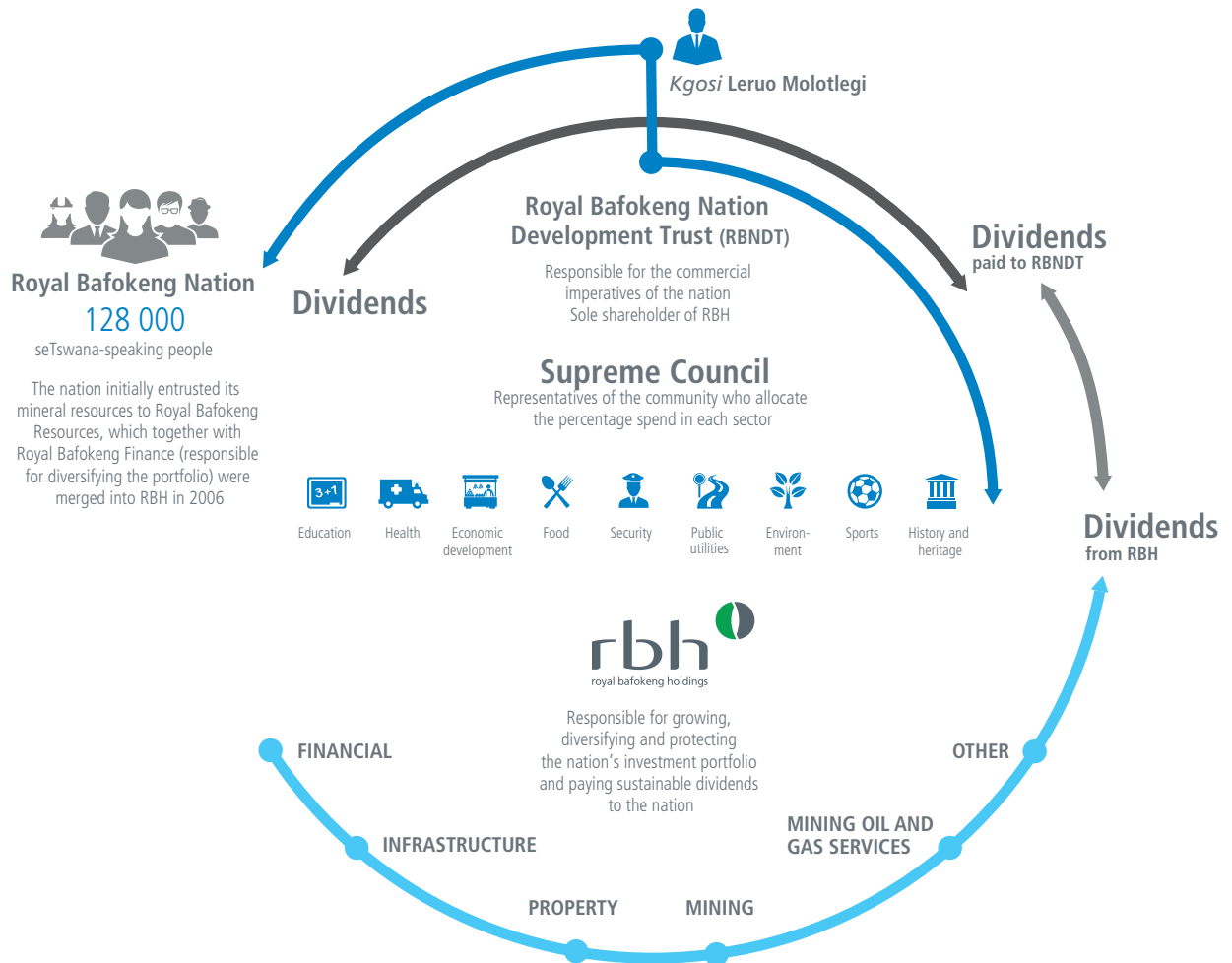
RBH manages a portfolio with a gross asset value of approximately R38 billion (as of December 2016) consisting of listed and unlisted assets in a diverse range of sectors, including infrastructure, property, financial services, telecoms, resources and industrials, located in diverse geographies.

About the RBN

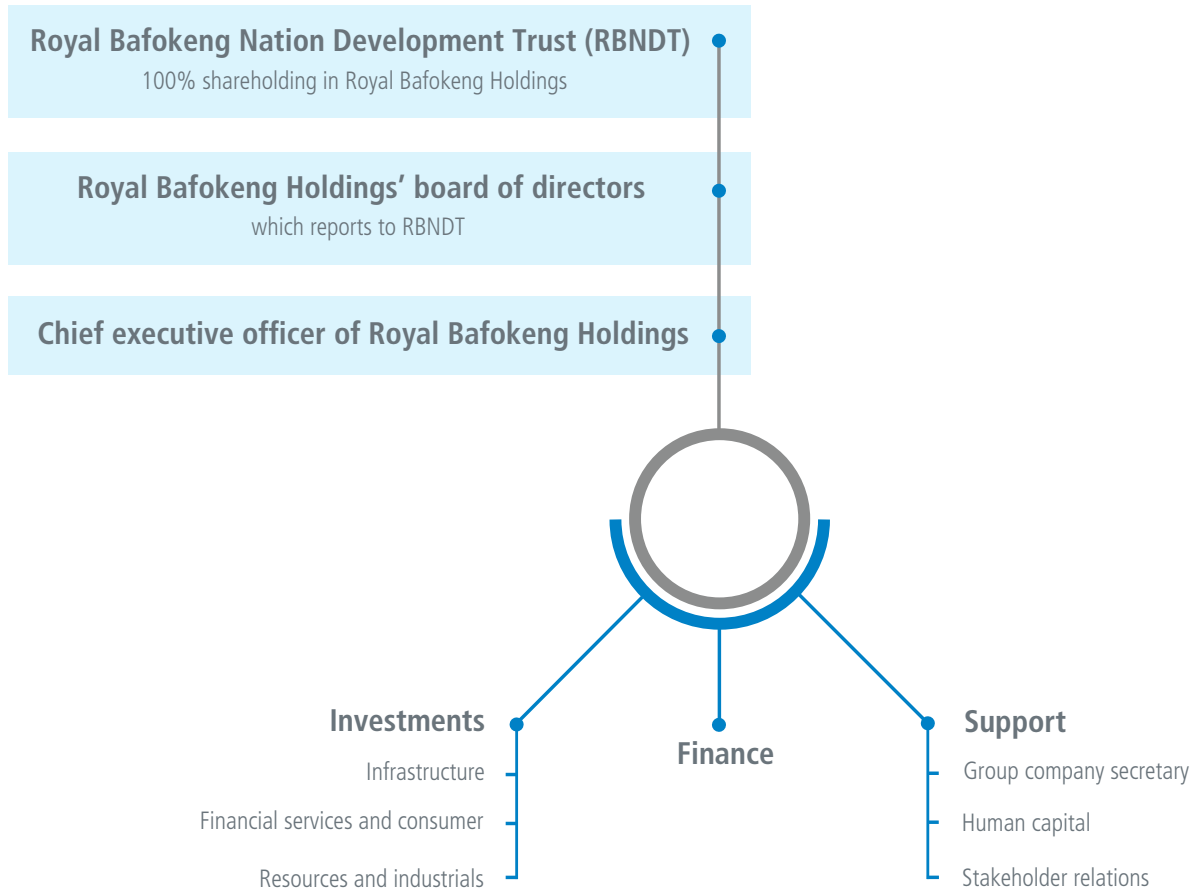
The RBN has a long history of wanting a better future for its people and taking innovative action to achieve it. Its leaders' efforts to protect and gain access to the nation's hard-won wealth made it possible to foresee a future for the Bafokeng people as a progressive, dynamic and thriving community, as described in its Masterplan. Its current leader, *Kgosi Leruo Molotlegi*, played an important role in securing the landmark royalties agreement with Impala Platinum and the forming of a joint venture with Anglo American Platinum: the Bafokeng Rasimone Platinum Mine (BRPM), the precursor to RBPlatinum, the source of the nation's first income from its mineral wealth. He realised that to secure the nation's future it was important to grow its wealth through investing its excess capital in a diverse range of counter-cyclical assets. RBH was therefore formed to fulfil this mandate.

The Royal Bafokeng nation's asset management structure

The RBNDT, RBH and the Supreme Council have unique roles and responsibilities in the RBN asset management structure. The RBNDT is responsible for taking care of the commercial imperatives of the nation. It provides RBH with its investment mandate and dividend policy and decides what funds from the RBH dividend should be allocated to development and what should be retained for the nation's future needs. RBH's mandate is to ensure it pays sustainable dividends to the nation, grows and diversifies its portfolio and protects the financial capital of the present and future generations of the nation. The Supreme Council decides the spending priorities and allocations to the various sectors.

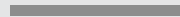


Royal Bafokeng Holdings' structure



How we use our business model to deliver against our strategy and create value

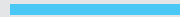
Drivers: 1-4

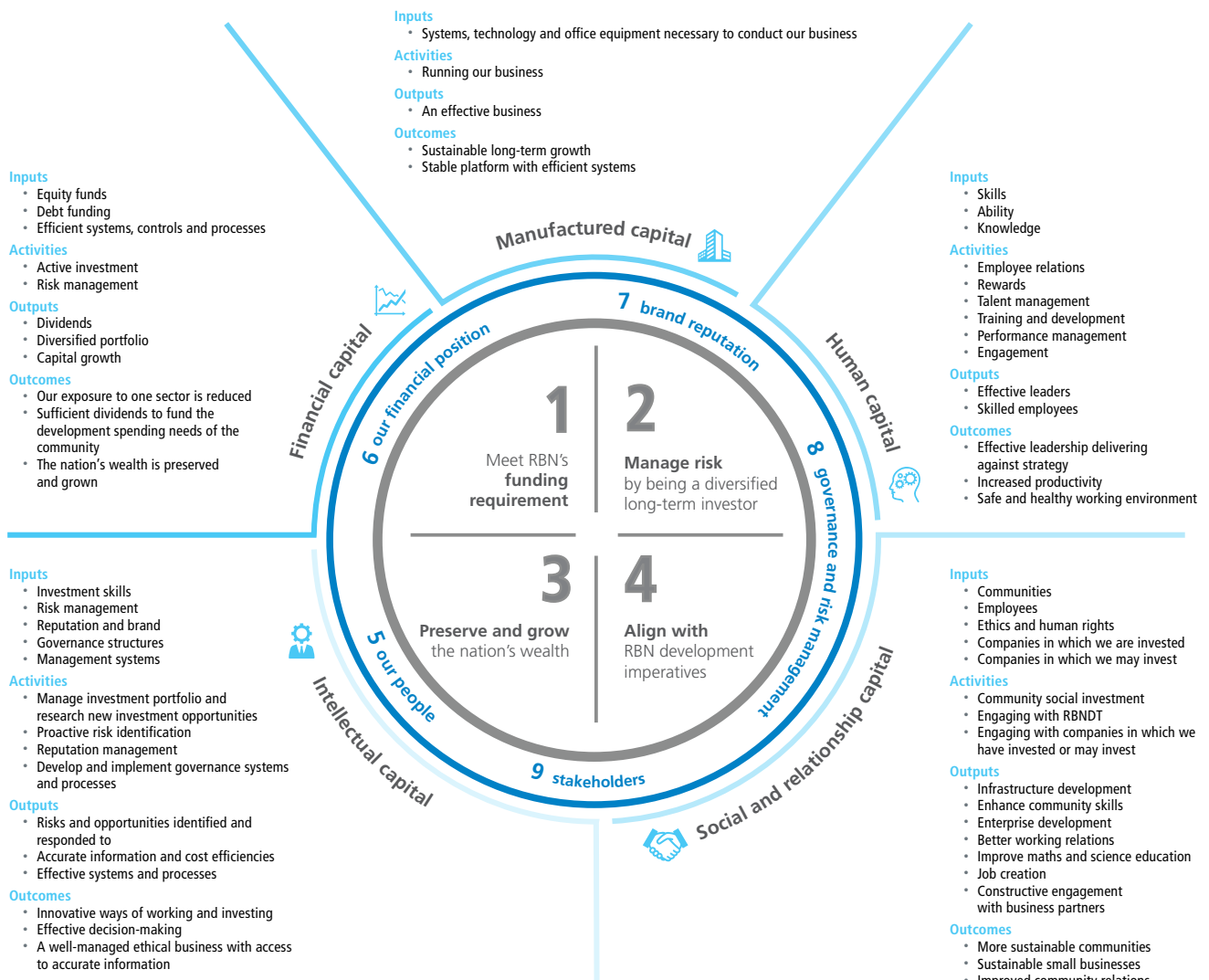


Enablers: 5-9



Capitals





* The capitals that make up our business model are described in the various sections of the review. We have not included natural capital in our business model because while natural capital plays a key role in our business in the form of mineral resources and land, RBH has no influence over how the RBN manages its mineral assets and the land it owns. However, the revenue the nation earns from its natural capital is what made the formation of RBH possible. RBH's impact on the environment stems mainly from electricity we use in our offices which is accounted for by the owners of the property we rent, and motor and air travel. We are conscious of the need to reduce our use of scarce resources such as water and electricity. We take care to limit our production of greenhouse gas emissions by reducing our use of electricity and avoiding unnecessary travel.

Risk management

The RBH board has ultimate responsibility for our risk management, including the development of our risk appetite and the setting and monitoring of risk tolerances. King IV recommends that the governing body should manage risk in a way that supports the organisation in setting and achieving its strategic objectives.

Our management and our board also appreciate that our core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Global markets entered a period of heightened risk over the past two years, with global and local market conditions driven by economic and political uncertainty. This has increased the difficulty around predicting the outlook in the short and medium term and has made it ever more important that we are equipped to manage our risk exposures, further diversifying our portfolio and reducing our gearing levels.

Our risk philosophy

Our risk philosophy sets out how we approach risk in our business, our strategic planning process and our day-to-day activities.

As a responsible investor RBH aims to preserve and grow its purchasing power in rand terms over the longer term and to deliver a return exceeding South African inflation. This longer-term real return target cannot necessarily be achieved consistently over shorter periods, given the inherent uncertainty in capital markets. Therefore, the portfolio will be judged against its target over periods no shorter than ten years on a cumulative basis.



Progress with our risk management

During the year we continued to strengthen our governance structures and processes associated with risk management. In 2015 we established strategic and operational risk registers that include the RBH value drivers, risk philosophy, risk-bearing capacity and, most importantly, our overall and individual risk appetite. We also established our risk universe and key risk indicators (KRIs) in 2015, which were also updated in 2016. Each department tracks its operational risk against these KRIs every quarter. Strategic risks are reported to the board quarterly.

During 2016, we further strengthened our risk management capability by adopting a more quantitative and objective approach to the monitoring and managing of changes in our market and credit risk exposures. Management, the board and our shareholder will use the output from this process to further refine our risk exposures and align them more closely with our risk appetite.

King IV introduces Principle 17, which states that the governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance of and the creation of value by the companies in which it invests. As part of our risk management process RBH plays an oversight role in most of its investments through which we ensure that we invest in companies that are well run and like-minded. The environmental, social and governance (ESG) investment and management criteria included in our investment policy, which are strictly adhered to, can be found on page 62 of this review.

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Something that our board identified as being critical during 2016 was ensuring that we align our risk appetite with our diversification strategy, especially given the spread both in terms of sectors and geographical footprint of some of our newly acquired assets.

The board recognised the need not only to find ways of understanding the risks that come with a diversified portfolio, but also the need to understand the regulatory environments in which some of our assets are located, particularly on the broader African continent.

The risk landscape

Our risk landscape changed during 2016 driven by the geographical diversification of our assets. Our teams continue to ensure that we periodically review how these changes are impacting the rationale and speed at which we invest, diversify further and manage our debt levels.

Our value drivers

Our value drivers are designed to ensure we deliver against the issues that are most material to our stakeholders.

Core area	Value drivers
Governance	Governance structures Ethics
Stakeholder relations	Stakeholder expectations Collaboration Brand reputation
Finance	Funding and liquidity Financial reporting
Human capital	Talent and performance
Investments	Investment sourcing Investment performance Performance and monitoring of our investments

Our material issues



We establish what our material issues are by:

- identifying the issues that could have the greatest impact on our ability to achieve our strategy and create value for our stakeholders
- identifying external local and global factors that could impact our portfolio at a local and global level
- identifying our material internal and external stakeholders
- engaging with these stakeholders to establish what is material to them in relation to RBH
- identifying the positive or negative impacts we could or do have on each other.

