

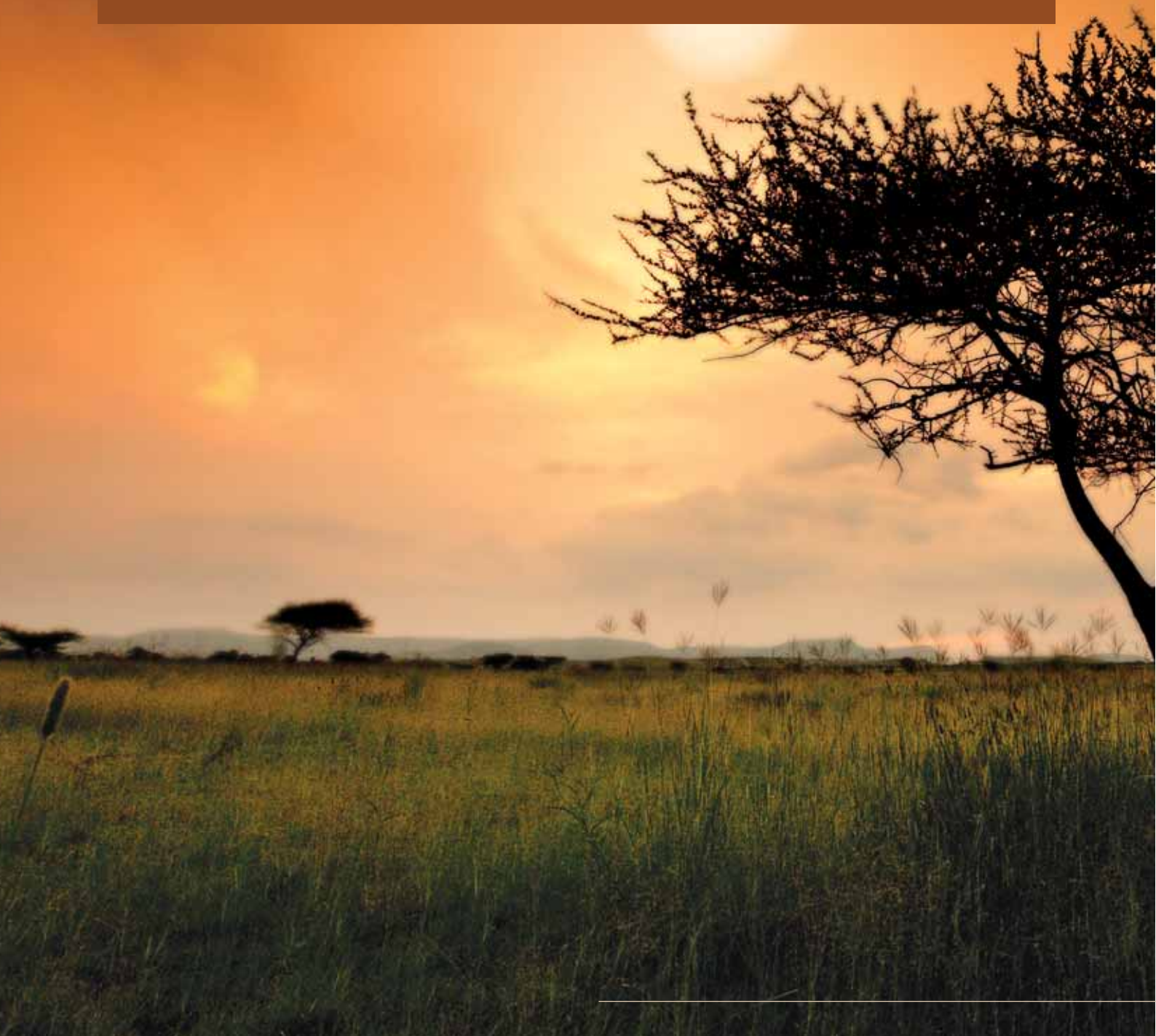
# Royal Bafokeng Holdings Annual Review 2009



# Scope of the report

The 2009 Royal Bafokeng Holdings (RBH) Annual Review differs from previous reports in its increased focus on sustainable development. In times of difficulty, perhaps even more so than in times of plenty, the necessity for responsible actions, and the accountable and transparent reporting thereof, is ever more acute. It is with this in mind that RBH affirms its responsibility to its primary stakeholder, the Royal Bafokeng Nation (RBN), and assesses its own impact and that of its primary investments in the regions in which operations take place.

In addition to enhancing RBH's sustainability reporting, this report shows the extent to which 2009 was a year of delivery. RBH continued to make progress in meeting its commitments to both the RBN and its investment companies. As such, 2009 may be regarded as a year of resilience in a difficult operating environment, a year in which weaknesses were addressed and a strong basis was laid for future prosperity. These ideas are reflected in the images of nature's resilience shown in this report.



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# Corporate profile

Descendants of the Sotho-Tswana peoples who have inhabited southern Africa since the end of the first millennium, the Royal Bafokeng are a nation of some 300 000 Setswana-speaking people, whose home has been located in South Africa's mineral-rich North West Province since the latter half of the 17th century.

The North West Province is the world's largest known deposit of platinum group metals (PGMs). The discovery of platinum by Hans Merensky in the late 1800s precipitated a 'platinum rush' for land by major mining companies. As a result, attempts to strip the Bafokeng of their heritage occurred throughout the 20th century. In the 1990s, however, after extensive engagement between the Royal Bafokeng Nation (RBN) and the relevant mining companies, the payment of equitable royalties to the RBN in exchange for the right to mine this valuable land was negotiated.

Established to manage and develop the commercial assets of the RBN, Royal Bafokeng Holdings (RBH) was created in 2006, a result of the merger between Royal Bafokeng Resources (established in 2002) and Royal Bafokeng Finance (established in 2004). RBH functions as a community-based investment company whose investment activities are aimed at generating

the income required for the funding of sustainable projects that will benefit the Bafokeng community.

The RBN is RBH's sole shareholder and the former's overarching developmental mission – Vision 2020 – is financed mainly through dividends and interest income generated by RBH. This vision seeks to create opportunities for the Bafokeng people to become participants in the regional and national economy of South Africa by the end of 2020, thus ensuring a community that is competitive, thriving and self-sufficient.

In striving to bring Vision 2020 to fruition, RBH has adopted a long-term investment view and has sought to diversify its investment portfolio in an attempt to lessen the reliance on platinum as a source of wealth. To this end, RBH's commercial investment portfolio currently comprises interests in the services, manufacturing, financial and telecommunications sectors, in addition to its holdings in the mining industry.



RBH's vision, distinct from that of the RBN, is to become the world's leading community-based investment company and to continually endeavour to improve the economic well-being and quality of life of all stakeholders.

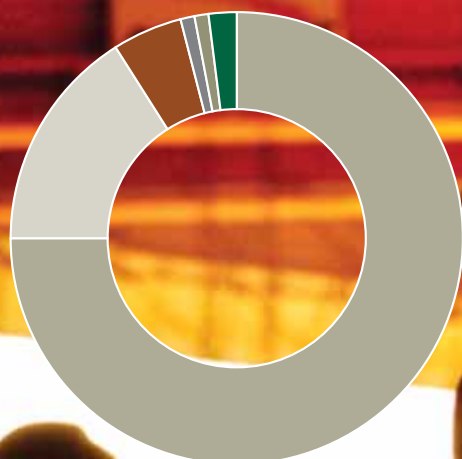
# Group

## structure



# RBH

## commercial investments



### RBH commercial investments

mining	75%
cash	16%
services	5%
manufacturing	1%
financial	1%
telecommunications	2%

### Services

- 100% of Fraser Alexander, the South African market leader in mine tailings disposal, dry bulk materials handling in the mining and ferrochrome industries, and infrastructure construction in the mining sector.
- 55% of MB Technologies, South Africa's largest privately owned information technology distribution group.
- 17% of Senwes, South Africa's second-largest agricultural services company.
- 25% of DHL Express, South Africa; DHL is the global leader in express, air and sea freight, overland transport and logistics solutions.
- 100% of Mining, Oil and Gas Services (MOGS), a South African-based company created by RBH to invest in mining, oil and gas services businesses in Africa and the Middle East.
- 15% of the Eris Property Group, in partnership with Rand Merchant Bank, the Tiso Group and management; Eris is a property management and development business.

RBH is invested in five sectors: services, mining, manufacturing, financial and telecommunications. RBH also manages the RBN cash portfolio.

