

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.

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King IV principles

Principle 17 continued

Performance

Our policy towards disinvestment states that disinvestment 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

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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

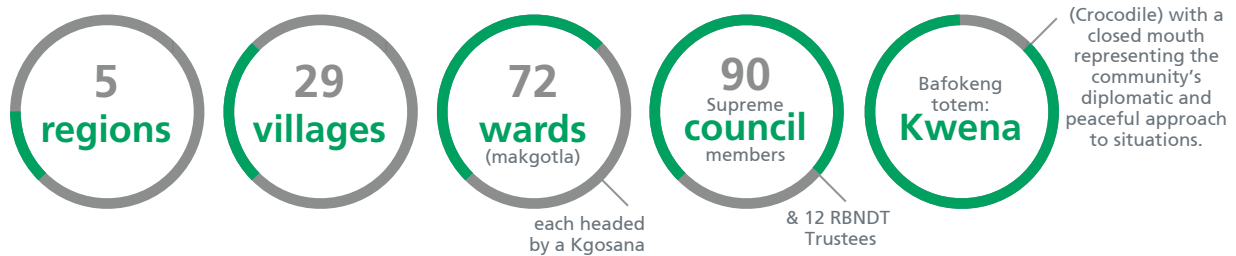
RBH's company secretary is not a director of RBH or any of its subsidiaries and on that basis the board is comfortable that she maintains an arm's length relationship with the executive team. Also, the board does not interfere with her performance of her corporate governance responsibilities. The board 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 Mokgatlé'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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