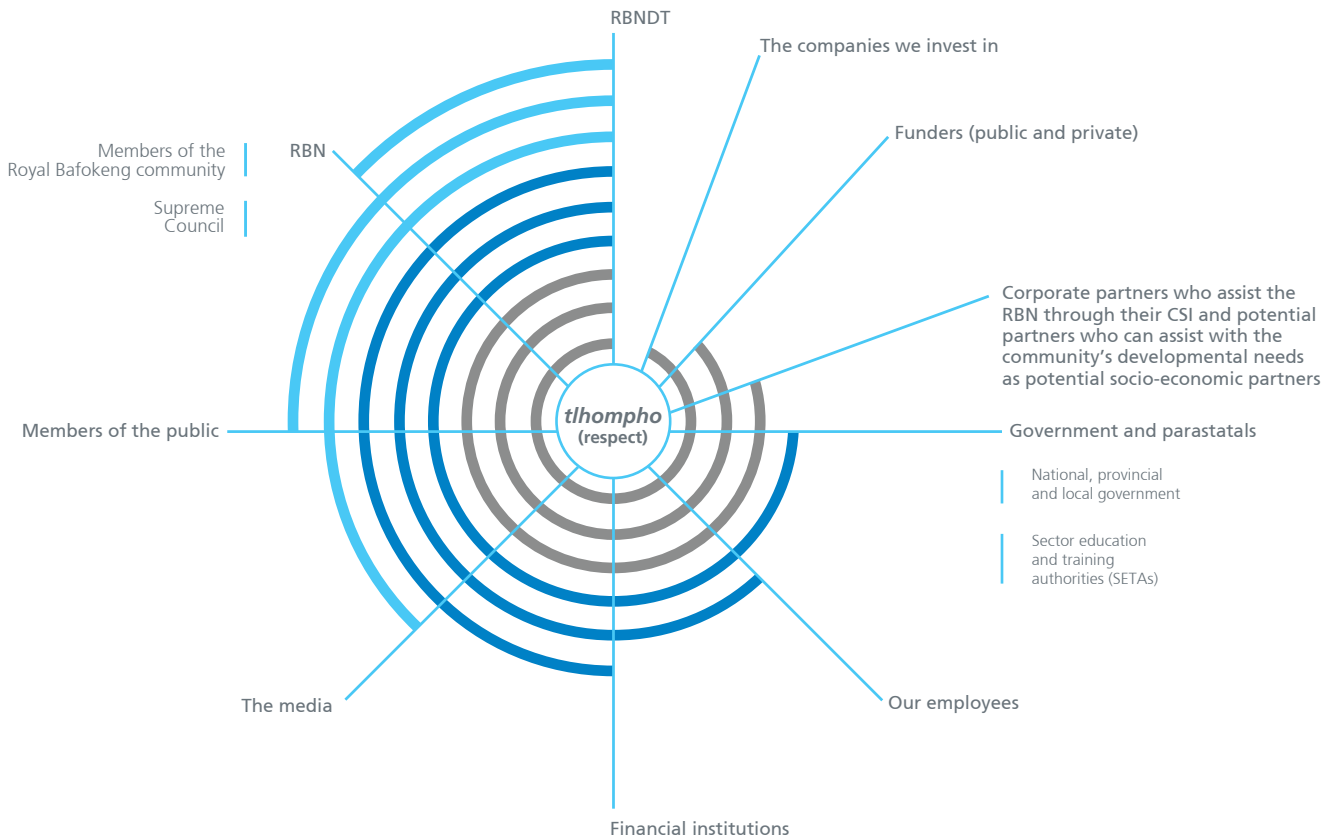
Our material stakeholders are identified in the diagram on the facing page.

The issues which we identified as being material to RBH and its stakeholders in 2016 are the same issues we identified in 2015:

- 20 • our ability to deliver on our shareholder's expectations
- 22 • opportunities to grow through the diversification of both our portfolio and the geographic location of our investments
- 47 • our commitment to long-term strategic partnerships
- 53 • reputation management.

Information on our progress against these issues can be found on the page numbers provided.

Our stakeholders



4 strategic review

Review of the chief executive officer of the Royal Bafokeng Nation Development Trust (RBNDT or the Trust)

The RBNDT and RBH have been entrusted with unique roles and responsibilities, within the equally unique Bafokeng structures that today combine traditional leadership structures with those legislated by government and corporate structures introduced to allow the nation to participate in the commercial world, raise funds for projects when required and protect and grow its assets.



The Trust's mandate is to take care of the commercial imperatives of the nation and RBH's mandate is to ensure it pays sustainable dividends to the nation, grows and diversifies its portfolio and protects the financial capital of present and future generations of Bafokeng by adopting a prudent approach to its investment decisions.

As the sole shareholder of RBH the twelve-member RBNDT is responsible for providing RBH with its investment mandate and dividend policy and agreeing with its board the strategy RBH will follow to achieve its mandate. As its chief executive officer, I represent the Trust on the board of RBH.

Although RBH is an independent entity, the Trust and RBH work very closely and through this engagement we have been able to develop an excellent understanding of each other's roles, responsibilities and challenges and how we can best support each other in the achievement of our mandates.

By providing a dividend that is larger than what it originally promised us, increasing the net asset value of its investment portfolio by around 15.5% by the end of 2016 and continuing to deliver on the diversification of the portfolio during an extremely challenging period economically, RBH has done an excellent job of meeting the terms of its mandate.

To meet our aim of equipping our people to become self-sustaining and independent of the nation's coffers we have always focused on education and training; however, the nation has decided it is necessary to increase this focus. In 2017 we will have a particular focus on early childhood development and ensuring that our youth are given skills to improve their chances of obtaining employment.

Our increased focus on education and training includes a target of developing 100 new teachers by 2020, working in collaboration with the North West University.

We will also be reconsidering the role of the Royal Bafokeng Institute (RBI) in education in 2017 and working more closely with our public schools to improve the standard of education. *Kgosi* envisions changing our operating model to expand access to high quality education in which children will also be encouraged to remain true to their cultural roots.

Without the achievements of RBH articulated above, it would have been difficult, if not impossible, to achieve the socio-economic development goals that the RBN has set for itself, which include but are not limited to sports, education and health. (see page 48 for priority spend breakdown)

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An exciting new development in 2016 was the partnership RBH formed with the Public Investment Corporation (PIC), when the PIC purchased a 49% shareholding in MOGS, a subsidiary of RBH, which provides mining services as well as oil and gas infrastructure.

I believe RBH and the PIC are ideal partners as they have similar roles and responsibilities as investors of funds intended to provide for people's futures. Partnerships have played an important role in the history of our nation and I have no doubt that this partnership will be a fruitful one for both entities.

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Another exciting venture RBH invested in during 2016 seeks to promote the emergence of black asset managers. It is good to see that we are using the nation's assets to enhance the growth of black businesses beyond our borders.

While I expect that the economic environment will continue to be challenging in 2017, RBH has a number of projects, and particularly those in MOGS Oil and Gas Services, that we expect to become reality in 2017. My thanks go to the RBH team for their contribution to the development and future sustainability of our people. I wish you well in the challenging year ahead.

Obakeng Phetwe
Chief executive officer
RBNDT

strategic review continued

Chairman's review

At the heart of it Royal Bafokeng Holdings (RBH) is tasked with managing the commercial assets of the Royal Bafokeng Nation (RBN) in a manner that can sustainably fund the needs of the current and future generations of the Bafokeng community. Our responsibility for creating intergenerational equity drives our investment choices and requires that we have a strong leadership in place at every point of our value chain.

Four years ago, when our shareholder decided on a largely independent board of directors, the main issues facing the board were:

- **Building an executive team to deliver on the RBH investment strategy**

Since then we have built a solid and committed team on both the investments and operational side of the business. I am proud to report that four years on we have a team in place who understand the vision of the RBN and, with the leadership of the board, have charted a clear roadmap for our diversification journey. To this end we are starting to realise some of the key milestones on this journey, which you can read about on pages 22 and 23 of this review. Even under the conditions of a challenging economic environment and the prolonged difficulties in the mining sector, our team has delivered strong results (see pages 30 to 31) and managed to sustain dividends to our shareholder.

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- **Governance and communication**

Both RBH and the Royal Bafokeng National Development Trust (RBNDT) are part of the structures established by the RBN to safeguard the community's heritage and future. This responsibility requires that we continually enhance our governance structures and communicate with our shareholder and other key stakeholders in order to build relationships based on trust. We continually re-evaluate how we engage with our shareholder through an independent bi-annual study, which helps us identify key areas for improvement within our engagement framework. Every quarter our investments team meets with the investment committee of the RBNDT to report on the progress RBH has made with the strategic asset allocation and RBH's shareholder compact commitments. Annually, the RBNDT and RBH hold a joint strategy discussion to ensure alignment with the execution of our investment strategy and the needs of our shareholder community. Building sound relationships takes time and I am confident that our communication initiatives will ensure that we build and maintain stronger trust-based and value creating relationships with our stakeholders and in particular our shareholder.

During the year we also reviewed how we interact with the companies in which we are invested, ensuring that clear lines of autonomy and independence are maintained while at the same time maintaining requisite oversight of the potential risks.

- **Our diversification journey**

Finally, our diversification journey required that we address the issue of concentration, debt reduction as a risk management measure in an environment of high volatility, and ensure that we restored the much needed dividend to our shareholders. To this end, the board took the decision to reduce our holdings in Implats. The funds raised through this process were used to reduce our debt and support further diversification of the RBH portfolio. You can read more about this in the CEO's report on page 16.

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It gives me great pleasure to note that we have been successful in meeting these strategic imperatives and, furthermore, have achieved key milestones in our diversification journey. Specifically, we made changes in the shareholding structure of our oil and gas subsidiary, MOGS (Pty) Ltd, by selling 49% of our equity capital to the Public Investment Corporation (PIC). These funds will be used for further investments and acquisitions by the company.

Importantly, MOGS oil and gas will create an improved, cost-effective energy mix and reduce the ongoing LPG supply shortfall in the Western Cape. We have also seen progress with Oiltanking MOGS, a 13.2 million barrel commercial crude oil terminal facility in the same region. The first four terminals will be delivered mid-2018 and, due to the level of interest in the project, capacity is almost entirely taken up.

In addition to these projects, MOGS continues to expand our geographic footprint through various initiatives in Ghana as well as a planned fuel pipeline in Djibouti and Ethiopia.

RBH remains in the top five of PGM holdings in South Africa through its investments in RBPlat and Implats. It is with great sadness that I note the fatal accidents in both operations during 2016. My condolences go to all affected families. In Setswana we say: Nnang le gomotsegile le ba malapa a lona (be comforted always).

Social capital

RBH is part and parcel of a transforming South African economy. We therefore endeavour to contribute positively to the alleviation of poverty, unemployment and inequality through our social development investments in the Bafokeng communities and others. To this end, RBH's social investments, together with those of its investee companies, in the Bafokeng villages enhances the strides made through the RBNDT's expenditure in transforming the social standing of our people in Phokeng. With a budget of between R400 million and R600 million per annum, the RBNDT strives for real upliftment of our community in the areas of education, health, infrastructure development, enterprise development and others.

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You can read more about these social interventions on page 47 of this report.

RBH continually looks for opportunities through strategic partnerships to raise further funding for the benefit of our people.



In conclusion

There is no doubt that the RBH of today, which is a proudly African community-owned investment company is vastly different from that of four years ago and as the board we will continue to prioritise some key critical success factors in the following areas:

- subsidiary oversight, including oversight on safety in all our mining as well as oil and gas subsidiaries
- medium-term review of strategy since the 2013 strategic asset allocation
- strengthening of the board composition and implementation of King IV
- continuous improvement in governance and communication with RBNDT
- succession planning.

My thanks to the management team at RBH for their achievements during a challenging year. 2017 promises to be a busy year with a number of your projects maturing, including Sunrise Energy.

My thanks also go to my fellow board members for their support and contribution to our deliberations and the achievement of our strategic objectives, and a special thank you to Kgosi Leruo Molotlegi, for building a conducive environment for us to do business and for his continuous support.

Monhla Hlahla
Chairman
RBH

strategic review continued

CEO's strategic review

Despite the ongoing challenge of the global and economic climates, our portfolio's net asset value increased by 16.2%.

In line with our shareholder's objectives for the investment portfolio managed by Royal Bafokeng Holdings (RBH), in 2016, we reduced our shareholding in Impala Platinum (Implats) from 11.3% (13.1% prior to the rights issue) to 6.3%. Following this sell down, RBH remains one of the top five investors overall in the South African platinum sector and our platinum holdings remain a significant contributor to our portfolio.

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Despite the underperformance of our platinum holdings resulting in a 22.8% decrease in our NAV in 2015, we remain committed to and believe in the long-term fundamentals of this commodity. In 2016, assisted by the R:US\$ exchange rate in the first half of the year, our platinum holdings recovered, growing at 36.7% year-on-year. The R:US\$ exchange rate also provided Royal Bafokeng Platinum (RBPlat) with the additional cash resources it needed to make good progress with its Styldrift I growth project.

The CEO of the RBNDDT has already discussed our mandate as an intergenerational fund, the objective of which is underpinned by three key investment priorities: our ability to minimise the risk of permanent loss of capital; achieving long-term positive real returns; and, lastly, the ability to ensure a sustainable and growing dividend that will fund the Bafokeng community's socio-economic development initiatives.



Our pursuit of these objectives during 2016 resulted in RBH achieving several of its objectives:

- The diversification we have built into our portfolio, and the consequent resilience it has achieved, allowed us to pay a final dividend of R130 million (2015: R0) and an interim dividend of R240 million (2015: R200 million). The final dividend was 13.2% higher than the inflationary increase agreed to per the dividend policy.
- We made significant progress in the reduction of our debt in 2016 assisted by our disposal of a portion of our shareholding in Implats.
- In line with progressing our diversification strategy we acquired a 30% equity stake in Neotel in partnership with Liquid Telecom, a privately-owned pan-African telecoms group and subsidiary of Econet. This acquisition further increased our telecoms infrastructure portfolio.
- We made substantial progress with our strategy of increasing our exposure to non-cyclical assets by investing further in infrastructure and energy assets when we acquired some assets from Aveng. These include one of the largest wind farms in the Western Cape, on which 46 wind turbines are erected and Windfall 59 Properties, the project company for the 74MW Sishen solar photovoltaic plant located in the municipality of Dibeng in the Northern Cape. These two assets are an addition to our existing Enel renewable energy assets which are: Electra Capital, Eastern Cape; and Adams Solar PV in the Northern Cape. Electra Capital became commercially operational in October 2016 (three months ahead of schedule), while Adams Solar became commercially operational in December 2016 (one month ahead of schedule). Both projects are 75MW. RBH holds 30% in both projects. Collectively, our renewable energy assets will grow our exposure in infrastructure.
- The most substantial progress we made towards achieving our strategy of investing in the energy sector and growing our non-cyclical infrastructure assets was the conclusion of our partnership with the PIC who have purchased a 49% stake in MOGS Proprietary Limited. MOGS Oil and Gas Services' infrastructure projects require patient capital and an equity partner with a strong balance sheet who shares the same vision of investing in long-term infrastructure. The first of these projects, Sunrise Energy, in which MOGS Oil and Gas Services owns a 60% shareholding, is scheduled to be operational in the second quarter of 2017. The level of demand from the market for the facilities offered by Sunrise Energy is very encouraging. MOGS Oil and Gas Services has also made encouraging progress in terms of the crude oil storage and blending facility in the Port of Saldanha in partnership with Oiltanking.

This world-class, efficient and commercially flexible facility will consist of twelve 1.1 million-barrel in-ground concrete tanks. Construction began in Q4 2016 on the back of strong market demand for the service it aims to provide. The facility is expected to be ready for operation in the third to fourth quarter of 2018.

- The diversification strategy being pursued by Rand Merchant Bank Holdings (RMH) and Rand Merchant Investment Holdings (RMIH), in which we have a 15% interest, inherently supports our diversification strategy.
- An exciting new venture we invested in this year with Rand Merchant Insurance (RMI). a subsidiary of RMIH, is an emerging black asset management company, Royal Investment Managers (RIM). This is a departure from our usual type of investment. The aim of RBH's investment in RIM is to promote the emergence of black asset managers, in addition to generating return for our shareholders.

Portfolio performance

We not only achieved year-on-year growth in the net asset value of our portfolio of 16.2% to R29 billion in 2016 but once again our portfolio also outperformed the ALSI. This meant that, despite the challenging economic environment, we not only met but exceeded our dividend commitment to our shareholder in 2016.