- 27% of Pasco Risk Holdings, Africa's largest privately owned, independent risk management company.
- 25% of M-Tech Industrial, a company involved in nuclear energy, including the development of plant simulators.
- 30% of Praxima Payroll Systems, an outsourced payroll and human resource service provider.
- 26% of Metuba, a mining-related joint venture with engineering firms Metix and TTC Technology.

## Mining

- 13.2% of Implats, the world's second largest platinum producer.
- 50% participation in Bafokeng Rasimone Platinum Mine, a joint venture between subsidiary Royal Bafokeng Resources and the world's largest platinum producer, Anglo Platinum.
- 30.8% of Merafe Resources; Merafe has a 20.5% participation in the Xstrata-Merafe Chrome Venture, the world's largest producer of ferrochrome.
- 35% effective holding in South African Coal Mining Holdings Limited, a small coal producer.

## Manufacturing

- 20% of Astrapak, South Africa's largest plastic packaging group.
- 12.5% of Metair Investments, an automotive component manufacturer.
- 51% of Bafokeng Concor Technicrete, a joint venture with Concor Technicrete, one of the largest manufacturers of precast concrete products in southern Africa.

## Financial

- 10% of Zurich Insurance Company South Africa, the third-largest short-term insurer in the country.

## Telecommunications

- 2% of Vodacom SA, a cellular communications company with a leading share of the South African market.

# Financial review

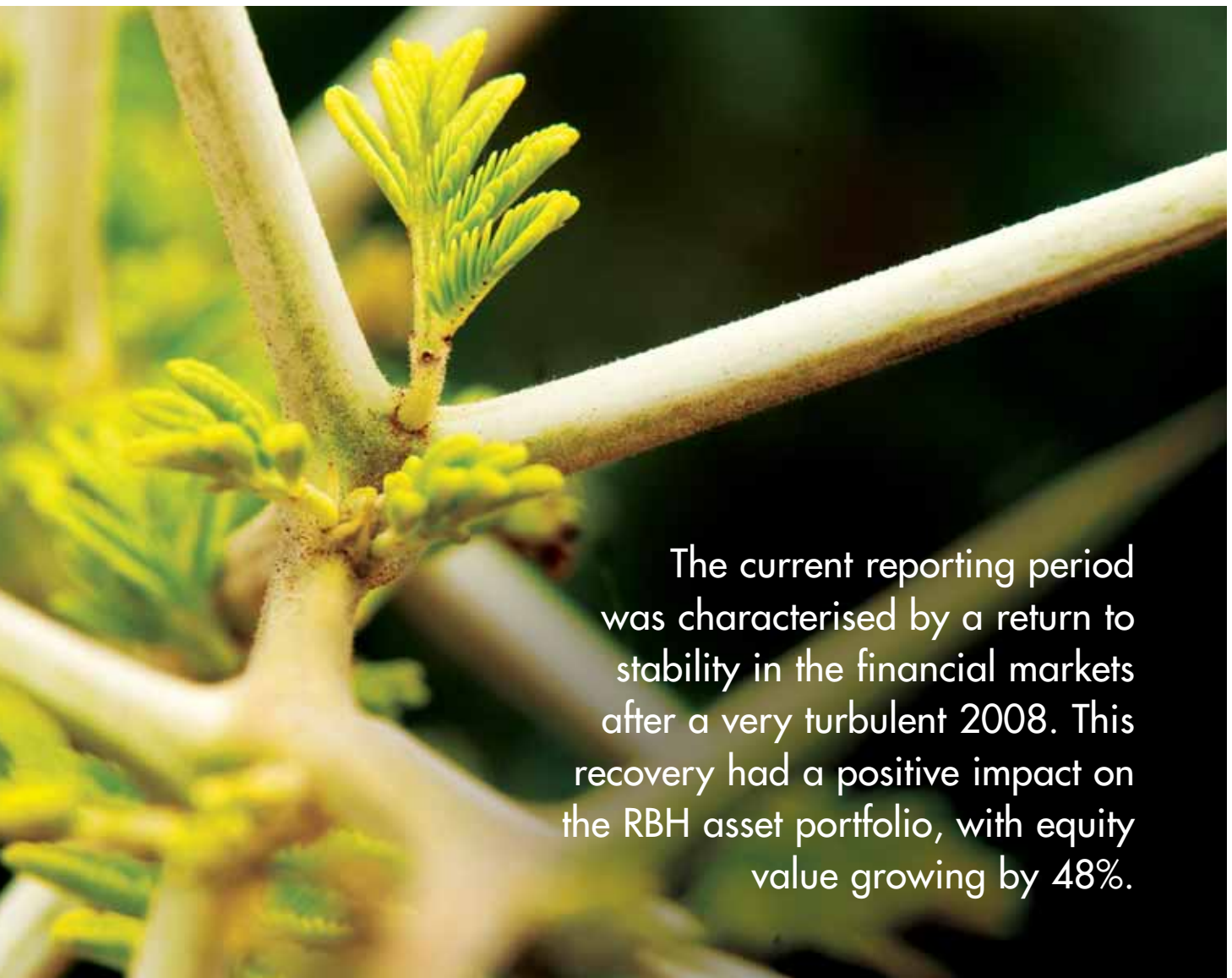
2009

48% increase in equity value to R25 493 million

35% increase in total value of RBN asset portfolio

79% decrease in dividend income to R339 million

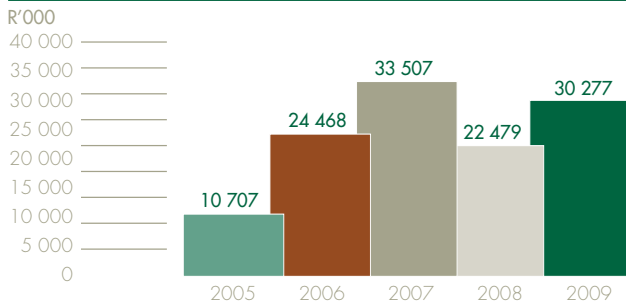
8% decrease in cash under management to R4 784 million



The current reporting period was characterised by a return to stability in the financial markets after a very turbulent 2008. This recovery had a positive impact on the RBH asset portfolio, with equity value growing by 48%.

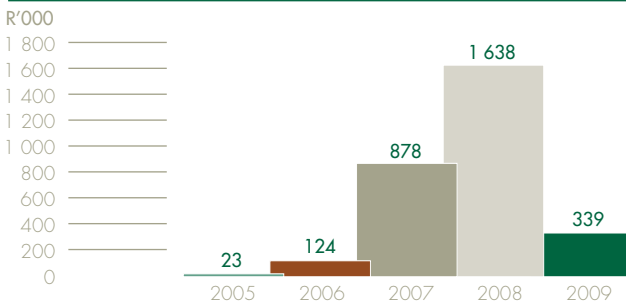


### RBN asset portfolio



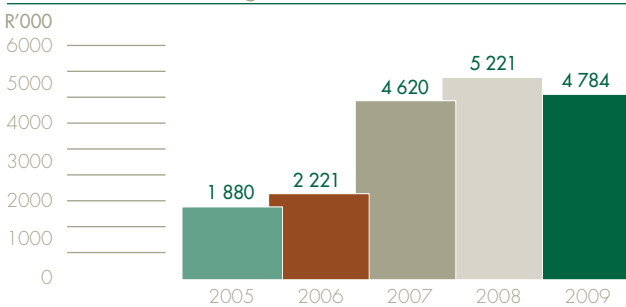
The rebound in global markets has impacted positively on the Group's portfolio. Driven by the upswing in commodity-related share prices, the Group's equity value increased by 48% to R25.5 billion. Due to the fall in cash under management, the RBN asset portfolio grew by 35% to R30.3 billion (equities and cash).

### Dividends received



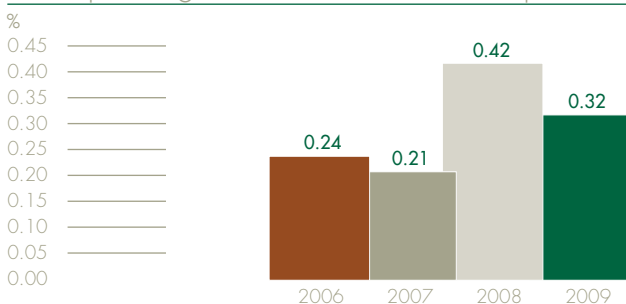
RBH's investment income was negatively affected by the fall in commodity prices. Dividends received from underlying investments decreased by 79% to R339 million.

### Cash under management



The RBN cash portfolio decreased by 8% to R4.78 billion. Lower interest rates, sharply lower dividend income and an increase in the RBN's social and infrastructural spending to R1.2 billion drove the net reduction in cash.