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Our investments in the financial services sector continued to perform well, increasing by 12% to R22.9 billion in 2016 (2015: R20.4 billion). See page 25, 32 and 33 for more information. As a result of the further diversification of our portfolio our investments in this sector now represent 60% of our overall portfolio (2015: 62%).

We made some changes in our property portfolio, which ended the year on 1.5% yield compared to 0.8% at the start of 2016. We further reduced our stake in Attacq and used the proceeds from this sale to increase our existing exposure to NEPI and Zenprop and to acquire a new capital allocation in Big Yellow, a self-storage company listed on the London Stock Exchange. These transactions also increased our geographic diversification and rand hedge benefits.

RBH's resources portfolio increased by 16.7% to R5.6 billion (2015: R4.8 billion). The recovery in this sector can be attributed to an increase in the average rand basket price of platinum producers for the year. Our investment in RBPlat increased by 34% during the year ending the year at R3.6 billion.

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strategic review continued

CEO's strategic review continued

Governance structures

Our efforts to continue strengthening our governance structures and processes around risk management during 2016 included further refining our risk philosophy and the updating of our risk framework and policy.

We are adopting a more quantitative and objective approach to our market and credit risks, focusing on the monitoring and managing of changes in our market and credit risk exposures. Our management, board and our shareholder will use the output from this process to refine their understanding and management of our risk exposure and to continue aligning them more closely with our risk appetite. The period of heightened risk experienced in global and local markets during the past two years on the back of economic and political uncertainty has increased the challenge of understanding the risks we face in the short and medium term and made it even more critical that we manage our risk exposures, diversify further and manage our debt levels.

Our people

Our team delivered well against our strategic objectives during 2017 and I would refer you to the financial, manufactured, human, intellectual and social and relationship capital sections of this review for more information on what we achieved in 2017.

Following a rigorous review of our investments processes which considered:

- RBH's diversification strategy and our commitment to put in place the optimal team structure to drive this forward
- the need to provide investment team members with role clarity and improve team and individual accountability
- how to improve investment portfolio oversight by creating scope for individual team members to have focus sectors.

The board approved a new structure for the investments function.

The new structure splits the overall portfolio into three core focus areas: infrastructure; financial services and consumer goods; and resource and industrials.

We consider our team to include the employees in the companies in which we invest. Because of the safety challenges in our mining industry investments, we regularly engage with both RBPlat and Implats on their efforts to achieve zero harm. Both businesses are working hard to improve their safety, health and wellness performance. While we were pleased that RBPlat's safety turnaround strategy achieved a substantial improvement in its safety performance in 2017, one death is one too many and, sadly, both RBPlat and Implats had fatal accidents in their operations during 2017. My condolences go to the colleagues and families affected by these fatalities.

Stakeholder engagement

We recognise that building relationships based on mutual trust takes time and we are committed to the process this requires. Engagement through transparent communication, discussion and negotiation, an essential part of the traditional Bafokeng structures that made it possible for the RBN to protect and grow the nation's assets by establishing the RBNDT and RBH with the agreement and support of the wider community. Our relationship with our shareholder, the RBNDT, continues to grow through our regular in-depth engagement.

This includes facilitating the Trust's engagement with the management of businesses in which we are invested through site visits. These visits are invaluable in providing the trustees with an in-depth understanding of these investments.

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During 2016, we also continued to work with our shareholder to support the Bafokeng nation's efforts to communicate with its key stakeholders and facilitate investment in key community socio-economic development projects. For more information on our stakeholder engagement see the relationship capital section of this review.

Thanks

My thanks to the board for its continued leadership and support during a year when we made some major decisions, including taking the MOGS business to another level through our partnership with the PIC. I would like to thank both my executive team and all our employees for making it possible for RBH to deliver against its strategic objectives in 2016. We have an exciting year ahead of us during which projects we have been working on for some time will become reality.

I look forward to working with you as we continue to build the resilience into our business through diversification that will allow us to deliver against our mandate and facilitate the achievement of the RBN's vision of a sustainable future for all its people.

Albertinah Kekana
Chief executive officer
RBH



5 our performance

Financial capital

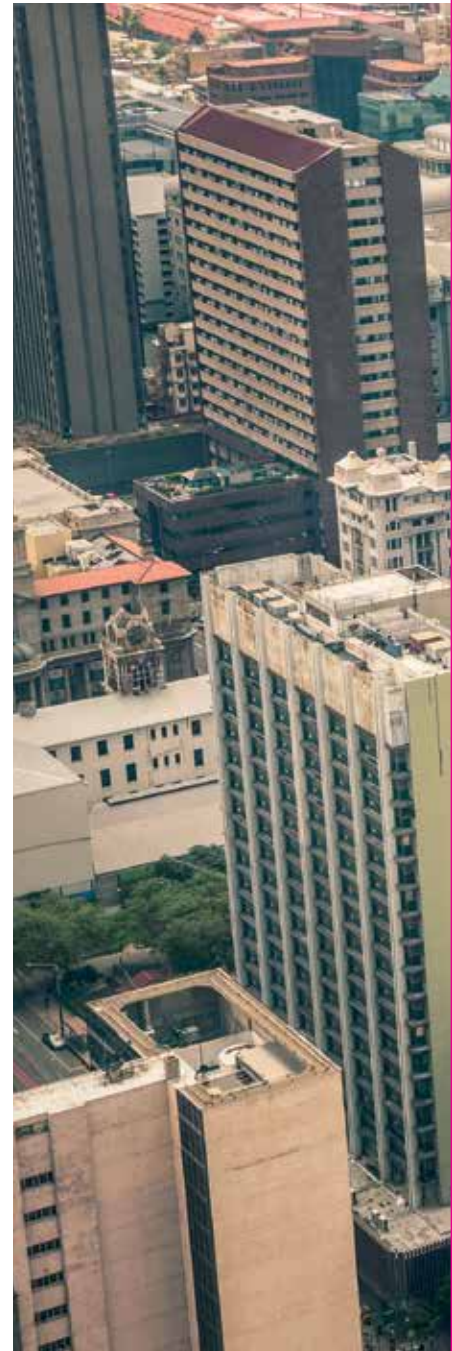
RBH's mandate is to deliver yield that will meet the RBN's development needs in the short term, while preserving and growing the nation's assets for the medium and long term.

In this section of our review we provide an overview of our approach to investment and portfolio management, what has been achieved in over a decade of investing, preserving and growing the assets of the RBN to fund community development; the progress we have made towards diversifying our portfolio to increase its resilience and sustainability; and we review our financial position. RBH's audited financial statements are issued separately at a later date.

Protecting its heritage and safeguarding the future of the Royal Bafokeng nation

RBH has its roots in Royal Bafokeng Resources (RBR), which was established in 2002 to oversee the mining interests of the nation following the signing of a landmark agreement between the RBN and Impala Platinum (Implats). This agreement resulted in the nation receiving royalties from the metals mined in the Impala Lease Area. In the same year RBR negotiated a joint venture with Anglo American Platinum (Amplats), which resulted in the formation of the Bafokeng Rasimone Platinum Mine (BRPM), and it also invested in what was then SA Chrome and today is known as Merafe Resources. *Kgosi Leruo Molotlegi* had the foresight to recognise that while its mineral resources had provided the nation with a wonderful financial legacy, it needed to diversify its investments to ensure it could continue to fund the nation's development needs and provide for its future sustainability. Royal Bafokeng Finance (RBF) was formed in 2004 for this purpose and in 2006 RBR and RBF were merged into RBH. The graphic on page 22 depicts the progress that has been made in diversifying the RBN's asset base from one entirely invested in the mining industry to today when only 15% of the portfolio is in mining assets.

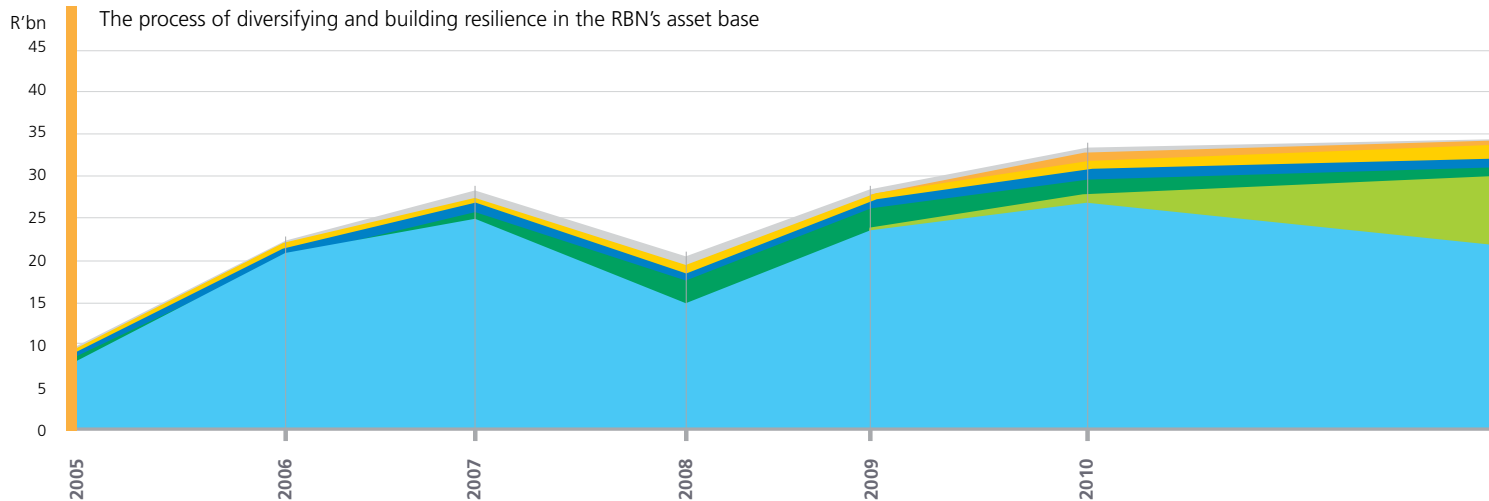
22





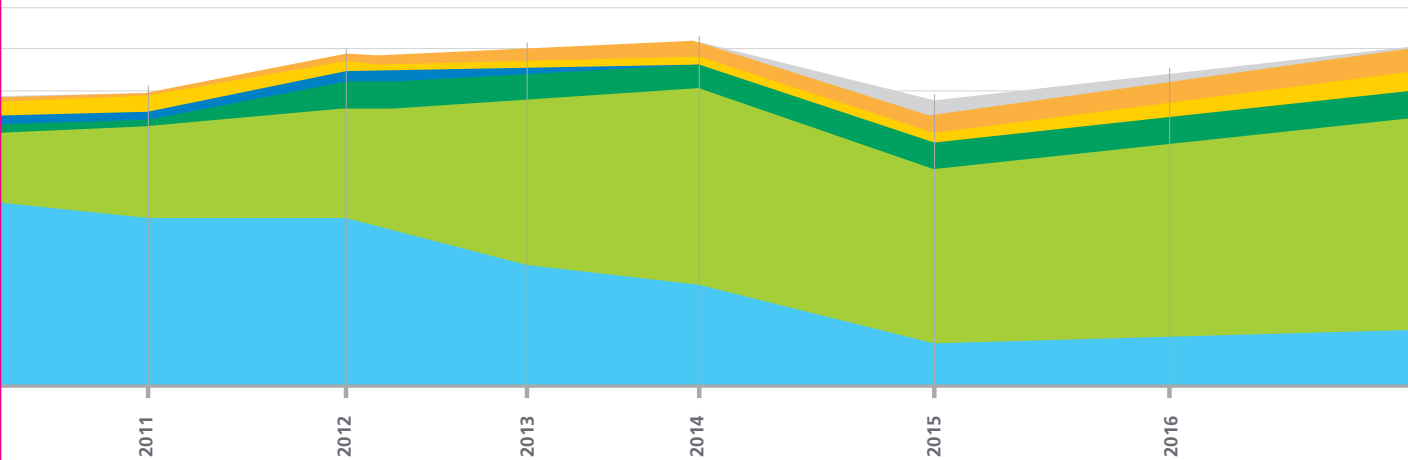
Johannesburg the financial heart of South Africa. A major portion of RBH's portfolio is invested in the financial sector

Financial capital continued



First stage of diversification of assets begins	RBH is formed				Diversification grows as excess capital invested in non-platinum assets
<p>RBF formed with the aim of diversifying and increasing the nation's sustainability by ensuring it is not totally reliant on its income from the mining sector and the platinum industry in particular</p>	<ul style="list-style-type: none"> RBR and RBF merged to form RBH which will manage the nation's entire investment portfolio RBN exchanges its royalties for a 12% shareholding in Implats, which is listed on the JSE RBH acquires 100% of Fraser Alexander, 26% joint venture in Metuba Engineering and Construction, a 51% equity interest in Hard Rock Mining through Royal Bafokeng Capital, a 25.1% stake in Pasco Risk Management RBH participates in the Libstar formation 	<p>RBH purchases:</p> <ul style="list-style-type: none"> shareholding in Zaptronix (providers of risk management services in the energy and mobile logistics field) 30% stake in Praxima (outsourced payroll and human resources services providers) 26% interest in MB Technologies (later increased to 55%) stake in logistics company DHL 12.5% interest in Metair (listed automotive component manufacturer) 25.1% interest in M-Tech (primarily provides services and solutions in the energy sector) RBH sells half of its interest in Libstar MOGS (Pty) Ltd formed 	<ul style="list-style-type: none"> RBH increases its shareholding in the BRPM JV to 67% 	<ul style="list-style-type: none"> RBH's shareholding in Zurich Insurance South Africa increased to 25.1% RBH and Thebe Holdings jointly acquire 5% in Vodacom SA, adding an interest in telecommunications to its portfolio 	<ul style="list-style-type: none"> RBPlat is formed, takes over management of BRPM JV and lists on the JSE (RBH's interest in listed entity is 52.8%) RBH further increases diversification through acquisition of: <ul style="list-style-type: none"> 10.5% shareholding in Atterbury Investment Holdings (an unlisted property fund) 5% interest in restructured RMB Holdings (RMBH) and 4.9% interest in Rand Merchant Insurance Holdings (RMIH)

● Telecoms ● Mining ● Financials ● Industrials ● Mining Services ● Property ● Infrastructure ● Other



		Diversification strategy confirmed in terms of Compact signed with RBNDT	Rollout of diversification strategy continues			
	<ul style="list-style-type: none"> RBH raises debt to further diversify and increase its investments in RMBH and RMIH to 15% in 2011 	<ul style="list-style-type: none"> Zurich Insurance Company South Africa sold 	<ul style="list-style-type: none"> Property investment Atterbury Investment Holdings lists on JSE as Attacq RBH increases its investment in Attacq RBH increases its shareholding in M-Tech to 50.1% RBH sells its investment in Astrapak and MB Technologies 	<ul style="list-style-type: none"> RBH acquires 16.7% interest in STANLIB infrastructure fund created to focus on renewable energy projects and infrastructure opportunities across Africa RBH follows its rights in the RBPlat rights issue RBH disposes of a portion of its Metair shares 	<p>RBH acquires:</p> <ul style="list-style-type: none"> an investment of R500 million in New Europe Property Investments (NEPI) 30% interest in JCDecaux SSA (formerly Continental Outdoor Media) <ul style="list-style-type: none"> RBH invests in two renewable energy projects in round III REIPP programme RBH enters into a Joint Venture with Zenprop UK, to explore property opportunities in the UK and continental Europe RBH completes its exit of Metair, disposes of its shareholding in Merafe Resources and reduces its shareholding in Attacq 	<p>RBH:</p> <ul style="list-style-type: none"> reduces its shareholding in Implants to 6.3% acquires a 1.87% stake in Big Yellow Group PLC, brand leader in the UK's self storage market concludes a partnership with the PIC, which now owns a 49% shareholding in MOGS Proprietary Limited RBH increases its investment in NEPI by R200 million

our performance continued

Financial capital continued

Our approach to investing

To meet our unique responsibility of having to provide the funding for the development needs of the Bafokeng community requires a prudent approach to our investment decisions. Our shareholder, the RBNDT, holds both our board and our executive team accountable for the implementation of our investment strategy.

Our investment and portfolio management activities are governed by our Policy for Sustainable Investment and Portfolio Management, which sets out our responsibilities, our investment decision-making process, the economic, social and governance (ESG) investment and management criteria we apply and the type of investments that RBH will not invest in. See page 59, 61 and 62 of the corporate governance section of this review for details of the policy.