### RBH operating costs as % of RBN asset portfolio



RBH operating expenditure comprises all salary and company running costs, but excludes CSI and other costs incurred by RBH on behalf of the RBN.

# Financial review

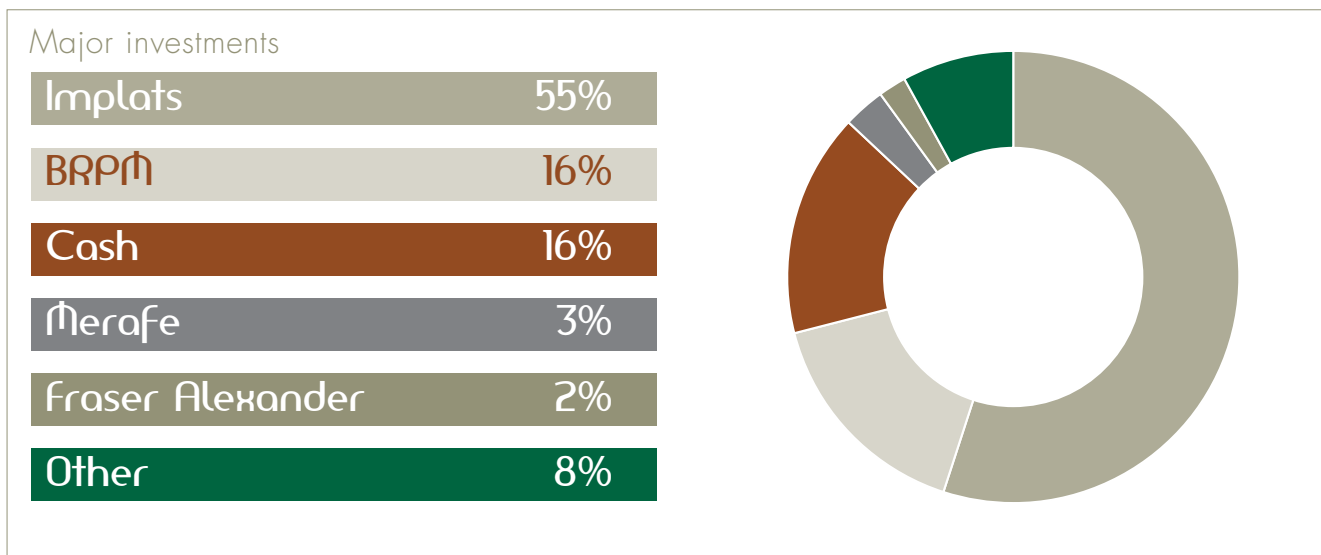
## 2009 continued

### RBN asset portfolio as at 31 December 2009

R million	2009	% change	2008	% change	2007	% change	2006	% change	2005
<b>Market value of listed investments</b>	<b>18 456</b>	<b>48</b>	<b>12 495</b>	<b>-44</b>	<b>22 486</b>	<b>29</b>	<b>17 421</b>	<b>174</b>	<b>6 352</b>
Impala Platinum Holdings Limited	16 872	50	11 221	-43	19 719	21	16 336	207	5 323
Astrapak Limited	256	35	189	-30	270	-22	346	-5	365
Merafe Resources Limited	1 008	65	612	-64	1 685	203	556	27	439
SA Coal Mining Holdings Limited	–	-100	141	-56	321	100	–	0	–
Zurich Insurance Company SA Limited	220	-1	222	2	218	19	183	-19	225
Metair Investments Limited	100	-9	110	-60	272	100	–	0	–
<b>Directors' valuation of unlisted investments*</b>	<b>7 037</b>	<b>48</b>	<b>4 763</b>	<b>-26</b>	<b>6 401</b>	<b>33</b>	<b>4 827</b>	<b>95</b>	<b>2 471</b>
Bafokeng Rasimone Platinum Mine (BRPM) JV	4 940	75	2 824	-43	4 963	29	3 847	56	2 471
MB Technologies (Pty) Ltd	388	3	375	-1	380	39	273	100	–
Fraser Alexander Holdings (Pty) Ltd	827	-4	860	16	741	56	476	–	–
Senwes (Pty) Ltd	239	50	159	-1	161	44	112	100	–
Vodacom SA (Pty) Ltd**	387	0	387	100	–	0	–	0	–
Mining, Oil and Gas Services (Pty) Ltd	137	122	62	100	–	0	–	0	–
Eris Property Group (Pty) Ltd	74	62	46	100	–	0	–	0	–
Liberty Star Holdings (Pty) Ltd	–	0	–	-100	97	47	66	100	–
Pasco Risk Holdings (Pty) Ltd	9	0	9	0	9	-10	10	100	–
Bafokeng Concor Technicrete (Pty) Ltd	3	16	3	-14	3	0	3	-13	4
DHL Express South Africa (Pty) Ltd	20	2	20	-27	27	-24	36	100	–
Metuba (Pty) Ltd	0	-98	7	-4	7	96	4	100	–
M-Tech Industrial (Pty) Ltd	13	0	13	4	13	100	–	0	–
<b>Total equity value</b>	<b>25 493</b>	<b>48</b>	<b>17 258</b>	<b>-40</b>	<b>28 887</b>	<b>30</b>	<b>22 247</b>	<b>152</b>	<b>8 827</b>
Cash under management	4 784	-8	5 221	13	4 620	108	2 221	18	1 880
<b>Total value of RBN asset portfolio</b>	<b>30 277</b>	<b>35</b>	<b>22 479</b>	<b>-33</b>	<b>33 507</b>	<b>37</b>	<b>24 468</b>	<b>129</b>	<b>10 707</b>

\* All methodologies reviewed by an external investment bank.

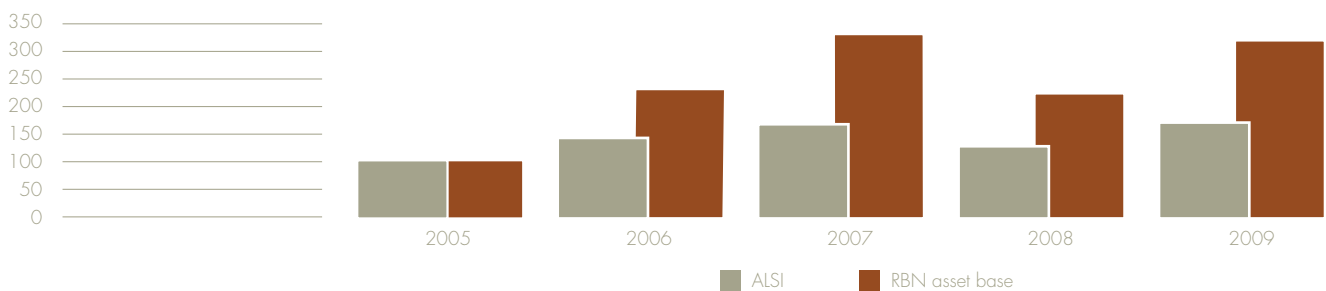
\*\* The 2009 valuation is based on a DCF valuation, and excludes a long-term option value.



The RBN asset portfolio remains overweight in the resources sector. The company will continue with its strategy to diversify the asset portfolio to mitigate the risk of reliance on a single sector. The spread of the asset portfolio is illustrated in the above diagram.

### Relative cumulative performance RBH vs ALSI

Opening balance = 100



In 2009, RBH outperformed relative to the JSE All Share Index (ALSI). Since inception four years ago, RBH has generated a cumulative total return to shareholders, net of all operating costs, of 33.3%, while a comparable investment in the ALSI over the same period would have generated a cumulative return of 14.3%. This outperformance translates into absolute value creation in excess of the ALSI of R10.3 billion.

# Chairman's

message

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*Kgosi Leruo Molotlegi*

The year ahead will see RBH continuing to seek the highest returns from our existing investments and evaluating opportunities for new investments.

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The 2009 financial year was characterised by unfavourable economic conditions due to the global downturn which began to unfold in 2008. The year proved challenging for RBH, and a number of smaller investee companies in the portfolio remain under operating strain. The RBH team has worked hard to provide these businesses with sufficient strategic support to ensure that they weather the recession effectively. As a result, our current portfolio has delivered returns superior to that of the All Share Index of the JSE Limited.

Despite the tough conditions, there are signs of recovery on the horizon, and we remain upbeat about the economy in general and our investments in particular.

RBH's strategic thrust remains diversification from mineral resources. Although blessed with significant natural resources, our exposure to the resources sector remains very high – 75% of our asset value. As a result, RBH's portfolio income fell in 2009 from its record high of 2008 due to the sharp drop in the revenues of our major investee companies (Impala Platinum and BRPM). The strength of the South African rand against the US dollar has also had a direct impact on the platinum group metals (PGMs) sector.