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While we are active and participative shareholders, RBH does not involve itself in the day-to-day management of the companies in which it invests. Our executives are members of the boards of these companies and as such are able to influence both the strategy and governance of these businesses.

Our investment strategy commits us to long-term investment in like-minded companies with established track records, strong management teams and a competitive advantage. Paying a fair price for a top asset is part of our investment philosophy, rather than purchasing a lesser quality asset at an attractively low price. Our need to be prudent means we strive to protect and grow capital and do not invest in start-ups.



To achieve our strategic objective of diversifying our investments, both geographically and by asset class, we are increasing our investments in property, telecoms and infrastructure.

Property is an asset class that has delivered sustainable, growing dividend yields over decades. Our investments in New Europe Property Investments (NEPI), Zenprop and Big Yellow have not only increased our diversification into property, but have also increased the geographic diversification of our portfolio.

Increasing our diversification into infrastructure through our long-term investment in MOGS also increases our investment in the energy sector, which has considerable potential for growth in both South Africa and the rest of Africa (see the section on MOGS on pages 36 to 40 of this review for information on how well-positioned MOGS is both in South Africa and the rest of Africa in terms of providing oil and gas infrastructure).

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A strategic partnership which we concluded with the Public Investment Corporation (PIC) during 2016, through which the PIC acquired a 49% shareholding in MOGS Proprietary Limited, positions both MOGS' mining services and oil and gas services well to capitalise on the attractive opportunities that South Africa and the rest of Africa present. MOGS Mining Services (MMS) also has considerable potential to expand its delivery of mining services globally, through its subsidiaries that deliver services across the entire mining value chain (see page 40 of this review for more information).

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Investment review 2016

In 2006, when RBH was first formed, the gross asset value of our portfolio was R22.4 billion and we received R124 million in dividends. When the global financial markets crashed in 2008 the value of our portfolio was reduced from R28.7 billion to R17.8 billion. Our efforts to increase the resilience of our portfolio through diversification saw the gross asset value of our portfolio increase to R41.2 billion as at 31 December 2014. After a disappointing 20.5% fall in the gross asset value of our portfolio in 2015, due to a number of factors including global commodity prices falling on the back of slowing growth in China, we were able to achieve year-on-year growth in the net asset value of our portfolio of 16.2% to R29 billion in 2016.

We were delighted that, despite the continuing challenging economic and business environment, we were able to meet and exceed our dividend commitments to our shareholder in 2016 and we believe that our commitment to ongoing diversification will allow us to continue doing so.

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The graph on page 27, which compares the cumulative return performance of the RBH portfolio with the ALSI, shows that our portfolio of assets has outperformed the index since its inception in 2006.

Our performance in the various sectors

Financial services and consumer goods

Despite a challenging economic climate, our investments in the financial services sector continued to perform well.

RBH's financial services portfolio increased by 12% from R20.4 billion (2015) to R22.9 billion, representing 61.52% (2015: 62%) of the overall portfolio.

Rand Merchant Bank Holdings (RMBH) increased normalised earnings by 6% (2015: 9%) and produced normalised earnings of R3.9 billion (2015: R3.6 billion). FirstRand franchises FNB, RMB and WesBank all produced resilient operating results.

RMH Property delivered results within RMH's investment expectation. The RMBH interim dividend of 153.0 (2015: 142.0) cents per share increased by 8% (2015: 16%).

Rand Merchant Investment Holdings (RMIH) delivered a 12% increase in earnings for the six months ended 31 December 2016 on the back of a strong performance from OUTsureance which increased earnings by 23%, offsetting a slight decrease in earnings from MMI. RMIH kept interim dividends flat at 53 cents per share.

Property

Against the backdrop of an eventful 2016, RBH's property portfolio ended the year on 1.5% yield compared to 0.8% at the start of 2016. This was achieved through further disposal of our stake in Attacq, with the proceeds used to increase RBH's existing exposure in NEPI and Zenprop as well as a new capital allocation into Big Yellow, a self-storage company listed on the London Stock Exchange. These investments offer RBH further geographic diversification and rand hedge benefits.

Resources and industrials

RBH's resources portfolio increased by 16.7% from R4.8 billion in 2015 to R5.6 billion, representing 14.95% (2015: 13.95%) of the overall portfolio.

The FTSE/JSE Platinum & Precious Metals index increased by 50.5%, recovering from the significant decrease during 2015 driven by an increase in the average rand basket price of platinum producers for the year.

During the year, the Implats share price increased by 70.7%. This increase resulted in the value of RBH's investment in Implats declining by only 5%, despite the disposal during the year of 44% of the investment.

The value of our investment in RBPlat increased by 34% during the year, ending the year at R3.6 billion. In 2016, RBPlat announced its intention to partially accelerate the ramp up of the Styldrift I project that was slowed down during 2015 in order to preserve cash. The revised plan will see Styldrift I ramping up to 150ktpm by the end of 2018.

our performance continued

Financial capital continued

Infrastructure

The RBH infrastructure portfolio currently has 84.1% exposure in energy assets and 15.9% in private public partnerships (PPPs). The portfolio increased by 44% in the last year, due to the increased valuation of Adams Solar, Electra Solar and Divalopalo Concession as they reached commercial operations in 2016. The contribution of the infrastructure portfolio to the total RBH portfolio increased from 0.7% to 2.4% from 2015 to 2016.

In 2016, RBH was also part of the consortium that was awarded preferred bidder status under the Coal Baseload IPP programme for the 600MW Coal Fired power project.

Lastly, RBH acquired two renewable energy assets from Aveng Capital Partners, Sishen Solar and Gouda Wind, during 2016 with the financial close being reached in February 2017.

Transactions

RBH and Liquid Telecom announced an agreement to acquire Neotel: Creating the first pan-African fibre player

- RBH has committed to take up to a 30% equity stake in Neotel
- Transaction will create the largest pan-African broadband network and B2B telecoms provider
- Transaction closed in February 2017

RBH acquires equity stakes infrastructure assets:

- 138MW Gouda Wind farm is one of the largest wind farms in the Western Cape
- 74MW Sishen Solar Photovoltaic Plant in the Northern Cape
- Transaction closed in February 2017

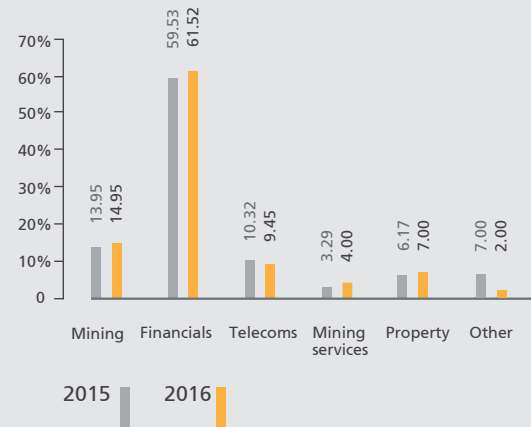
RBH together with Kepco wins bid in DoE's Independent Power Producers Procurement Programme

- RBH, through the Thabametsi project, has partnered with Marubeni and Kepco to deliver on the much-needed baseload capacity in South Africa
- RBH is a 15% shareholder in the project
- Thabametsi and Khanyisa will collectively add 863.3MW to the country's grid.

Sunrise Energy

- An infrastructure project aimed at addressing liquefied petroleum gas (LPG) shortages in the Western Cape region
- The terminal will transform the energy mix in the Western Cape and further afield, allowing for cheaper alternatives for domestic thermal applications
- Project will be operational on 1 May 2017

RBH portfolio diversification



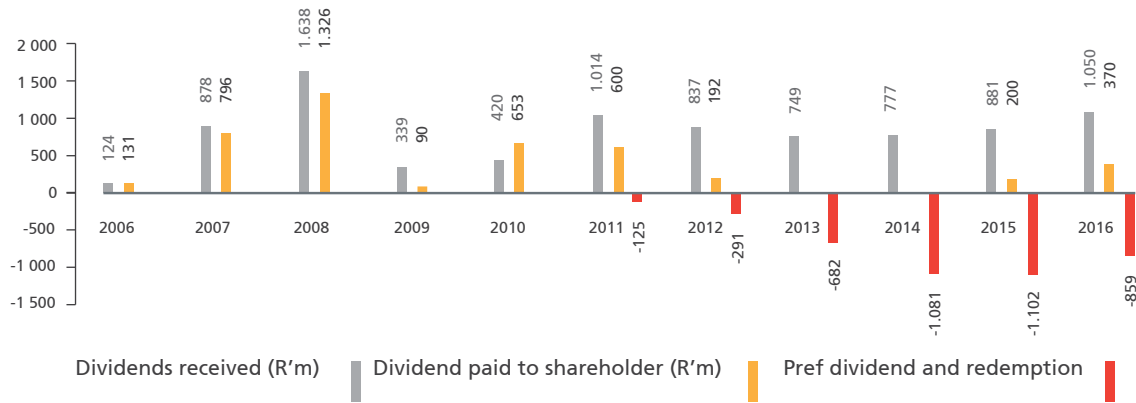
MOGS Oiltanking

- MOGS has partnered with Oiltanking GmbH to develop a world-class commercial crude oil terminal facility in Saldanha Bay
- 13.2 million barrel secure facility to be aligned with the highest technical, operational and environmental standards
- Construction currently underway

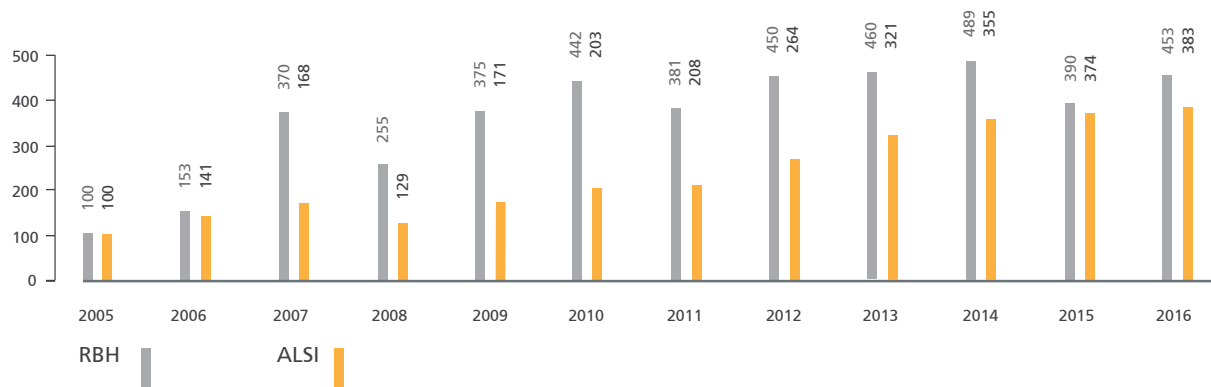
RBH acquires 1.9% of Big Yellow Group - the second largest self-storage company by number of stores in the UK, with a market cap of around GBP1 billion

- Big Yellow presents a highly attractive opportunity for RBH as it is a high-yielding asset investment with strong cash flow-generative capabilities coupled with exceedingly defensive characteristics.

Dividend flow










Cumulative total return performance (Indexed to 100 in 2005)




our performance continued

Financial capital continued

Our portfolio as at 31 December 2016

MINING		14.95% of gross assets
 <p>IMPLATS Distinctly Platinum</p>	<p>www.implats.co.za Actual interest 6.3%</p>	<p>Implats is one of the world's largest producers of platinum and associated platinum group metals (PGMs) producing approximately 25% of the world's PGM supply. It mines, refines and markets PGMs, nickel, copper and cobalt from its operations in South Africa and Zimbabwe.</p>
 <p>ROYAL BAFOKENG PLATINUM MORE THAN JUST MINING</p>	<p>www.bafokengplatinum.co.za Actual interest 51.74%</p>	<p>Royal Bafokeng Platinum (RBPlat), a shallow depth platinum miner of Merensky and UG2 reefs, is an independent black-controlled company listed on the JSE (RBP), which operates the Bafokeng Rasimone Platinum Mine (BRPM), the BRPM JV concentrator and is constructing the Styldrift I project.</p>
FINANCIAL SERVICES		61.52% of gross assets
 <p>RMB HOLDINGS</p>	<p>www.rmbh.co.za Actual interest 15.0%</p>	<p>A focused investment company with a 33.9% stake in leading banking group FirstRand, which includes the following financial services franchises: Rand Merchant Bank, WesBank, Ashburton Investments and First National Bank.</p>
 <p>RMI HOLDINGS</p>	<p>www.rmih.co.za Actual interest 15.0%</p>	<p>RMI Holdings is a separately listed investment holding company. It holds a diversified portfolio of strategic investments in some of South Africa's premier insurance brands. Its investments include MMI Holdings (Momentum and Metropolitan), Discovery, OUTsurance and RMB Structured Insurance.</p>
TELECOMS		9.45% of gross assets
 <p>vodacom</p>	<p>Vodacom (Pty) Ltd (unlisted subsidiary of Vodacom Group Ltd) www.vodacom.co.za Actual interest 2.0%</p>	<p>A leading mobile telecommunications company providing voice, messaging, data and converged solutions. In South Africa Vodacom SA reported having 34.2 million active customers in 2016.</p>
INFRASTRUCTURE		0.95% of gross assets
 <p>STANLIB</p>	<p>STANLIB Infrastructure Fund Actual interest 16.7%</p>	<p>The key focus of the STANLIB infrastructure 10-year close-ended fund is renewable energy, as well as opportunities in water, power, transport, telecommunications and oil and gas infrastructure projects. The bulk of the fund will be channelled into South African infrastructure projects under development, with the remainder to be invested across sub-Saharan Africa.</p>
 <p>Enel Green Power</p>	<p>Aurora and Paleisheuvel projects Actual interest 30.0%</p>	<p>RBH is invested in two Enel-sponsored solar PV renewable energy projects, Adams Solar PV Project Two (Pty) Ltd (Aurora) and Electra Capital (Pty) Ltd (Paleisheuvel). Both projects became commercially operational during 2016 and are currently feeding into the national grid.</p>

PROPERTY		7.22% of gross assets
	www.attacq.co.za Actual interest 7.53%	Attacq is a leading South African capital growth fund in the real estate sector, which holds property assets in South Africa, the rest of Africa and Europe. It focuses on sustainable capital appreciation through the development and ownership of a balanced portfolio of properties with contractual income streams. Capital appreciation is supplemented by development and redevelopment profits made within the company.
	www.zenprop.co.uk Actual interest 50.0%	RBH has established an exclusive partnership with Zenprop UK, a leading real estate advisory, development and management business with investments in niche property classes across the UK and continental Europe. RBH made an initial equity investment commitment of £26 million to this partnership which was increased to GBP 50 million in 2016.
	www.nepinvest.com Actual interest 1.61%	NEPI plc is a commercial property investor and developer listed on the main board of the Johannesburg Stock Exchange Limited (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE). RBH has invested R500 million through a capital raise on 5 October 2015. RBH invested an additional R200 million through another capital raise in July 2016.
	www.bigyellow.co.uk Actual interest 1.87%	Big Yellow PLC is the United Kingdom's brand leader in self storage, operating from 89 stores with a current maximum lettable area of over 490 m ² .
MINING OIL AND GAS SERVICES		4.43% of gross assets
	www.mogs.co.za Actual interest 51.0%	MOGS Oil and Gas is a South African-based company created in 2007 to invest in oil and gas infrastructure and services businesses in Africa and the Middle East.
	www.mogs.co.za Actual interest 51.0%	The MOGS Mining Services Group is invested in nine businesses, which together offer an integrated mining services platform.
OTHER		1.49%* of gross assets
	www.jcdecaux.com Actual interest 30.0%	JC Decaux is the number one outdoor advertising company worldwide, leading in Europe, Asia-Pacific, the Middle East and Latin America with 1 078 370 advertising panels in more than 70 countries.