One of our strategies within RBH is to exercise our right to influence those companies in which we have a significant investment. The transaction announced in late 2008, whereby management control of Bafokeng Rasimone Platinum Mine (BRPM) was to be transferred from Anglo Platinum to RBH, was successfully concluded on 4 January 2010. A new RBH-appointed team has taken operational control, and the new subsidiary is set to deliver a significant portion of the economic and social value we seek.

Beyond mining, the acquisition of a further 15.1% in Zurich Financial Services (ZICSA) was announced in December 2009, taking RBH's stake in the company to 25.1%.

RBH has a significant role to play as a corporate citizen, and also as an advocate in the companies and communities in which it operates. Profitability and superior returns must be combined with good governance and accountability at all levels. Sustainability is embedded in everything we do as a community and we have incorporated it into this report for the first time this year.

South Africa will stage the 2010 FIFA World Cup this year, and the Royal Bafokeng Nation will host six matches in the only community-owned stadium in the tournament. RBH is very proud to be a part of this. The upgrading of the Royal Bafokeng Stadium was completed in March 2009, and Royal Bafokeng Sports (RBS), a subsidiary of RBH, successfully hosted the British and Irish Lions Rugby Tour, as well as four FIFA Confederations Cup matches in this world-class venue.

The year ahead will see RBH continuing to seek the highest returns from our existing investments and evaluating opportunities for new investments, particularly as a means of diversifying our portfolio in line with our stated commitment to long-term, future-oriented planning.

My thanks go to the management and staff of RBH for their hard work, unflagging commitment, and superior judgment. I would also like to extend my thanks to our many partners in the public and private sectors.

**Kgosi Leruo Molotlegi**

Chairman

25 February 2010

# CEO's

review

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Niall Carroll

Despite the hardships of 2009, we have consolidated and advanced our strategic position in a number of areas.

After the financial and emotional roller coaster that was 2008, the year under review was characterised by a stabilisation and subsequent rebound in global financial markets. In South Africa, the combination of a reduction in risk premia and a weakening US dollar saw the JSE All Share Index (ALSI) generate a total return of 32.1% in rands and 73.6% in US dollars. For investors seeking yield and capital growth, local was definitely 'lekker'.

The asset base managed by RBH generated a total return in rands of 34.7%, with the equity portfolio rising by 47.7% and the cash portfolio giving a return of 9.6%. These equity and cash returns outstripped their respective benchmarks and contributed to an annualised total return to shareholders over the four years since RBH's inception of 33.3%. Over the same four year period, the ALSI has generated a total annualised return of 14.3%.

While share prices rebounded from their 2008 lows, this rise was driven by a reduction in excessive risk premia – corporate cash flows and profitability, however, remained under severe strain. For the vast majority of corporate managers, 2009 was a year of struggle, strain and sweat and RBH was not immune to this. In particular, the positive impact of much stronger US dollar commodity prices was largely offset by the strong rand and RBH's dividend income fell sharply.

Against this confused and confusing backdrop, RBH consolidated and advanced its strategic position in a number of areas.

## A year of advancement

A major milestone was the transfer of economic and management control of the Bafokeng Rasimone Platinum Mine (BRPM) from Anglo Platinum to RBH, in accordance with the transaction announced in late 2008. During 2009, all financial, administrative and regulatory conditions precedent were met, and a new management team was recruited to a newly formed subsidiary of RBH, Newplats. On 4 January 2010, management control of BRPM passed smoothly from Anglo Platinum to Newplats, testimony to the successful collaboration between the two joint venture partners during 2009. Newplats is likely to be listed within the next 24 months.

We continued to deepen and improve the relationship with Impala Platinum Holdings Limited (Implats), from the boardroom to the operations on Bafokeng land. In particular, co-operative initiatives within and surrounding the Impala lease area for mineral rights development and social projects are gaining momentum.

We moved from a 50.1% to 100% equity holding in MOGS, our mining oil and gas services subsidiary.

Towards the end of 2009, Zurich Insurance Company of South Africa announced that RBH was to acquire a further 15.1% interest in the company from parent Zurich Financial Services, thereby increasing RBH's interest to 25.1%. At the time of writing, the final conditions precedent were being fulfilled.

Our problem investment was SA Coal Mining Holdings (SACMH), in which we have a 35% interest. Following the sharp fall in the coal price in late 2008, operating income became insufficient to service obligations to third party financiers. On further investigation, significant deficiencies in the resource base, mine plan and operating practices of the company became apparent. The CEO of SACMH was replaced, the mine has been placed on care and maintenance, and a compromise with creditors is being sought. Although a small investment in the overall portfolio, the experience has been painful, time-consuming and expensive.

Our business continues to mature and transform. We were delighted to be rated a Level 1 business in terms of the Broad Based Black Economic Empowerment (BBBEE) Codes of Good Practice and are not aware of any other company of comparable size that has attained this rating level. Moreover, we continue to invest in developing our people, have spent considerable time and resources on a strategic environmental assessment of the Royal Bafokeng Nation (RBN) region, and have designed Group-wide policies relating to sustainable development. Our thinking with respect to governance and risk management continues to deepen. In short, the platform supporting the efforts of the investment team has strengthened.

Our primary objective remains the generation of yield from and capital growth of the commercial asset portfolio in order to meet the developmental needs of both current and future generations. In addition, RBH is directly involved in socio-economic development through our Group corporate social investment programmes and our operating subsidiaries, Royal Bafokeng Sports (RBS) and Royal Bafokeng Economic Development (RBED). The refurbished Royal Bafokeng Sports Palace will host six 2010 FIFA World Cup games, while the newly constructed Bafokeng Sports Campus will be the base camp for Team England. RBS and RBED have focused over the past 12 months on preparing for the 2010 FIFA World Cup and ensuring that the event will act as a catalyst for sustainable and measurable economic development in the region.

# CEO's

## review continued

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The asset base managed by RBH generated a total return in rands of 34.7%, with the equity portfolio rising by 47.7% and the cash portfolio giving a return of 9.6%.

In the 2008 Annual Review, we articulated our aspiration to build a world-class business that was not reliant on black economic empowerment legislation for its ongoing success. Did the past year see us making progress in moving towards world-class status?

We believe that the quality of the portfolio has been strengthened. Although the year was not marked by many acquisitions, the team got actively involved in most of the underlying businesses, sometimes to address problems that had appeared and on other occasions to pre-empt problems that were looming. In some instances we needed to make changes to the management or board composition. In all our interactions, we have tried to act in the best interests of the business and to be reliable partners to managers and other shareholders.

Values are easy to uphold in good times, more difficult in tough times. We wish to be thought of as people who are driven to improve continually, who are accountable and who meet commitments. We did not live up to our aspirations at all times this year, but we have learned from our mistakes. Overall, we have a few bruises to show for 2009, but no broken bones. The macro environment has been a ruthless test of all South African companies and, relative to our corporate peers, we believe we have made progress.

The ongoing cohesion of the business has been in no small part due to the hard work and leadership of Andrew Jackson. Having filled his current role as Executive Director: Strategic Investments with distinction for almost six years, first at Royal Bafokeng Finance and then at Royal Bafokeng Holdings, Andrew will be moving to MOGS to drive the international expansion of the business. While he remains within the wider Group, his contribution to RBH and the team will be sorely missed.

The current year will be dominated by activities around the 2010 FIFA World Cup. RBH alone will never have the financial resources necessary to meet the developmental needs of the RBN and other people in the Rustenburg valley, so we need external partners from whom we can learn and with whom we can share the financial burden. The 2010 FIFA World Cup provides a unique opportunity to tell an inspiring community story and strengthen relationships with like-minded individuals and organisations from around the world. We continue to dream big – with help and a dollop of luck, anything is possible.

**Niall Carroll**  
Chief Executive Officer  
25 February 2010





# Corporate

## social investment

The social investment activities of Royal Bafokeng Holdings (RBH) vary from sponsoring projects directly and forming joint ventures with outside agencies, to ensuring that business deals have a social dimension. RBH encourages the companies in which it has investments to direct part of their social development funding towards the Royal Bafokeng Nation (RBN).

Wherever possible, RBH likes to form partnerships to ensure that the initiative being started or supported has the expertise required to make it a success. Community involvement is fundamentally important to this process, not only in the planning stages but during all phases of any project.