The information on these pages is drawn from information available on corporate websites during December 2016

* includes cash and other investments less than 1% of the portfolio.

our performance continued

Financial capital continued

Portfolio composition

(R million)	% contribution to RBH Portfolio	2016	YoY % change	2015	YoY % change
Market value of listed investments	82.0	30 631	13	27 023	-27
Impala Platinum	5.3	1 975	-5 ⁽¹⁾	2 081	-67
Royal Bafokeng Platinum	9.7	3 608	34	2 701	-49
RMB Holdings	37.6	14 061	19	11 776	-14
RMI Holdings	23.7	8 870	3	8 627	-5
Attacq Limited	2.6	953	-19 ⁽²⁾	1 180	-32
New Europe Property Investments (NEPI)	2.2	821	25 ⁽³⁾	659	-
Big Yellow Group	0.9	343	-	-	-
Merafe Resources (Disposed)	-	-	-	-	-
Metair (Disposed)	-	-	-	-	-
Directors' valuation of unlisted investments	17.6	6 566	14	5 767	35
Gross asset value excluding cash	99.6	37 197	13.4	32 789	-20.1
Cash (realised from disposals and dividends)	0.4	160	-	1 486	-
Less: Liabilities		8 338	-10.3	9 293	2
Net asset value		29 019	16.2	24 982	-22.8

(1) The actual performance of the share price was 70.7%, the -5% move for the year is as a consequence of RBH disposing a portion of its stake in the asset during 2016

(2) The actual performance of the share price was -7.4%, the -19% move for the year is as a consequence of RBH disposing a portion of its stake in the asset during 2016

(3) RBH made a further investment in NEPI in 2016, the blended performance was -4.4%

2014	YoY % change	2013	YoY % change	2012	YoY % change	2011
36 969	6	34 847	1%	34 352	16%	29 505
6 298	-38	10 223	-27	13 938	0	13 909
5 341	-3	5 526	3	5 385	5	5 151
13 624	33	10 238	19	8 618	49	5 781
9 106	49	6 117	33	4 586	54	2 986
1 733	24	1 402	96	714	11	643
677	15	591	19	497	-25	663
190	-	750	22	613	65	372
4 263	-6	4 521	-13	5 201	-5	5 456
41 232	6,3	39 368	0	39 553	13	34 960
243		-				
9 103	-3	9 385	-6	9 986	-3	10 251
32 372	0	29 983	1	29 654	20	24 709



our performance continued

Financial capital continued

Our investments in the financial services industry, have grown from 33% of our portfolio in 2012 to 62% in 2016, a 29% increase giving us an absolute compound annual growth rate of 14.2%.

The strategies applied by these businesses complement RBH's strategy of diversification by sector and geography.

RMH

RMH, well known for its entrepreneurship, innovation and value creation, was listed on the JSE in 1993. Its insurance interests were listed separately as RMIH in 2011. Its three-tiered investment strategy, which it believes ensures superior returns by way of sustainable dividends and capital growth (see performance on page 25), includes diversification geographically and by business and product; optimisation through the design of the group and its capital structure to provide optimal returns to shareholders and to create a platform for potential value-adding mergers and acquisitions or fundraising opportunities; and modernisation through identifying and assessing new businesses, technologies and trends that complement RMH and the companies in which it invests.

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RMH's banking interests through FirstRand, which operates in South Africa and the broader African continent, include:

- First National Bank (www.fnb.co.za), which operates in the retail and commercial segments
- RMB (www.rmb.co.za) which operates in the corporate and investment banking segments
- WesBank (www.wesbank.co.za) which provides instalment finance in the retail, corporate and commercial segments
- Ashburton Investments (www.ashburtoninvestments.com), a new generation investment manager bringing together the expertise from across FirstRand.

During 2016 RMH expanded its investments to create a wholly-owned property investment business, which meets its stated objective of creating shareholder value and further diversifying RMH's earnings base as it invests across the breadth of the property value chain.

RMIH

RMIH takes material stakes in financial services investments, becoming a long-term partner that allows management teams the individuality to operate their businesses as owners. Its investments in listed companies are:

Discovery (25% shareholding) founded in 1992 as a specialist health insurer it has operations in the healthcare, life investment and wellness markets. Discovery operates in South Africa, Australia and the USA.

MMI (25% shareholding) formed through the merger of Momentum and Metropolitan the core businesses of MMI are investment, healthcare administration and employee benefits. It operates in 12 countries outside South Africa. Its growth and diversification plans include looking at acquisitions and organic growth opportunities in the broader South East Asian regions.

Its unlisted investments include:

OUTsurance (83% shareholding) a direct personal line and small business short-term insurer.

RMI Investment Managers (100% shareholding) establishes, partners and grows world-class asset managers and investment teams by acquiring equity in boutique independent asset managers. RMI IM through its recently launched affiliate investment manager

model invests in and partners with independent investment managers and specialist investment teams with the aim of helping asset management businesses grow.

Alpha Code (100% shareholding) is an innovation hub, growing next generation financial services entrepreneurs with the aim of building the broader entrepreneurial sector. (see the case study on page 52 for the story of two entrepreneurs supported by Alpha Code).



Driving transformation in the financial services industry

A major challenge facing the South African asset management industry is transformation, with black asset managers still only having around 5% of assets under management in the country. This is despite many large pension funds, particularly those of state-owned enterprises, having imperatives that they need to meet in terms of giving mandates to black-owned companies. It has nevertheless been difficult for these asset managers to gain a major foothold.

During 2016 RBH and RMI, with the aim of supporting and facilitating the transformation of the South African asset management industry, formed Royal Investment Managers (Royal), in which RBH and RMI each have a 45% shareholding with Royal's black management team owning the remaining 10% shareholding. The aim of RIM is to partner with predominantly black-owned asset managers and support their growth and sustainability.

During 2016 RIM completed its first transaction when it purchased a 25% shareholding in Sefikile Capital, an investment management firm with a singular focus on listed property on behalf of institutional and retail investors.

Sefikile Capital has built up an exceptional reputation in a very short space of time, which makes the transaction significant for both parties and will boost Sefikile's plans to grow its global and retail business.



CEO of Royal, Kabelo Rikhotso (right) and Snowy Masakale (Left)

our performance continued

Manufactured capital

Royal Bafokeng Platinum



RBPlat has certainly shown during this very challenging period for our industry that it is a sustainable business well-equipped to survive tough times.

*Adv Kgomoiso Moroka
Independent chairman of RBPlat*

RBPlat, a mid-tier platinum group metals (PGMs) producer, controls and operates the BRPM JV, a shallow long-life Merensky-biased operation. RBH has a 52% shareholding in RBPlat, which is the first and only community-owned company to list on the JSE. RBPlat in turn has a 67% shareholding in BRPM with Rustenburg Platinum Mines (RPM) owning the remaining 33%. Its operations consist of BRPM, an existing mine where it accesses the ore reserve via the North and South shaft decline complexes at a depth of less than 500 metres; and Styldrift I, a new mechanised underground mine, which it is developing at a depth of 758 metres. In terms of RBPlat's current development plans Styldrift I will produce an average of 50 000 tonnes per month (ktpm) in 2017, ramping up to 150 ktpm by the end of 2018, which will secure the optimal level of Merensky production for RBPlat without the need to incur the significant expenditure required to process production beyond this level.

Key facts

- RBPlat employed 7 400 people at 31 December 2016 (permanent employees and contractors)
- RBPlat enjoys labour and union stability
- 93.5% of the members of its workforce are historically disadvantaged South Africans (HDSAs)

- 54.5% of the members of its board are HDSAs
- 55.6% of the members of its senior management team are HDSAs
- RBPlat has invested R493 million in the training and development of its workforce since its inception in 2010
- R36.0 million spent on RBPlat's SLP commitment in 2016 (2015: R74.6 million)
- R251.1 million invested in its employee home ownership scheme to date

Overview

While it did not achieve all its targets in 2016, RBPlat performed well in a difficult operating environment in which the demand for PGMs, impacted by the slowing of the Chinese economy, remained depressed globally.

The tough decision RBPlat took in 2015 to scale down development at Styldrift I to preserve cash and maintain a strong balance sheet, during what amounted to a crisis for the South African platinum industry, certainly served it well during 2016.

RBPlat ended the year with:

- EBITDA of R489.7 million (64.4% increase year-on-year)
- R585.3 million in cash generated by operating activities (2015: R619.2 million)
- R835.5 million in cash reserves (2015: R917.6 million)
- 74% of the BRPM JV's capital requirements being funded from excess cash flows from its BRPM operations and Styldrift I on-reef development.

It achieved:

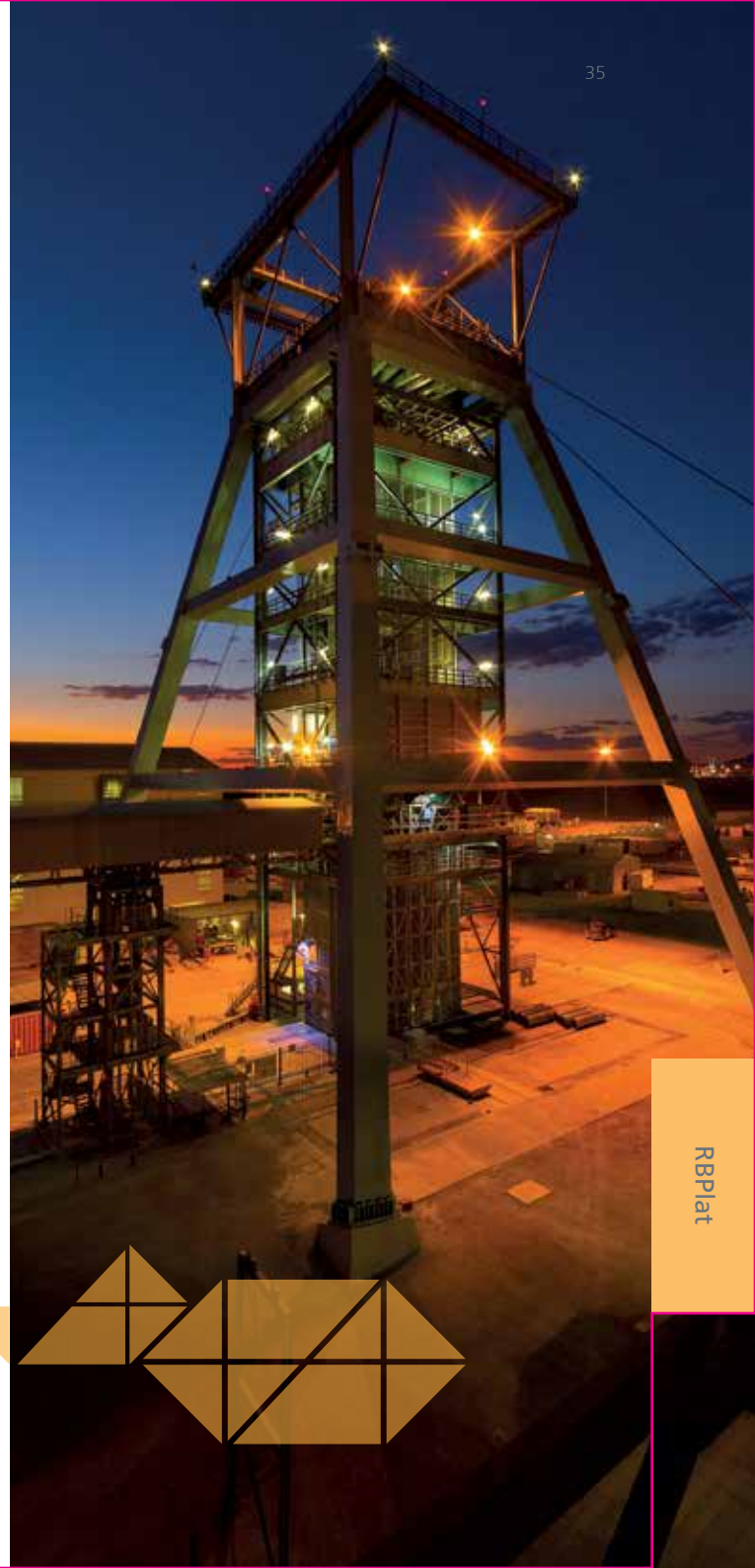
- steady progress with the Styldrift I build-up to 50ktpm
- 12.3% increase in total tonnes delivered (lengthy safety stoppages in August 2016 affected production by 59kt)
- 9.4% increase in 4E (platinum, palladium, rhodium and gold) ounces delivered
- 10.4% increase in unit cash cost per tonne milled to R1 177 (2015: R1 066)
- 7.8% increase in unit cash cost per Pt ounce to R15 639 (2015: R14 504)
- a Carbon Disclosure Project (CDP) A grade for water management - one of only 24 global leaders in water management to achieve this recognition
- 40.5% decrease in its potable water usage year-on-year
- 7.8% reduction in its carbon intensity
- 5.6% increase in total energy consumption as a result of increased activity at Styldrift I.

Health and safety

RBPlat was able to make good progress on its journey towards achieving a resilient safety culture and zero harm. It achieved a 31.5% improvement in its total injury frequency rate (TIFR) and a 40.3% decrease in total injuries (116 injuries) during 2016. Regrettably, RBPlat did not achieve its goal of no fatalities as there was one fatal accident in its operations in 2016. It also achieved a reduction in its TB incidence rate to 767/100 000 from 937/100 000 in 2015.

Market outlook

RBPlat expects market conditions in 2017 to be similar to those experienced in 2016. As a result, its focus will remain on the four pillars of its strategy which continue to be effective.



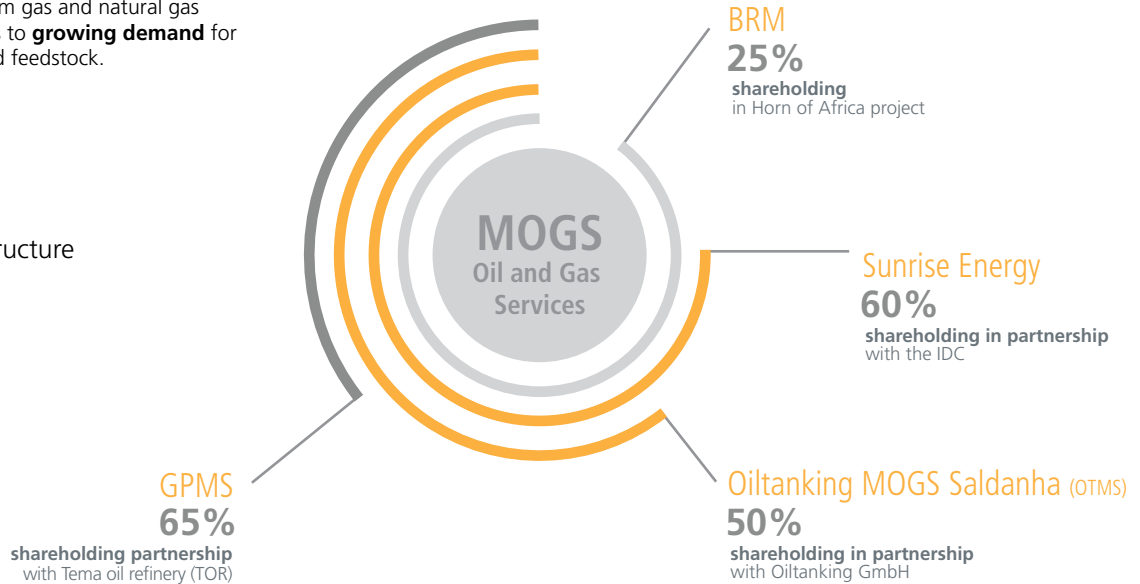
our performance continued

Manufactured capital continued

Our **vision** is to build MOGS Oil & Gas (MOGS O&G) into **the premier independent Pan-African oil and gas infrastructure player** over the next five to ten years.

MOGS Oil and Gas Services' objective is to **own** and **operate** medium to large scale oil and gas infrastructure and service companies, **connecting** the supply of petroleum, liquid petroleum gas and natural gas products to **growing demand** for fuels and feedstock.

Our structure



Building the premier Pan-African oil and gas infrastructure player

Current geographical exposures through assets and/or development projects

Mining Oil and Gas Services (MOGS) was originally created by RBH in 2007 with the aim of diversifying its investment portfolio through the acquisition of synergistic mining, oil and gas services businesses. Today, it consists of two strategically important divisions: MOGS Mining Services (MMS) and MOGS Oil and Gas Services. Most of MOGS' businesses require patient capital, while the infrastructure projects of MOGS Oil and Gas Services also require an equity partner with a strong balance sheet who shares RBH's vision of investing in assets that will generate sustainable financial returns while contributing to the growth of Africa's oil and gas infrastructure. This makes the PIC an ideal partner in this venture.

While energy security is a priority in Africa, the oil and gas infrastructure in most African countries remains underdeveloped. Historically, African oil and gas infrastructure was either owned by government, government-mandated companies or the owners of the commodities (oil majors or traders). The opportunity puts MOGS Oil and Gas in a niche position to become an independent provider of oil and gas infrastructure in Africa. MOGS Oil and Gas Services is well positioned to take advantage of this opportunity.

Our strategy

Currently, our business strategy is focused on delivering and running long-term infrastructure with a balance of developing new projects and existing operating assets. To deliver on our strategy we invest in, own and operate pipelines, terminals, storage and other key building blocks in the energy value chain. We derive our income from throughput tariffs and management/operator fees.

Our business model is based on the concept of providing open access. We provide infrastructure and services to operators, including the owners of the fuel, traders, importers, distributors, governments and government-owned entities. We do not own or trade oil and gas products. In line with our strategy we are in the process of delivering on our current projects, Sunrise Energy, OTMS and GPMS.

We partner with world leaders in the provision of technical and operating expertise in oil and gas infrastructure and facilitate the transfer of knowledge and skills and the development of new small and medium-sized enterprises.



our performance continued

Manufactured capital continued

Current projects and partnerships



Sunrise Energy

Sunrise Energy, a world-class LPG import terminal facility (built to the highest safety standards) at the west coast port of Saldanha Bay, will create an improved, cost-effective energy mix and reduce the ongoing LPG supply shortfall in the Western Cape initially and the southern Africa region in the longer term.

Its storage capacity of **5 500 tonnes** allows for the **monthly throughput of 17 500 tonnes** of LPG.

Its **open access facility is readily accessible** to all third party LPG importers, distributors or bulk consumers and will facilitate the provision of LPG to the market at competitive pricing (within NERSA regulated tariffs).

Sunrise Energy **provides terminal services and does not own or trade LPG** products.



The social benefits of the project

The construction of the terminal's storage bullets supported local procurement and enterprise development as they were manufactured locally in the Saldanha Bay region – Kusile Gas, a black female-owned bottling plant established on the Sunrise Energy site, is part of Sunrise Energy's enterprise development initiative. This initiative, which prioritises inclusion and the growth of small, medium and micro enterprises (SMMEs) is an example of real transformation.

During its construction Sunrise Energy created 500 jobs with 90% of those employed coming from the host community in Saldanha. All the materials used during the construction phase, except for the steel, were sourced in South Africa.



Oiltankingmogs

MOGS began developing the concept of a crude oil storage and blending facility in Saldanha in 2011.

We were later approached by Oiltanking GmbH who wished to acquire a 50% stake in the project and the transaction with Oiltanking was concluded in mid 2013.

Construction of the project, which includes the construction and operation of an oil storage and blending tank farm, began in the fourth quarter of 2016. Budget for the project is R2.6 billion.

One of the largest construction projects of its kind in South Africa to date has funding support from the Industrial Development Corporation (IDC) and Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG). The first four tanks will be delivered mid 2018 and, due to the level of interest in the project, capacity is almost all taken up.

By providing crude oil blending services and storage the terminal will allow third parties such as crude oil producers, traders and refiners to:

- bulk build West African and other crude oils for onward bulk shipment
- store West African, South American and Middle Eastern crude oils to balance production and offtake
- store crude oil for economic and speculative reasons
- blend crude oil to meet market requirements.

The project's assets and licences are owned by OTMS of which we own 50%.

gpms

Ghana Petroleum Mooring Systems (GPMS)

Ghana Petroleum Mooring Systems (GPMS), situated in Ghana, is responsible for operating and maintaining the offshore mooring systems, the Port of Tema oil berth, associated pipelines and all ancillary facilities for the unloading and transportation of crude and refined petroleum products. These import facilities handle the majority of Ghana's crude oil, petrol and diesel imports.

MOGS (65%), in partnership with the Tema Oil Refinery (35%), owns GPMS, which operates the facility under an exclusive concession agreement from the Ghanaian Government. The GPMS facilities operate on an open access basis, servicing the bulk distribution companies and Tema Oil Refinery, on a throughput tariff basis. The facility handles in excess of 4.5 million metric tonnes of petroleum products per annum, with growing local demand growth prospects are promising.

In line with the MOGS Oil & Gas strategy, GPMS represents another oil and gas operating asset and one of the first outside the borders of South Africa.

our performance continued

Manufactured capital continued

MMS Group

The MMS Group consists of nine predominantly mining services companies in which MOGS has a shareholding of between 50.1 and 100%.

MMS is the leading black-owned provider of value-adding services and products to the mining industry in South Africa, Africa and globally.

The size of the companies in our group varies considerably from The MSA Group, M-Tech and Battery Electric, with employee complements of fewer than a hundred people, to Elbroc, Stopetec, Trident and Geoserve that employ between 100 and 200 people; and Booyens Bore which employs more than 300 people; and finally, to Fraser Alexander which, with over 4 000 employees, dwarfs the other companies in our group.

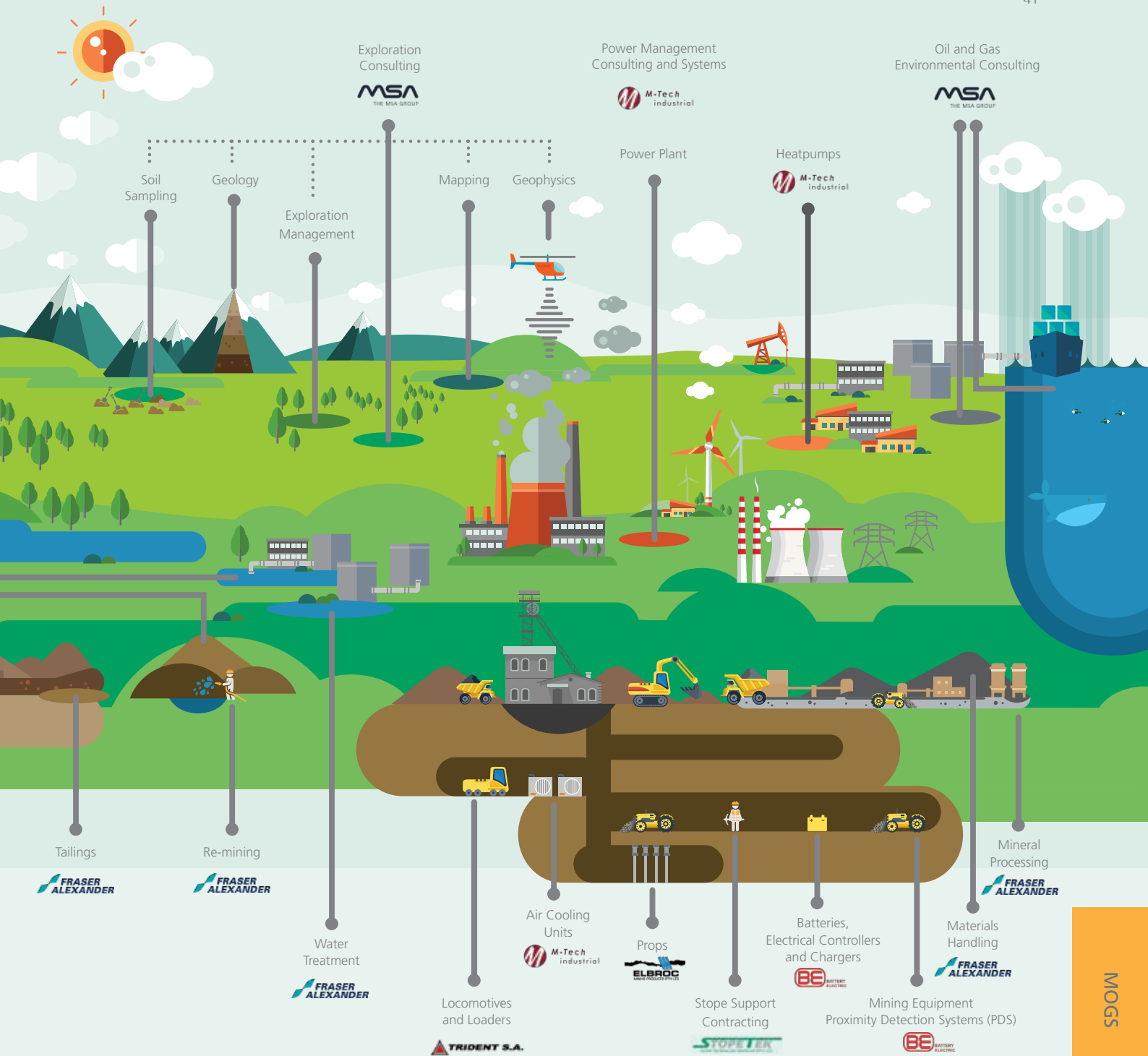
While our group comprises synergistic businesses that all service the mining sector, they offer a diverse range of services and product offerings, which include consulting, product manufacturing and contracting throughout the mining industry and into the energy sector.

Outlook

We are confident that with improving commodity prices and a better economic outlook globally, MMS will be able to improve its profitability in 2017 and going forward.

Services across the mining value chain





our performance continued

Human capital

mabogo dinku a thebana — together we can

Our approach to managing our people

Our approach to human capital management is based on international best practice and encompasses our commitment to upholding the United Nations Declaration of Human Rights and the International Labour Organisation's Declaration of Fundamental Principles and Rights at Work.

Our human capital manager, who reports to the chief executive officer, is responsible for the development of our human capital strategy and its alignment with corporate strategy, employment policies and procedures, and talent management and succession planning requirements.

Our employee value proposition

Our focus is on retaining and attracting employees by ensuring we understand their needs and work preferences.

RBH is committed to rewarding its employees fairly, while ensuring our rewards are linked to performance. We incentivise performance through medium- and long-term incentive structures. We regularly benchmark our remuneration to ensure it is market related. Our reward philosophy is transparent and employees are aware that rewards are linked to performance. Our employees' performance is managed and tracked through bi-annual performance reviews and ongoing informal performance conversations between managers and their team members throughout the year are encouraged.

Diversity

We take into account that our employees are different ages and that they come from different cultural backgrounds when designing the benefits we provide and the culture we would like to create at RBH. The fringe benefits we offer our employees, in addition to the legally mandated benefits, include medical aid, retirement benefits, study assistance and bursaries, as well as group life and disability cover and flexible working hours.

Our employees are the key determinant of our success. Through our ongoing engagement with our employees we share RBH's vision, values and culture and the terms of our Compact with our shareholder.

Key statistics

- During 2016 our number of employees increased by 11% to 29 people (2015: 26)
- 62% of our employees were women
- 93% of our employees were black
- 71% of our senior managers were black
- 100% of our middle managers were black
- 3.4% voluntary turnover of employees in 2016

Training and development

- 48% of our employees received training during 2016
- 58% of those trained were members of our management team, 21% were semiskilled and 21% were unskilled



Employee wellness

RBH recognises that healthy employees are an advantage to our business because it means that our employees are fit to work at their full potential and absences due to sickness are reduced. Our wellness programme, facilitated for RBH by ASI, is aimed at encouraging employees to maintain a healthy lifestyle, enhance their quality of life, reducing absenteeism and increasing productivity and performance. As part of our commitment to the health and wellness of our employees, RBH in partnership with Discovery Health also runs a wellness day annually during which basic health screening and advice on nutrition, etc is provided, as well as guidance on the medical aid plan best suited to an employee's needs.

The 'Class of' programme

RBH runs a graduate programme termed the "Class of" programme. This is a 12-month internship initiative aimed at recruiting and placing graduates who have successfully completed tertiary qualifications across various study disciplines. They are mainly placed in other RBN entities and companies in which we invest. Between 2010 and 2016, of the 131 who participated in the 'Class of' programme, 72 were given permanent positions in the companies in which they completed their internships and others found employment elsewhere, 12 were given fixed term contracts, 24 internship contracts were extended. Only 23 were not placed. In 2016 there were 22 participants in the 'Class of' programme of which 15 were females.

The Thutopele learnership programme

Thutopele means education first. The programme was first launched in September 2014 where matriculants were offered a NQF level 3 Bookkeeping course.

In 2015 the programme continued with the learners being offered a NQF level 5 Association of Accounting Technicians (AAT) qualification. Sixteen learners successfully completed the programme.

The programme was run by Oxbridge Training. We would also like to thank the Royal Bafokeng Institute's engineering school for accommodating the Thutopele learners.

Through these initiatives we are helping build the future of the Bafokeng community.

our performance continued

Human capital continued

Case study



Meet our 'Class of' interns who became RBH employees Mpho and Lethabo, both interns on the 'Class of' programme, were placed with RBH between 2014 and 2016.

Mpho Nethonzhe

When Mpho Nethonzhe completed school the only guidance she had in terms of what career she should choose was the coverage Marketing got in the newspapers she read. That's what guided her to enrol for and complete a National Diploma in Marketing at the Tshwane University of Technology. After working as a peer educator and a retail associate she was accepted onto the 'Class of' programme as a stakeholder relations intern with RBH in 2015. In 2016 she was placed in stakeholder communication in a stakeholder relations role. In 2017 she was offered a permanent position and today she is the sustainability officer responsible for RBH's corporate investment and enterprise and supplier development programmes. Her time at RBH has convinced her that her choice of career is the right one for her.



Lethabo Mogopodi

Lethabo Mogopodi's journey into BCom Accounting was not an easy one. Because he also had no career guidance and had never been exposed to the world of business he was very unsure of what he should study. What also didn't help was that he had been advised to do maths literacy for matric. The 98% he got for maths literacy didn't gain him entrance to a BCom and he was enrolled in a one year bridging programme to study applied maths in business and economics. Having completed his degree he struggled to find his first job, which didn't give him much scope to apply what he had learned.

He was about to enrol with UNISA to study to become a chartered accountant when he was accepted onto the 'Class of' programme as an intern working with the investment team in 2014.

He told us how overwhelming but exciting it was to be given the opportunity to stretch himself and try and do things he had never done before. His experience with the investment team at RBH helped him realise that he had found his niche in investments. In July 2015 he was appointed as Investment Analyst at RBH and he is studying to become a Chartered Financial Analyst.

Post internship

When they were asked about what being interns at RBH had meant to them, both Mpho and Lethabo said that the support and guidance they got from their mentors and the opportunities and encouragement they were given to try new things were the best part of their experience as interns. Today, they both speak excellent English, but they recalled of how hard it was to manage their tertiary studies and the move into corporate speak, when they had little experience of speaking English.

Lethabo spoke of being aware of the responsibility he has as an investment analyst at RBH where the decisions our investment team make can affect the future of the RBN. He is also very honoured to be part of the team that can make a difference for future generations of the RBN.

Mpho loves working with people and is thrilled to be part of the team that ensures that learners receive the career guidance counselling that she lacked, is giving learners the opportunity to improve their maths through its maths programme and is also helping local businesses to grow. Lethabo also participates in the career guidance sessions arranged by RBH. They are both able to share the challenges they faced, help learners make informed choices and be better prepared for the challenges of tertiary education and the world of work.

our performance continued

Intellectual capital



Intellectual capital is defined as organisational knowledge-based intangibles, including intellectual property, tacit knowledge, systems, procedures and protocols. As such our stock of intellectual capital, which underpins and enables everything we do, is difficult to measure.

We have identified the key element of RBH's intellectual capital as being:

- The skills and experience of our investment team and support functions
- Our ability to establish and maintain successful relationships with our stakeholders (refer to page 11 and 64 of this review for details)
- Our ability to adapt to a rapidly changing business environment, reinvent ourselves, achieve cost efficiencies and the courage to make tough decisions
- Strategies, policies, procedures and codes that govern how we do business
- Investment in our people and the community
- Robust and fit for purpose computer systems
- The use of technology and innovation to support the achievement of our strategic objectives.

11

64

Social and relationship capital

The RBNDT spends an estimated R400 to R600 million annually on the social transformation of *Morafe* (community). This expenditure is in line with the nation's priorities, summed up in the Tswana idiom *Bana ba motho ba kgaogana tlhogwana ya tsie* (The little that we have, we have to share among each other).

RBH's primary purpose is to contribute to the funding of the RBN's socio-economic development by delivering sustainable income from and growth of the assets the nation has entrusted to us. We also have a role to play in enhancing the spend of the RBNDT and in unlocking our partners' funding of social transformation.