Essential to RBH's social investment programme is that the principles of good corporate governance be adhered to at all times. Care is taken to ensure that when projects begin, the correct procedures are followed and appropriate structures put in place. The company also makes a point of fostering a spirit of altruism among its employees who are encouraged to volunteer their time and skills to help others.

As good health, a sound education, a job, a supportive social environment and social enrichment, whether through cultural pursuits or sporting endeavours, are fundamental to people's well-being, it follows that these are the areas on which RBH's social investment programme is focused.

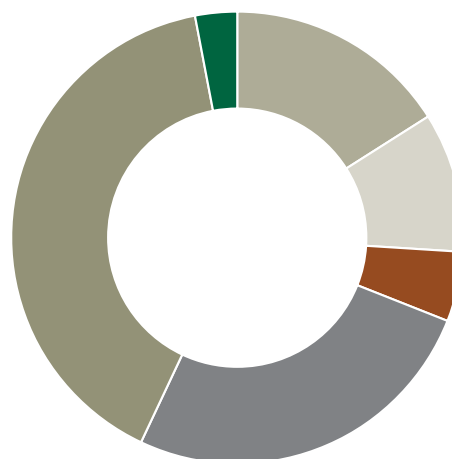
### Summary expenditure

The 2009 expenditure on social investment according to areas of focus is set out in the table and pie chart below.

Focus area	R'000	%
Health	2 121	16
Education	1 442	10
Social development	714	5
Music and arts	3 481	26
Sports development	5 426	40
Donations	371	3
<b>Total</b>	<b>13 555</b>	<b>100</b>

#### 2009 CSI expenditure breakdown

Health	16%
Education	10%
Social development	5%
Music and arts	26%
Sports development	40%
Donations	3%





## Projects in 2009

### Health

- **Phokeng Health Cluster**

Funding for the Phokeng Health Cluster project was used for the upgrade of the health centres, capital equipment and project management services. During 2009, the management of the project was transferred to the Health and Social Development Department of Royal Bafokeng Administration (RBA).

### Education

- **Mathematics**

A total of 15 laptops was provided to mathematics educators and 1 500 calculators to all Grade 12 learners.

- **Science**

Five laptops were provided to science educators and a science room called the 'SMART Classroom' was established at the Phokeng library and equipped with science equipment. It is used to perform real time experiments for and by learners.

- **The Community Learning Centre**

The centre was renovated and the main computer room is now fully operational. The centre trains educators from the Charora-Rasimone clusters of secondary and high schools as well as primary schools in basic information technology skills. These courses were well attended and almost fully subscribed (47 and 50 educators respectively) in 2009.

- **Palaeontological Scientific Trust (PAST)  
Walking Tall project**

The Walking Tall project is an educational outreach project operating under the auspices of PAST. The project uses theatre to explain difficult scientific concepts, such as human evolution, and to excite learners about paleo-sciences and career potential in this area.

Altogether, PAST has managed to run 80 shows in 40 RBN schools. As many as 180 educators were reached through this project and received material to help them teach these concepts.

### Social development

- **Godisanang Programme – Orphans and Vulnerable Children (OVC)**

This is a partnership project between RBA and the Tapologo HIV/AIDS Programme, the aim of which is to provide holistic support to OVC in the RBN. It will be implemented in phases, the first of which, targeting four villages, Mafenya, Chaneng, Robega and Rasimone, has begun. Some 495 children are already benefiting from services rendered by the programme.

### Music and arts

- **Field Band Foundation**

The objective of this project is to create opportunities for the development of life skills and to encourage positive behaviour in the youth through music and dance.

Some 250 youngsters are being taught to play such instruments as the marimba, the trumpet and the drums, and are participating in a steel band. They are also learning to dance. The project is benefiting young people in Kgale village in the central region and Tlaseng village in the northeast region. Five people from the community have been trained as music teachers. The band participated in a national championship in September and won a bronze medal.

- **Black Tie Ensemble (BTE)**

BTE continues to tour the Bafokeng schools. The purpose of these tours is to introduce learners in the Bafokeng schools to the world of opera. BTE has already visited between 4 000 and 5 000 children in a number of different schools and auditions are held annually to identify potential opera singers.

- **Room 13**

Situated at a school, Room 13 is a studio devoted to the arts which is run by learners who are supported by an artist-in-residence. The objective of the project is to unlock children's imagination by developing their artistic expression through exposure to the arts, particularly the visual arts and literature. It also aims to teach children essential business skills, as they have to run the studio as their own business, and take full responsibility for the sustainability of the project.

# Corporate

## social investment continued

### Sports development

RBH's support of Royal Bafokeng Sports (RBS) ensured that the national Japan Karate Association (JKA) Championships were held in the RBN Civic Centre. In total, 150 Bafokeng youths participated in this competition. Further funding was made available for five Bafokeng youths to participate in the Commonwealth Games. In addition, a R5 million donation was made to the SADC Under 20 games held in Potchefstroom in late 2008.

### Donations

Once-off donations were made to the following projects:

- Grootbos Foundation;
- Sarone Community Policing Forum;
- Phokeng Youth Clean Up project;
- Luka Community Forum;
- Destitute Women (HSDS);
- PAST; and
- employee volunteering projects.

### Employee volunteering

Two employee volunteering days were held in April and October 2009, from which communities in six villages benefited. Employees were involved in activities that included the creation of vegetable gardens in schools, the painting of crèches, a fun day for orphans and vulnerable children, and the building of a house for a grandmother-headed family.

### Impala Bafokeng Trust (IBT)

The IBT's areas of focus are education, health, enterprise development, sport and recreation and capacity building for non-profit organisations (NPOs) in the Bojanala district of the North West Province.

With regard to education, the IBT has partnered with the Centre for Early Childhood Development to help build the district's capacity and to provide quality early learning to an increasing number of children. The IBT's commitment to health development has resulted in a partnership with Tapologo in which thousands of individuals infected by HIV and other diseases have received much needed clinic and home-based care.

In its enterprise development capacity, the IBT has partnered with Mahube and Hand in Hand International to address poverty by promoting economic activity, while the IBT's support of sport has seen the development of a sports facility in Luka.

The IBT has established a base in the Thlabane Shopping Centre and now has a website: [www.ibt.org.za](http://www.ibt.org.za).

### RBH's corporate partners

#### BRPM

BRPM's CSI expenditure for the 2009 financial year was R11 865 000. Funds were used for:

- the electrification of Mafenya village;
- the construction of a road in Robega;
- a mobile eye care unit;
- support for Tshupe Hospice;
- support for the RBS development programmes;
- a donation of 100 computers to Bafokeng and Charora high schools;
- a donation of library books to Chaneng High School; and
- a donation to Thuto Thebe Trust which administers bursaries for the Bafokeng youth.

#### Fraser Alexander

Fraser Alexander's expenditure was R2.5 million. This was used for sports development projects including the construction of the Tsitsing facility and the execution of the Royal Bafokeng Sports Campus clean up following the redevelopment of the stadium.

#### ZICSA

ZICSA's expenditure was R2 million and it funded the development programmes of RBS.

#### Merafe Resources

Merafe Resources' CSI expenditure was R1 778 000 and it funded the Tapologo Aids Project as well as the Protec Mathematics and Science Development Project. The latter benefited educators and learners in 10 schools in the RBN and Boshhoek.

#### MB Technologies Group

MB Technologies Group donated IT-related equipment such as computers and photocopiers worth R959 000 to various schools and community organisations in the RBN.

#### Senwes

Senwes' expenditure was R500 000 and it was used to fund RBED's hydroponic farming project: R200 000 covered production costs, and the remaining R300 000 was allocated to the installation of the irrigation systems. A total of 10 farmers benefited from this project.

#### Astrapak

During the 2009 financial year, learnerships worth R98 000 were awarded to three Bafokeng youth by Astrapak.

# Transformation

## report



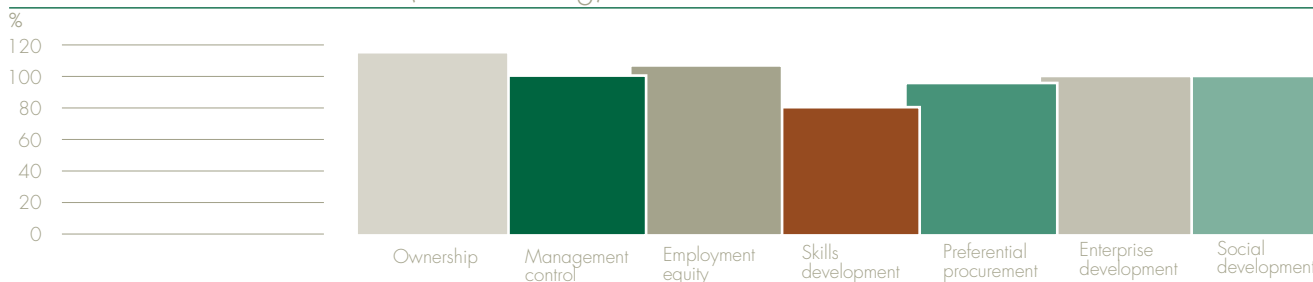
RBH's vision is to become a leading community-based investment company and to build a diversified portfolio for its shareholder. As a beneficiary of BEE-related legislation, RBH has an obligation to drive transformation throughout the wider Group.

Having received a Level 2 rating in terms of the BBBEE Codes of Good Practice in 2008, RBH was delighted to move up a notch to Level 1 in 2009. The challenge now is to ensure that this rating level is maintained. In particular, more effort will need to be expended in 2010 on skills development and preferential procurement.

Although the rating for RBH itself is pleasing, a greater challenge is the consolidated rating of the wider Group, including associate companies. We continue to engage with our investee companies to align them with the Group transformation strategy and assist them in their BBBEE accreditation processes.

A particular area of challenge for RBH is the preferential procurement and enterprise development programmes of those investee companies operating in the RBN region, that is, the mines and related service businesses. There is justifiable pressure from within the RBN community that businesses which operate on RBN land and in which RBH is a significant investor should identify and develop local Bafokeng businesses so that they can become reliable, long-term suppliers to the mines. The challenge, however, is developing skills and capacity within Bafokeng businesses that can meet market-related pricing and quality demands. Progress is being made with the support of Royal Bafokeng Enterprise Development, a subsidiary of RBH, but full realisation is a slow process.

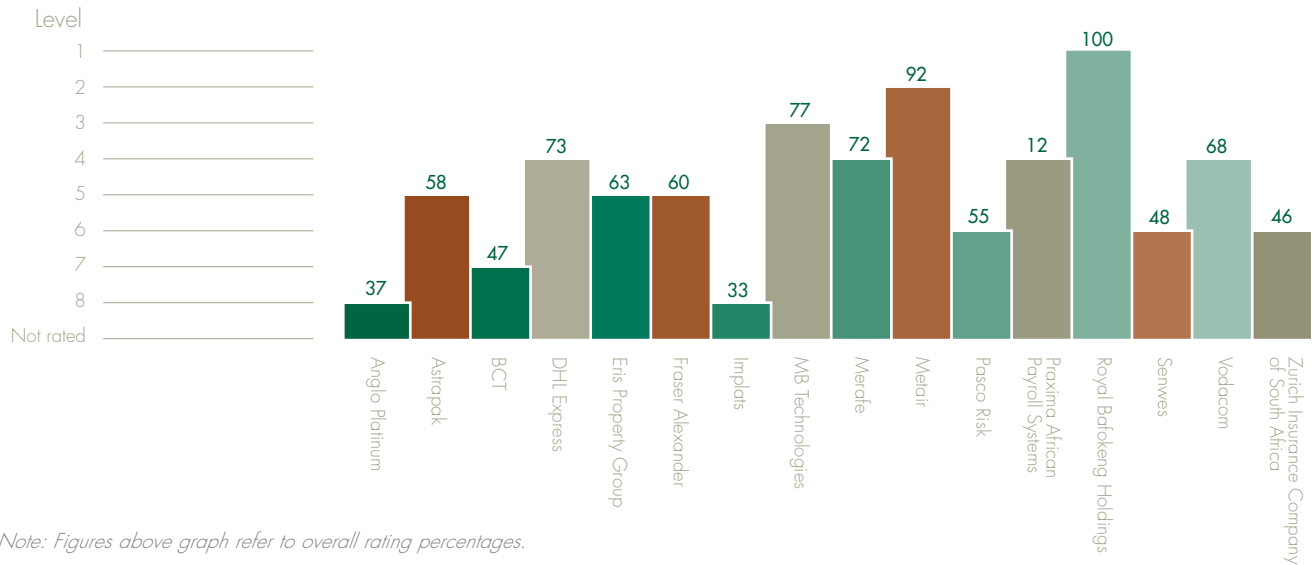
RBH transformation scorecard (Level 1 rating)



# Transformation

## report continued

Group summary of BBBEE ratings at 31 December 2009



Note: Figures above graph refer to overall rating percentages.

### Employment equity

An updated annual employment equity report was submitted to the Department of Labour in 2009. Elimination of discrimination in RBH and its subsidiaries, as well as in our investee companies, is part of the Employment Equity Policy.



# Stakeholder

## engagement report



RBH operates within a complex system of interests and influences, all of which have differing information needs. RBH continually strives to enhance the quality of its relationships with all stakeholders by acting with integrity, fairness and mutual respect. This calls for transparency on all key messages communicated to our stakeholders, and for the provision of accurate and meaningful information in a timely manner.

RBH seeks to involve stakeholders in long-term strategic decisions as opposed to day-to-day operations. Stakeholder satisfaction is the foundation upon which RBH's reputation and success is founded. Without the understanding and support of its key constituencies, RBH will not succeed.

### Our stakeholders

Our key stakeholders, that is, those most likely to impact on RBH, are the Royal Bafokeng Nation (RBN), as represented by various

governance and community structures, our employees, the companies in which we are invested, our suppliers, and regulators.

### Engagement with our stakeholders

RBH is committed to full public disclosure of information through different means, developed to suit a varied stakeholder base. A key tool through which we reach our stakeholders is our Annual Review and our audited Annual Financial Statements, published as separate documents. We also communicate by means of quarterly newsletters and through our website, [www.bafokengholdings.com](http://www.bafokengholdings.com).

Further engagements are through the formal processes of the RBN Supreme and Traditional Councils as well as the biannual meeting of members of the RBN, the Kgotha Kgothe.

Outside of these formal processes, there is ongoing informal communication with stakeholders as and when the need arises.

# Royal Bafokeng

## Sports

Since its inception in 2007, Royal Bafokeng Sports (RBS) has had a significant impact on the young lives of the Bafokeng community.

### Sports development

Over 11 000 Bafokeng children, aged between six and 17 years old, are currently enrolled in the RBS development programmes, which employ 450 coaches and 25 co-ordinators.

The year under review saw a significant increase in the number of children involved, as well as the bedding down of development structures in the five focus sporting codes: soccer, athletics, rugby, netball and martial arts.

What follows is a brief summary of key developments in 2009.

Some 5 500 children trained and competed regularly in village and school soccer competitions. Children from Rustenburg and Moruleng were also invited to take part in the intermediate training programmes, thus increasing the numbers involved and improving the quality of the overall standard of play.

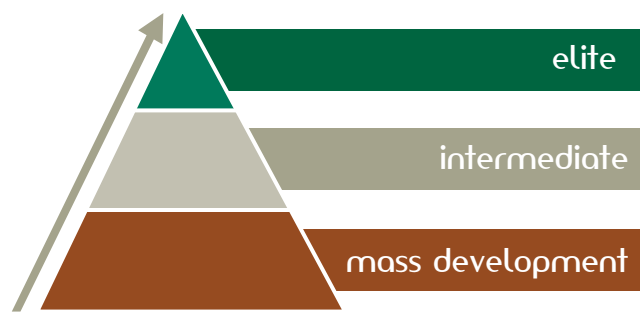
RBS's athletics programme had 3 500 children training and competing in village and school cross-country, track and field leagues. In the intermediate category, 200 athletes trained, with 110 of these qualifying for the national cross-country championships. Four athletes from the elite category qualified for the 2009 World Athletics Championships, with another qualifying for the 2009 African Junior Championships.

The focus for rugby was on high school pupils and 1 200 children took part in mass participation programmes. The rugby division of RBS is linked to established programmes and development within the Leopards Rugby Union.

In netball, around 4 500 children trained and competed in both village and school competitions. The intermediate netball squad competes against other development squads in the North West Province.

Finally, the martial arts division saw 1 200 children participating at village and club level, with the division ranking first out of 110 clubs in South Africa at Junior and Youth levels. The Japan Karate Association (JKA) national championships were held in Phokeng in October 2009, with 150 RBS qualifying participants.

RBS continues to use the three-tier development model:



Approximately 55% of the participants in sports development programmes are boys and 45% girls, while around 70% are primary school children and 30% high school children.

### Sports infrastructure

#### Royal Bafokeng Sports Palace (RBSP)

The upgrade of the RBSP, which added 5 000 seats and 16 suites to the stadium, was completed in March 2009. It was the first of the 2010 FIFA World Cup venues to be opened officially. To commemorate the opening, RBS hosted the Nelson Mandela Challenge Match between Bafana Bafana and Norway. Special guests included President Jacob Zuma and Queen Rania Al Abdullah of Jordan.