To this end we have committed to:

Partner	with those entities that are like minded and have a transformative agenda
Maintain	our transformed and long-term investment partner of choice status, adding both strategic and commercial value to our investee companies, partners and the RBN community
Facilitate	the creation of long-term sustainable community upliftment initiatives for the RBN while remaining aligned to the requirements of the BBBEE Codes of Good Practice
Build	brand advocacy through our social and business engagements



Samuel Lebabo, Thapelo Diale and Gordon Sekano, who run our maths programme at Thethe Secondary School

our performance continued

Social and relationship capital continued

Driving our social transformation strategy

Skills development

Positioning youth and graduates for EMPLOYMENT OPPORTUNITIES

Brand and social advocacy

Promoting BRAND OWNERSHIP as a reputation-building element

Economic participation

Facilitating opportunities for JOB CREATION

Empowered entrepreneurs and suppliers

Enhancing ACCESS TO INFORMATION and PLATFORMS to provide better market opportunities

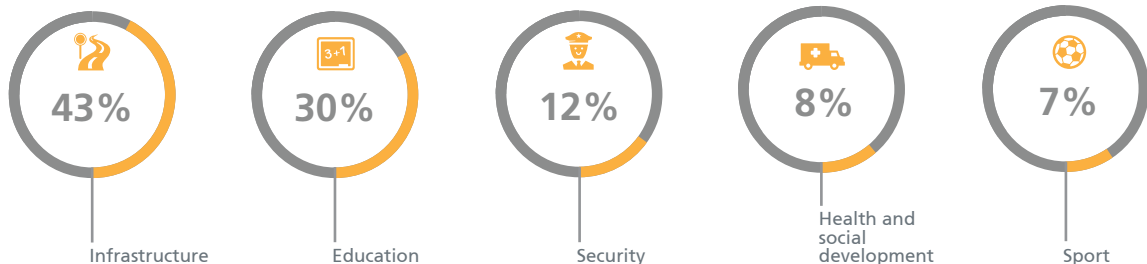
During 2016, we relooked our approach to social transformation and laid the foundations for an integrated approach through targeted investments in:

- education and skills development
- supplier and enterprise development
- preferential procurement.

The three-year social transformation plan we will be implementing between 2017 and 2019 will remain focused on these three areas. To ensure our projects and partnerships are achieving our objectives we will continually monitor and evaluate their effectiveness.

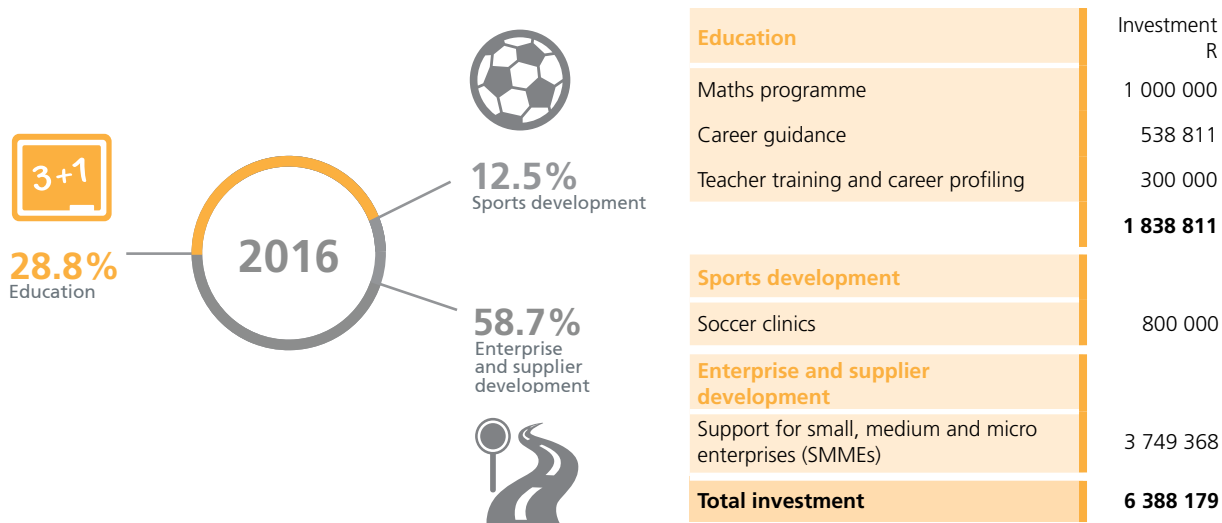
The social investment of the RBNDT and RBH in 2015 – 2016

The allocation of RBNDT's spend of R601 million in 2015*



*These percentages exclude support costs

The allocation of RBH's social investment in 2016



This social contribution:

- 50 • paid the salaries of three maths teachers at Thethe Secondary School (see the case study on page 50 of this section of this review)
- provided career guidance counselling at eight Bafokeng high schools
- provided teacher training and career profiling for 2 677 grade 9-12 learners
- paid for soccer clinics in two Bafokeng villages which involved 100 learners
- supported 423 SMMEs in Phokeng.

52 Our supplier and enterprise development programme is focused on supporting businesses which we can also use to provide RBH with services in future.

Supplier and enterprise development are an integral part of ensuring sustainable transformation and empowerment at grass roots level. To this end RBH invested over R3.7million in impacting and improving small enterprises in Phokeng and our suppliers in Johannesburg.

The purpose of our soccer clinics was to identify children approximately seven years old living in the Bafokeng villages who have the potential to become future Platinum Stars* players with the aim of building their life skills.

43 See page 43 of human capital for information on our internship programme and the case study on page 52 of this section of this review to see how we have been able to utilise the specialist services of an enterprise we supported through our corporate supplier development programme.

*The Platinum Stars soccer team is owned through the RBNDT

our performance continued

Social and relationship capital continued

Case study

Committed to education that empowers



The RBN has always recognised that education and skills development is the key to equipping its people to become self sustaining and independent of the nation's coffers.

RBH is funding an exciting contribution to the RBN's extensive education efforts by supporting a mathematics programme at Thethe Secondary School run by three remarkable young men. Having graduated from the University of the Witwatersrand and the University of Pretoria with degrees in applied mathematics, pure maths and actuarial science, and maths and science education; Thapelo Diale, Samuel Lebabo and Gordon Sekano chose to become teachers instead of opting for far more lucrative careers in the corporate world. They spent time at Lebone II College, a Bafokeng funded private school, learning teaching techniques and then decided they wanted to use these skills to convert one of the public high schools serving the Bafokeng community, where two of them had matriculated, into one of the best performing schools in mathematics.

Despite the many challenges they faced, which included the learners lacking an understanding of grade 8 and 9 maths concepts, difficulty in using their equipment because there was no electricity supply in the classrooms and no working computers, they persevered, found a way to bring electricity to the classrooms, borrowed tablets from the Royal Bafokeng Institute (RBI) and made their own videos of lessons they taught on sections of the syllabus they realised learners were struggling with and distributed these to the smartphones of learners in other schools in the area (see https://youtu.be/LKO7n_pwPyc).



In 2016 Thethe Secondary School's matric maths results were the sixth best out of the 38 schools in the Rustenburg area. In addition to teaching maths to grades 8, 9, 10, 11 and 12 at Thethe High School, the threesome provide aftercare maths lessons, were examiners for the grade 12 common paper in March 2016, have produced a Euclidean geometry book, teach alpha maths to 13th year learners at Lebone II, produce a bi-monthly maths newspaper article (*Segoagoe*) and have produced over 900 teaching videos.

Performance level statistics as below for before and after intervention. maths results (matric)

	Number of learners in 2015 before intervention	Number of learners in 2016 after intervention
90-100	0	1
80-89	0	0
70-79	0	7
60-69	5	4
50-59	5	8

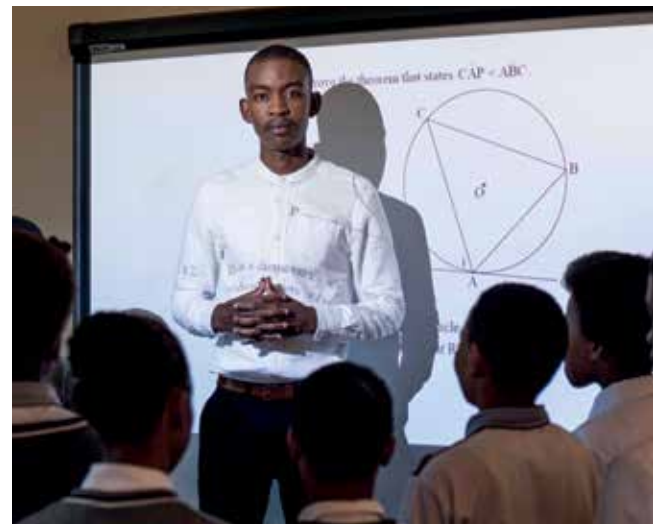
Statistics for maths programme

- 90.9% matric pass rate
- 55% of learners achieved between 50% - 100%
- 8 learners achieved above 70%

The introduction of highly skilled science and maths teachers is also making a difference in Charora High School, another Bafokeng public high school. For more information on the Bafokeng investment in education, the challenges it faces, its past initiatives and how it is reconsidering its role in education, see our website.



As *Kgosi Leruo Molotlegi* said in his State of the RBN address in February 2017: 'We cannot deny that our national education system is failing our students – and in this case, taking leadership means that we have to take decisive action'.



our performance continued

Social and relationship capital continued

Case study

In support of an entrepreneurial spirit

Philile Maphumulo and Kedibone Imathu are the co-founders of Heritage Capital Partners (www.heritagecapital.co.za).

After qualifying as chartered accountants they were both attracted to the world of finance where they gained extensive experience in private equity and corporate finance. Having both decided they wanted to do something entrepreneurial using their financial background they established Heritage Capital Partners through which they plan to build a platform of owner-managed businesses that are outstanding examples of job creation, transformation and skills development.

They invest to promote growth and expansion in small to medium-sized businesses, as opposed to pure acquisitions, with the aim of creating superior long-term returns for their investors, as well as lasting value for a broader and more representative stakeholder base through their choice of economic sectors and a unique holistic approach to black economic empowerment in their portfolio companies.

They met up with our CEO Albertinah Kekana when they entered the Alpha Code competition for next generation financial services entrepreneurs for which she was a judge and they were winners. RBH recognised their potential and has since provided them with funding and included them as a supplier within its investments value chain.

Not only are Philile and Kedibone fundraising in tough times, but they have the added challenge of being first-time fund managers. They are, however, making good progress with establishing their fund and are in the process of capital raising for potential investment opportunities they have identified. Their involvement in these businesses includes ensuring they have the right people and skills in the business to ensure growth. They have also assisted RBH's investment team with advisory work and identifying other possible transactions.



Philile Maphumulo (left) and Kedibone Imathu

At RBH we believe we have a dual stakeholder engagement role. Not only do we need to build relations based on trust with RBH's stakeholders, we also need to support our community by proactively telling their story and the lessons we learn on our journey towards building resilience not only in RBH's portfolio but also in our community.

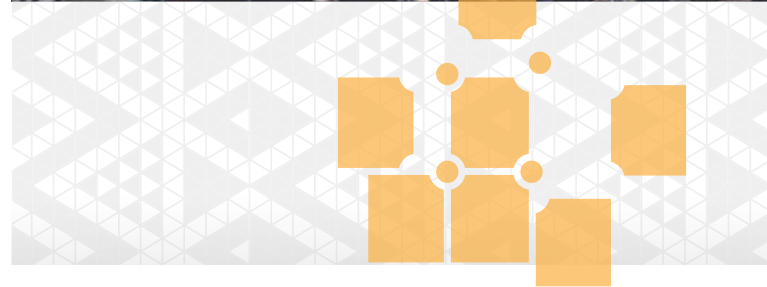
Reputation management will always be a key objective of our stakeholder engagement strategy. Our approach to achieving this objective is to proactively build trust, raise awareness of our story and identify and align with those who share the same values.

We establish the key concerns and interests of our stakeholders through interaction with our board, our shareholder, the community and a bi-annual media perception audit.

During 2016 we continued to work on building relationships with our key stakeholders, both internal and external, through regular engagement and education around RBH's diversification and efforts to build resilience; improving our communication and engagement with the companies in which we are invested; protecting and creating awareness of RBH's reputation as an empowerment partner of choice; and strategic reputation management projects.

We continue to engage with various RBN entities to better understand their needs, how we can support them and inform them regarding RBH. To support the RBN's efforts to establish mutually beneficial partnership and possible collaboration regarding education, infrastructure development and skills development we facilitated engagement between RBN's service delivery entities and potential funders, government and the SETAs.

Our board and management team maintained regular engagement with our shareholder, the RBNDT. The trustees of the RBNDT visited Saldanha Bay to view the construction of the bullets that will store LPE. Our employees attended Kgotha-Kgothe and their induction into the RBN included a site visit to various RBN entities.



Our employee volunteer programme also facilitates engagement between the Bafokeng community and RBH. To keep our employees informed we publish an employee newsletter and our CEO regularly engages with all our employees and provides them with feedback on progress and board decisions that may affect them.

We engaged with our employees on their role in creating brand awareness during 2016 and will continue to build on this engagement to increase their understanding of their role as brand advocates in 2017.

6 transparency and accountability

Corporate governance review

We believe that effective corporate governance contributes value to RBH and its stakeholders.

Our board has applied the King Code of Governance Principles (King III) throughout RBH since its inception and took the decision to be an early adopter of King IV following its release in late 2016.

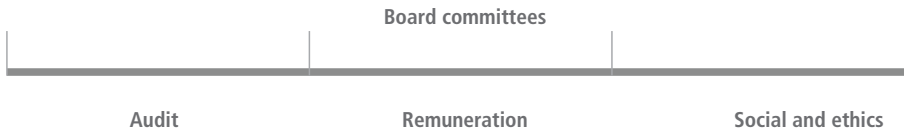
In line with the approach of King IV this corporate governance review includes our assessment, against the King IV principles applicable to our business, of the outcomes our approach to corporate governance has achieved. We will, through our audit and risk committees be spending time in 2017 further analysing our practices to support the various principles and outcomes in terms of King IV. This analysis may well result in a change in our practices to support our application of the principles.



Our governance framework

Royal Bafokeng Nation Development Trust

Royal Bafokeng Holdings board of directors



The RBNDT structure



Our board

as at 31 December 2016



Monhla Hlahla



Tom Boardman



Fran du Plessis



Albertinah Kekana



Nakedi Ramaphakela



Tshidi Nyama



Obakeng Phetwe



Steve Phiri

Independent non-executive directors

Monhla Hlahla (54)

Chairman

BA (Honours) (Economics), Pomona College (USA); MA (Urban and Regional Planning), UCLA School of Architecture and Planning (USA)

Monhla, who joined our board on 1 April 2011, was appointed chairman on 27 March 2012. She was previously the Managing Director of Airports Company South Africa, Chairman of the Industrial Development Corporation (IDC) and the President of the African chapter of Airports Council International. She is a member of the remuneration and social and ethics committees.

Tom Boardman (68)

BCom, University of the Witwatersrand; Chartered Accountant (SA)

Tom was appointed to the board on 1 January 2011. During his career he held senior positions at Anglo American Corporation, Sam Newman Limited and Boardmans and was the Chief Executive of the Nedbank Group before he retired. He serves on the boards of Nedbank, Woolworths Holdings and the Vodacom Group, among others. He is the chairman of the audit and risk management committee and a member of the remuneration committee.

Fran du Plessis (63)

BCom, LLB, Chartered Accountant (SA); BCom (Hons) Taxation, University of Cape Town; LLM, University of Stellenbosch

Fran, who was appointed to the board on 1 June 2012, has practised as a chartered accountant specialising in the fiscal laws of taxation since 1994. She is currently a director of the advisory firm LDP Compliance (Pty) Ltd and has sat on the boards of several companies, including Naspers, Life Healthcare, Sanlam, ArcelorMittal and KWV Holdings, as well as lecturing on an ad hoc basis at the University of Stellenbosch. She is a member of the audit and risk committee.

Tshidi Nyama (56)

BCom, University of the North; MBA, University of Bridgeport (USA)

Tshidi was appointed to the RBH board on 1 October 2007. She is a partner at Makhup Business Services and Coaching. She previously held various senior positions at Spoornt and BHP Billiton, as well as a number of non-executive directorships. Tshidi is the chairman of both the remuneration and social and ethics committees and a member of the audit and risk committee.

Non-executive directors

Obakeng Phetwe (39)

BCom, North-West University; BCom (Hons) CTA, University of South Africa; Chartered Accountant (SA)

Obakeng was appointed to the board on 27 March 2012. A chartered accountant, he completed his articles with PricewaterhouseCoopers Inc. He is currently the chief executive officer of the RBNDT. He previously held the positions of Group Treasury and Business Manager for the RBN; Finance Manager for the RBA; and Senior Audit Manager at Mokua and Associates, Chartered Accountants. Obakeng is a member of the remuneration and social and ethics committees and a permanent invitee to the audit and risk committee.

Steve Phiri (60)

BJuris, University of the North; LLB, Vista University; Diploma in Corporate Law, Rand Afrikaans University; LLM, University of Johannesburg

Steve, who is the chief executive officer of RBPlat and was previously chief executive officer of Merafe Resources for six years, was appointed to the RBH board on 24 July 2006. He has been admitted as an attorney to the High Court of South Africa and is a member of the Black Lawyers Association. Steve's contribution to the board includes his expertise in governance and stakeholder relations. He is a member of the social and ethics committee.