#### Bafokeng Sports Campus (BSC)

In January 2009, construction began on the BSC, a 65-hectare facility comprising a 68-room five star hotel, a clubhouse, a medical and gym facility, an academy block, eight grass fields, four synthetic turf pitches and an athletics oval. The hotel was completed in December 2009, with the balance of the facility due for completion in the first half of 2010.

The BSC will host Team England for the 2010 FIFA World Cup and thereafter should become a national asset for a range of sporting codes.





### Tsitsing Stadium

Tsitsing Stadium, on the outskirts of Tsitsing village, has been through an initial upgrade (one grassed multi-purpose sports field, a cross-country track and a netball court) and is used as a specialised training facility for the intermediate phase sportsmen and women.

### Kanana Stadium

Fraser Alexander has agreed to sponsor the upgrade of the existing Kanana Stadium for sport development purposes. Construction is scheduled to start in March 2010 and will take approximately four months to complete.

### Other village/school facilities

The condition of these facilities – mainly dirt pitches and courts – remains relatively poor. RBS is committed to the improvement of these facilities as part of its development programme, working in conjunction with RBA and external partners.

## Commercial franchises and events

### Platinum Stars

RBS bought the remaining shares of Platinum Stars in November 2008. The club struggled in the 2008-09 season, finishing 13th in the Premier League. However, by the end of calendar 2009, the team was in 10th position. The club participated in

the final of the Telkom Charity Cup in August 2009, losing narrowly to Orlando Pirates. Platinum Stars relocated to the Bafokeng region at the end of December 2009 and will move into its new headquarters at the BSC after the 2010 FIFA World Cup.

### Platinum Leopards

Having qualified for the premier division of the ABSA Currie Cup in 2008, the Platinum Leopards reached the semi-finals of the Vodacom Cup in the first half of 2009 (losing narrowly to the Blue Bulls at Loftus Versveld Stadium in Pretoria). Taking part in the ABSA Currie Cup meant that the players underwent a gruelling and challenging 16 weeks. The team finished seventh (out of eight) in the premier division log and retain their premier division status for 2010.

### 2009 FIFA Confederations Cup

Although providing some logistical challenges for the organisers, the four games that took place at the RBSP were well attended and produced some exciting football results.

### British and Irish Lions Tour

The RBS-sponsored Royal XV were worthy opponents for the legendary touring team in the opening match of the SA tour at the RBSP.

# Royal Bafokeng

## Enterprise Development



In September 2008, the Royal Bafokeng Administration's department of Local Economic Development (LED) became an RBH subsidiary and was renamed Royal Bafokeng Enterprise Development (RBED). The early part of 2009 saw the constitution of a new board, internal reorganisation and capacity building. In addition, RBED's mandate was defined and its focus will continue to be on supporting small, medium and micro enterprises (SMMEs). The company's financial management and reporting structures were also tightened.

In 2009, RBED's database of Bafokeng-led businesses grew from 288 to 486. Of these, 307 businesses are operational and are spread across various sectors, particularly the areas of construction, engineering, mining, hospitality, crop and livestock farming, catering, cleaning and landscaping.

RBED has also teamed up with The Business Place Network in Phokeng, a partnership which ensures that The Business Place Network plays a leading role in the development of start-up, very small, survivalist and micro businesses. At Bafokeng Rasimone Platinum Mine and Impala Platinum, business linkage managers have been appointed to facilitate the access of SMMEs to procurement opportunities.

The RBED challenges include management of stakeholder expectations, and developing skills and capacity within Bafokeng businesses that can meet market-related pricing and quality demand. RBH's investee companies have demonstrated a willingness to participate and have partnered with RBH as part of their preferential procurement policy.

# Corporate

## governance

Over the last 12 months the composition and effectiveness of the RBH governance structures and the issue of RBH representatives on the boards of investee companies were reviewed by the Board and Executive Committee to ensure sufficient shareholder involvement, and to align the company with the changes that were brought about by the amended King Report on Corporate Governance (King III) and the amended Companies Act.

RBH's shareholder, the Royal Bafokeng Nation (RBN), and the company's Board and management are in agreement that good corporate governance is imperative. This applies to subsidiary and investee companies which must also commit to the highest levels of corporate governance.

RBH is currently a Level 1 Contributor in accordance with the Department of Trade and Industry's Codes of Good Practice.

### Sustainability reporting framework and reporting

The Board is committed to the objective of sustainable development, which is a broader term than the principle of 'Social Responsibility' referred in the King II Code. Sustainable development applies both to the company and to its shareholders.

RBH recently adopted a sustainability strategy and has prepared its first integrated sustainable development report for 2009. Further, the company has undertaken to have its 2010 Annual Review assured in accordance with the standards of the Global Reporting Initiative (GRI).

The Board is committed to the implementation of the principles of transparency and disclosure in all its relations with its stakeholders. In practice this means making material, accurate and meaningful information available to its stakeholders in a timely manner.

As a community-based investment company, RBH is particularly sensitive to the need to deliver effective sustainable development and to present information on the company in accordance with triple bottom line standards and the principles of the GRI.

### Governance structures

#### Shareholder

RBH is a holding company for its direct and indirect subsidiaries which hold investments (together with RBH, the RBH Group). At the end of 2009, the RBN completed the restructuring of its commercial assets and donated its shares in RBH to the trustees of the Royal Bafokeng Nation Development Trust (RBNDT) (IT 2482/2004). Thus RBH is a private company that is wholly owned by the trustees of the RBNDT for the benefit of the beneficiaries of the RBNDT.

The shareholder has the ultimate power to remove directors and is governed in its relationship with the company through the Articles of Association. The shareholder of RBH holds an annual general meeting (AGM) in the third quarter of every year.

### Board of Directors

#### Role

The Board of Directors is responsible to the shareholder for the performance of the RBH Group. Its role includes the establishment, review and monitoring of strategic objectives; the approval of major acquisitions, disposals and capital expenditure; and overseeing the RBH Group's systems of internal control, governance and risk management.

The Chief Executive Officer is responsible for the execution of strategy and the day-to-day management of RBH, and is supported by the Executive Committee.

#### Composition

At all times the RBH Board must have a minimum of three directors, the majority of whom must be non-executive. The chairman of the Board, who must be a non-executive director, is responsible for leading the Board and for its effectiveness.

In addition to the non-executive chairman, the Board comprises three executive directors, two non-executive directors and one independent director.

#### Meetings

The Board meets four times a year. Additional Board meetings may be convened during the year when required. The number of meetings of the boards of RBH's subsidiaries complies with statutory requirements.

### Board committees

Subject to those matters reserved for its decision, the Board delegates certain responsibilities to two standing committees: the Human Resources and Nominations Committee and the Audit and Risk Management Committee.

#### Human Resources and Nominations Committee

The Human Resources and Nominations Committee is responsible for establishing and developing RBH's general policy on remuneration for executive management and non-executive directors and has been delegated the power to approve specific packages for individuals.

The committee has a minimum of three members. The chairman and the majority of members are non-executive directors. RBH is aiming to have the entire membership of the Human Resources

# Corporate

## governance continued

and Nominations Committee made up of independent directors as this constitutes best practice.

The Human Resources and Nominations Committee makes recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations regarding the composition of the Board and its committees and the balance between executive and non-executive directors.

The committee regularly reviews and updates the succession plans for directors and senior managers.

### Audit and Risk Management Committee

The Audit and Risk Management Committee consists of a minimum of three members. Appointments to this committee are made by the Board in consultation with the committee's chairman. The Human Resources and Nominations Committee is actively seeking an independent Board member with the requisite experience in accounting and financial management to take over the chairmanship of the Audit and Risk Management Committee. This appointment should have been completed in 2009 but was delayed. Moreover, RBH is aiming to have the entire membership of the Audit and Risk Management Committee made up of independent directors as this constitutes best practice.

The primary role of the Audit and Risk Management Committee is to ensure the integrity of financial reporting and the audit process, and the maintenance of a sound risk management and internal control system.

In pursuing these objectives, the committee oversees relations with the external auditors. It approves the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality.

The committee also monitors developments in corporate governance to ensure that RBH continues to apply high and appropriate standards. The Audit and Risk Management Committee's recommendations are submitted to the Board for approval.

### Internal controls and risk management

The Board takes overall responsibility for risk management, while management is accountable for designing, implementing and monitoring the process of risk management.