Executive directors

Albertinah Kekana (44)

Chief executive officer

BCom; Chartered Accountant (SA); Post-Graduate Diploma in Accounting; Advanced Management Programme, Harvard University (USA)

Albertinah was appointed CEO and a member of the board with effect from 1 November 2012. She was previously the chief operating officer of the Public Investment Corporation and has extensive asset management, investment banking and business leadership experience.

Nakedi Ramaphakela (30)

Finance director

BAccSc (Hons), University of Witwatersrand; Chartered Accountant (SA)

Nakedi was appointed finance director on 1 July 2016. Nakedi joined Royal Bafokeng Holdings in 2012 and grew into her current role after serving as a group finance manager at RBH. Prior to joining RBH she was an assistant manager at PricewaterhouseCoopers.

Our executive committee

as at 31 December 2016

Albertinah Kekana



Nakedi Ramaphakela



David Wilson



Udo Lucht



Lungelwa Silomntu



Siza Majola



Buyi Mlangeni



Ditiro Chesalokile

Albertinah Kekana

Chief executive officer

(See board of directors for CV)

Nakedi Ramaphakela

Finance director

(See board of directors for CV)

David Wilson

Head: Financial services and consumer goods investments

BCom, Diploma in Accounting (UCT); CA(SA)

Udo Lucht

Head: Resources and industrials investments

BCom (Hons), University of Natal; CA(SA); CFA

Lungelwa Silomntu

Head: Infrastructure investments

MCom (Finance), University of Pretoria; BAdmin (Hons), UNISA

Buyi Mlangeni

Group company secretary

BTech Durban University of Technology; National Diploma, (Natal Tech) Executive Development Programme, Wits Business School

Ditiro Chesalokile

Human capital manager

BCom (Hons) Human Resource Management, University of Johannesburg; Management Advancement Programme Certificate, Wits Business School, Higher Certificate in Management, Foundation for Professional Development

Siza Majola

Group stakeholder manager

MBA; Sheffield University (UK), BSc (Hons), Stellenbosch University; BSc Fort Hare University

Our investment decision-making process

Screening

Negative screening in terms of our responsible investment policy

Due diligence

Undertake due diligence to identify ESG risks and liabilities

Decision

Investment decisions
Financial performance
Portfolio composition
All risks relating to the investment

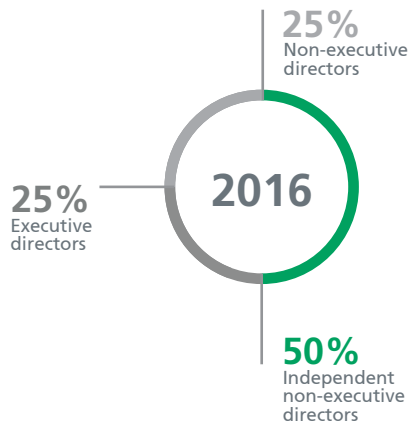
Agreement

Active ownerships, improvements adherence to policies and guidelines

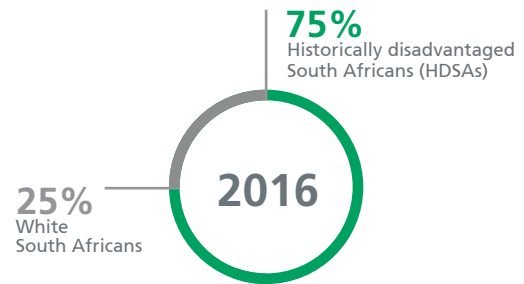
Monitoring

Monitoring of identified performance indicators and reporting

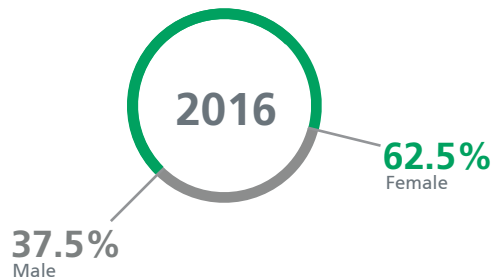
Board level of independence



Racial composition



Board gender composition



Corporate governance review continued

The outcome of our efforts to achieve good corporate governance in RBH

King IV principles

Principle 1

The governing body should lead ethically and effectively

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation

Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture

Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen

Ethical culture

Ethical leadership

RBH's board-approved code of ethics and investing code of conduct are designed to ensure the effective management of ethics and fraud and corruption in RBH. They are in line with international best practice and make it clear that we do not tolerate acts of bribery or fraud by our employees, contractors, suppliers, joint venture partners and other business partners.

The chairman of our board ensures that the behaviour of board members is in accordance with the codes. In turn our board and its committees monitor compliance with both codes.

Our chief executive officer is ultimately responsible for the implementation of both these codes in RBH.

The Compact our board signed with the RBNDT commits us to our code of ethics and our investing code of conduct and our conflicts of interest policy, which provides guidelines for both directors and employees.

Addressing corruption in our business

We recognise that corruption in all its forms is a major hindrance to sustainable development and work against it in our business. It impedes economic growth and represents serious legal and reputational risk. It also has a major impact on poor communities and corrodes the very fabric of society. We have taken steps to mitigate fraud and corruption in our business and our operating environment and regularly review their effectiveness.

Achieving our aspiration to be a responsible corporate citizen

The entire aim of RBH is to be a responsible corporate citizen by meeting our commitment to preserve and grow the financial capital of the RBH and ensure its long-term future. Our efforts to be a responsible corporate citizen include our investment in our corporate social investment programme, which focuses on maths education, sports development in the young and providing opportunities for community members to obtain work experience and employment opportunities through our various programmes.

King IV principles

Principle 16

In its execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interest and expectation of material stakeholders with the best interests of the organisation over time

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

Principle 17

The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests

Ethical culture

Our approach to stakeholder relations

We have identified balancing the needs, interests and expectations of our stakeholders as being one of our most material issues. Information on how we have approached our stakeholder relations can be found in the social and relationship capital section of this review. Our board has also identified stakeholder relations in terms of its role regarding our shareholder as being a material corporate governance issue. To address this RBH regularly engages with its shareholder.

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Performance

The role of our board in ensuring RBH can create value for its stakeholders

Our board, our executive and our shareholder review our strategy annually with the aim of examining whether it still addresses our core purpose of creating value for our stakeholders or needs to be revised or changed. The board also ensures that our business model and sustainability efforts are designed to support the achievement of our strategic objectives and create value for our stakeholders. The board also established RBH's risk appetite and tolerance in 2016 in line with our risk policy. It sets the direction for how we approach and address risk and has established an audit and risk committee to address risk on its behalf. This ensures the board and the executives of RBH receive the information they need to make informed business decisions.

Practising responsible investment

Our primary responsibility in terms of the sustainable development of RBH, the RBNDT and the RBN is to act as a responsible investor. Our sustainable responsible investment and portfolio management policy sets out our investment approach and defines our:

- principles, objectives and systems for sustainable responsible investment with respect to environmental, social and governance (ESG) issues
- investment and management objectives.

Corporate governance review continued

The outcome of our efforts to achieve good corporate governance in RBH continued

King IV principles

Principle 17 continued

Performance

Our policy towards divestment states that divestment is regarded as a last resort by RBH, however, we may consider it if an investee company does not meet the set financial performance criteria, or is participating in any exclusion activities listed in our policy.

Our ESG investment and management criteria

- Return on investment
- Evidence of:
 - effectiveness of risk identification process and management system implementation
 - appropriate assessment of the environmental impact and mitigation or offset strategy
 - compliance with RBH's investment exclusion list.
- Acceptable levels of:
 - legal compliance
 - ESG awareness within the organisation
 - consideration of ESG principles in the business strategy and decision-making
 - King IV compliance.
- Compliance with:
 - anti-corruption laws of the country
 - employment equity requirements.

The type of investments we will not consider are included in our mandate which can be found on our website: www.bafokengholdings.com



Effective control

Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The leadership role of the board in taking responsibility for the good governance of the group

Through the appointment of strong independent directors and the separation and clear definition of the roles and responsibilities of the chairman and chief executive officer, RBH has established a clear balance of power and authority at board level.

The board performs its duties within a framework of policies and controls which provide for effective risk assessment and management of our economic, environmental and social performance. Our board charter, which is closely aligned with the recommendations of King IV, details the responsibilities of the board. Our Memorandum of Incorporation also addresses certain of the directors' responsibilities and powers.

King IV principles	Effective control
<p>Principle 4 continued</p> <p>Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The board has a formal schedule of matters reserved for its consideration and decision at its meetings including approving: strategy, business plans and budgets, significant acquisitions and disposal of assets, executive directors' appointment and remuneration, review and approval of significant group-wide policies and frameworks, capital expenditure for investment, operational, financial risk, board sub-committee and stakeholder relations reporting as well as a solvency and liquidity assessment and a market assessment.</p>
<p>Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>Oversight of risk The board determines the group's risk appetite and levels of risk tolerance (see the risk management section on page 08). RBH also establishes the issues that could have the greatest impact on our ability to achieve our strategy and create value for our stakeholders. This process allows us to assess what value we have added to the business and what we need to do to add value in the future.</p> <p>Our audit and risk committee oversees the governance of risk in conjunction with our social and ethics committee through our system of internal controls.</p> <p>We have made progress with our management of risk but recognise that there is still room for improvement.</p>
<p>Principle 10 The governing body should ensure that the appointment of, and the delegation to, management contributes to role clarity and responsibilities</p>	<p>Delegation of authority in RBH Through the delegation of authority policy the board delegates authority to the executive committee.</p> <p>The board's delegation of certain matters to its committee is described under Principle 8 under Legitimacy and in the terms of reference of these committees.</p>
<p>Principle 12 The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>Technology and information governance RBH's strategic risk register sets the direction for RBH's approach to technology and information. The audit and risk committee assists the board in carrying out its technology and information governance objectives.</p>

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Corporate governance review continued

The outcome of our efforts to achieve good corporate governance in RBH continued

King IV principles

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports

Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects

Effective control

Combined assurance

Combined assurance is provided through three lines of defence:

- management oversight
- the risk management framework, which is updated, reviewed and monitored quarterly
- independent and objective assurance by the audit committee, supported by external audit.

Annual financial statements

RBH's annual financial statements for the year ended 31 December 2016 will be prepared in accordance with International Financial Reporting Standards (IFRS) by the accounting staff of RBH, headed up by finance director, Nakedi Ramaphakela. CA(SA).

The financial statements will be audited by the group's independent statutory auditors, PricewaterhouseCoopers, an internationally recognised accounting firm. A copy of their report will be available for inspection at the company's offices.

Compliance with laws and regulations

Our board is committed to full compliance with all applicable laws and regulations.

The effectiveness of the key internal controls we have in place to mitigate our compliance risks is continually monitored as is the effectiveness of the risk management plans in place to ensure compliance with new legislation or amendments to current legislation.

Legitimacy

Providing stakeholders with reporting that enables them to make informed assessments of RBH

The board of RBH collectively reviews the integrated review to ensure it addresses all matters material to its stakeholders and its short-, medium- and long-term prospects.

King IV principles**Principle 7**

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively

Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen

Legitimacy**A board with an appropriate balance of knowledge, skills, experience, diversity and independence**

The remuneration committee is responsible for identifying and evaluating candidates for appointment to the RBH board and monitoring succession planning at board level. The RBH board members annually evaluate the performance of the board as a whole, its sub-committees and that of individual members through a self-appraisal process. The members of the RBH board have a good balance expertise and experience. The members of the board of the newly established MOGS (Pty) Ltd bring a wide range of expertise and experience appropriate to this business.

Delegation of authority

Our Memorandum of Incorporation (MOI) sets out the shareholder's delegation of authority to the board, which has a formal schedule of matters reserved for its consideration and decision. Its delegation of certain matters to its committees and subsidiary companies is described in the terms of reference of these committees, which can be found in the governance section of our website (www.bafokengplatinum.co.za). In addition the board delegates authority to the executive committee, which in turn delegates authority to heads of department, who in turn delegate authority to members of the RBH team.

**Compliance governance**

The audit and risk committee obtains assurance on the financial statements, and internal controls and carried out its statutory duties set out in section 90 of the Companies Act 71 of 2008. It satisfied itself as to the expertise and experience of the finance director and the financial function and assessed the independence and performance of the internal and external audit functions.

The social and ethics committee advised and provided guidance to the board on the effectiveness of management's efforts in respect of social, ethics and sustainable development matters. It also carried out its duties as prescribed in the Companies Act 71 of 2008 and reported on its discharge of its duties in this regard to the board and stakeholders.

Corporate governance review continued

The outcome of our efforts to achieve good corporate governance in RBH continued

King IV principles

Principle 13 continued

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

Legitimacy

Rotation of directors

At every annual general meeting a third of the directors are retired by rotation and being eligible are available for re-election.

Company secretary

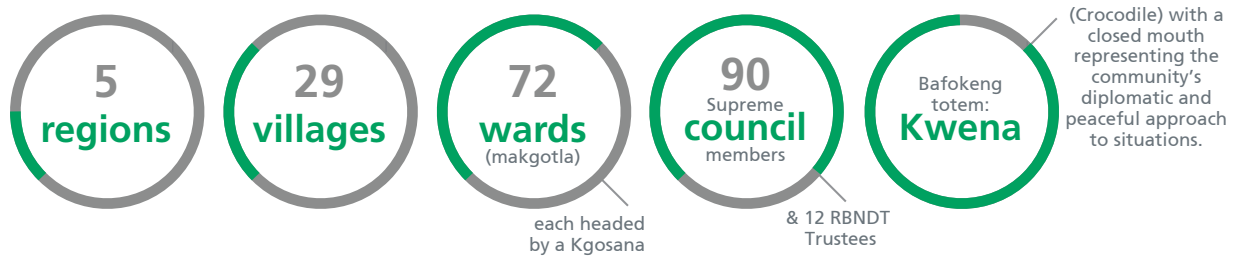
RBH's company secretary is not a director of RBH or any of its subsidiaries and on that basis the board is comfortable that she maintains an arm's length relationship with the executive team. Also, the board does not interfere with her performance of her corporate governance responsibilities. The board has also assessed her abilities based on her qualifications, experience and the levels of competence she has demonstrated and has endorsed and confirmed her appointment as company secretary.

Remuneration

RBH understands that it is essential that our strategy, risks, performance and rewards are aligned if we are to create shareholder value. The remuneration committee is charged with ensuring that executive directors and senior management are fairly rewarded for their individual contributions to the company's overall performance and for ensuring that RBH's remuneration policies and practices are designed to align performance with reward and to attract and retain the right talent, while having regard for the interests of stakeholders and the financial condition of the group.

Royal Bafokeng Nation factsheet

Land acquisition	Key highlights
<ul style="list-style-type: none"> • 1866 to date • Bought in cattle, cash and at times goats • Bought communally and owned accordingly 	<ul style="list-style-type: none"> • 1834 -1891 Kgosi August Mokgatle's reign: Bafokeng pooled community resources and started buying back the land they had occupied for centuries from white colonialists • Land acquisition was facilitated by Paul Kruger, Theodore Wenhold, Christoph Penzhorn • 1924: Platinum discovery, a part of the reef containing the world's largest deposit of platinum group metals were discovered under Bafokeng land • Our Plan'35 is a developmental project that charts ways to diversify the Nation's local economy for the long term sustainability of Bafokeng generations by 2035 • The reigning King is Kgosi Leruo Molotlegi and is the 36th King of the Royal Bafokeng Nation and the 15th direct descendent of a long lineage of the Bafokeng kings • Queen Mother Semane Molotlegi is the mother to the King referred to as Mmemogolo



<p>1990s: Bafokeng trade equitable royalties for the right to mine</p>	<p>1999: RBN gets royalties on all PGMs taken from their territory and a stake in Implats</p>	<p>2004: RBN Supreme Council resolves to establish RBNDT and in 2005 donates all commercial entities to it</p>	<p>2006: Merger of Royal Bafokeng Resources and Royal Bafokeng Finance resulting on the formation of Royal Holdings</p>	<p>2016: Royal Bafokeng Holdings has a diversified asset portfolio representing various sectors</p>
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buyi@bafokengholdings.com

Public officer Nakedi Ramaphakela
nakedi@bafokengholdings.com

Group stakeholder manager Siza Majola
siza@bafokengholdings.com