The Board policy on risk management defines acceptable risk tolerance levels and determines the continuous monitoring of risk and control processes required across business-specific risk areas, to provide the basis for regular and exceptional

reporting to business management and boards, the Executive Committee and the Board.

RBH seeks to have a sound system of internal control, based on its policies and guidelines in all of its subsidiaries, material associates and joint ventures. In those companies that are independently managed, as well as in joint ventures, the directors who are representing RBH seek assurance that significant risks are being managed.

### Effectiveness of internal controls and risk management

The Board receives inputs on the effectiveness of internal control mechanisms as follows:

- regular management reporting;
- the Executive: Finance reports every quarter on the operation of the financial and accounting control frameworks; and
- the Board also receives assurance from the Audit and Risk Management Committee, which derives its information, in part, from regular audit reports on risk and internal control throughout RBH.

### Public disclosure of information

The company publishes on its website, [www.bafokengholdings.com](http://www.bafokengholdings.com), and keeps current the following information:

**Ownership:** this is presented in a diagram of the RBH Group structure showing the major shareholdings, ultimate beneficial ownership and the percentage of shares held by each.

**Governance structure:** there is a chart of the governance structure of the RBH Group indicating the principal organs of the company's governance and to which entity each reports.

**Corporate events calendar:** a Board-approved diary outlines the corporate events for the calendar year, including shareholder meetings.

**Policies:** corporate governance, Board Charter, terms of reference for board committees, code of ethics, corporate social investment and employment equity.

### Accounting and auditing

The Board approves the terms of reference for the Audit and Risk Management Committee and its members.

Annual Financial Statements for the year ended 31 December 2009 will be prepared in accordance with International Financial Reporting Standards (IFRS).

RBH has appointed PriceWaterhouseCoopers, an internationally recognised accounting firm, as its independent external auditors for the year ended 31 December 2009. The external auditors report to the Audit and Risk Management Committee and RBH expects that it will rotate the audit partners regularly.

## Compliance and enforcement

The Board is ultimately responsible for the RBH Group's compliance with the Board-approved governance policies. In this task, the Board has delegated certain responsibilities to management. The Chief Executive Officer has overall management responsibility for ensuring that the company complies with the law, the Board Charter policies regarding corporate governance and the company's code of ethics.

The Executive: Corporate has primary responsibility for the implementation and monitoring of governance policies and procedures. The Company Secretary is responsible for the preparation for, and the holding of, Board meetings and the AGM.

The Board believes that it is the responsibility of every employee and director of RBH to observe and implement the company's governance policies. The company's code of ethics applies to every individual in the RBH Group and establishes the general culture of governance and compliance with rules and policies. The approval framework, delegation of authority and internal guidelines of RBH establish responsibility for compliance at every level of the RBH Group with internal control processes in place

to ensure compliance. These internal controls are assessed by external parties and their effectiveness reported to the Board.

The Board addresses any shortfalls in compliance identified by the external audit process, recommends any changes and every year reviews the need for a standing committee on governance. Compliance can also be monitored by external parties.

The corporate governance policy is made available on the RBH website. It includes comments on the extent to which RBH complies with the King III Code and provides explanations for any divergences from compliance.

## Meeting attendance

The directors of the company during the year were as follows. Their meeting attendance is represented below.

<i>Kgosi</i> LT Molotlegi	Appointed 24 July 2006
Mr TV Mokgatlha	Appointed 24 July 2006
Mr SD Phiri	Appointed 24 July 2006
Ms MPP Nyama	Appointed 1 October 2007
Mr NDJ Carroll	Appointed 8 March 2006
Mr AR Jackson	Appointed 8 March 2006
Ms KP Shongwe	Appointed 26 June 2008

The appointed Company Secretary in 2009 was Ms BE Mayekiso.

## Board

Name	26-Mar	25-May	25-Jun	21-Sep	26-Oct	10-Dec	Total
Kgosi LT Molotlegi	✓	✓	✓	✓	✓	✓	6
TV Mokgatlha	✓	✓	✓	✓	✓	✓	6
SD Phiri	✓	✗	✓	✓	✓	✓	5
MPP Nyama	✓	✓	✓	✓	✓	✓	6
NDJ Carroll	✓	✓	✓	✓	✓	✓	6
AR Jackson	✓	✓	✓	✓	✓	✓	6
KP Shongwe	✓	✓	✓	✓	✓	✓	6

## Audit and Risk Management Committee

Name	20-Mar	20-May	11-Aug	Total
TV Mokgatlha	✓	✓	✓	3
SD Phiri	✓	✓	✓	3
NDJ Carroll	✓	✓	✓	3

## Human Resources and Nominations Committee

Name	25-Mar	25-May	19-Jun	21-Sep	22-Oct	10-Dec	Total
Kgosi LT Molotlegi	✓	✓	✓	✓	✓	✓	6
MPP Nyama	✓	✓	✓	✓	✓	✓	6
NDJ Carroll	✓	✓	✓	✓	✓	✓	6

# Sustainable

## development review

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Integral to the establishment and character of RBH has been the mandate that the company and its investee companies act with integrity, in compliance with the law, and with the recognition that their actions and operations have an impact on communities, and their economic, social and natural environments.

Although these economic, social and environmental issues have always been considered by RBH as part of its business, the company undertook a review of its sustainable development vision, policies and structures in 2009, with a view to formalising its governance practices, engaging with its partners and other stakeholders, and evaluating and monitoring its performance. Through this process, RBH identified those principles to which it subscribes and from which it can learn, and has adopted the Global Reporting Initiative's (GRI) G3 guidelines as the basis of its reporting.

### What sustainable development means for RBH

RBH's role in delivering sustainable development is a dual one:

- As a community-based investment company owned by an inter-generational trust, RBH's core function is to deliver sustainable economic returns over the long term that will contribute directly to the upliftment of the RBN community. That community does not live in isolation, however, and its upliftment will have a positive influence on communities within and around the RBN's base in the Bojanala district of the North West Province.
- As a responsible and ethical investor, RBH has a duty and responsibility to guide and direct the companies in which it invests to embed good environmental, social and governance (ESG) standards into their business decisions and practices. Further, RBH will not invest in those companies that present a risk to RBH's values and ethos, and will respond should the companies it invests in not act in accordance with RBH's parameters.

What this means in practice is that while RBH's primary mandate is to deliver exceptional returns to its shareholder and that investments will be sought, managed and disposed of to ensure the achievement of this objective, the company will ensure:

- That a process of risk management is applied to identifying and monitoring investment opportunities and investee

companies in respect of ESG issues. RBH has always practiced (and recently codified) a process of negative screening of investments where there are potential risks related to human rights violations, excessive and irreparable environmental degradation, corruption and other violations of ethical norms.

- That RBH and its investee companies act in compliance with legislation and regulations guiding safety and health, environment, employment equity and transformation, labour relations and other matters. Further, RBH has adopted or subscribes to internationally accepted principles relating to sustainability, including the United Nations Global Compact, the United Nations Principles for Responsible Investment (UNPRI) and the principles of the International Council of Mining and Metals (ICMM).
- That RBH and its investee companies consider, manage and report on ESG issues transparently and timeously, and that all matters relating to sustainability are considered at the highest levels of governance as recommended by the amended King Report on Corporate Governance (King III).
- That RBH actively engages through its board representation on its primary investments. An objective on ESG issues in this regard is that RBH-nominated directors on these boards actively participate in matters relating to sustainability, and that they seek to participate specifically in those companies' board sub-committees that deal with matters relating to sustainable development. Where these committees are not in place, RBH will motivate for their establishment. RBH has identified a need to provide education and training in respect of sustainable development internally, and to its nominated directors.
- That RBH effectively and responsibly uses its standing, knowledge and positioning to encourage co-ordinated, collaborative and long-term regional sustainable development initiatives, where companies and communities can learn from one another and benefit from a combined rather than an individual approach. Specific regional initiatives in this regard could relate to climate change, improving air quality, reducing ground water and soil contamination, and the rehabilitation of mine sites on RBN lands.



### Commitment to external sustainability initiatives

Initiative	What it is	RBH's approach
United Nations Global Compact	A strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.	RBH has sent its letter of support of the Global Compact to the United Nations.
United Nations Principles for Responsible Investing (UNPRI)	A set of voluntary best practice standards that asset owners and managers pledge to uphold in order to incorporate environmental, social and governance issues into their investment processes.	RBH has sent a letter to the UNPRI secretariat confirming its approval of the principles and has received confirmation of receipt.
International Council of Mining and Metals (ICMM)	ICMM has developed 10 principles as part of its sustainable development framework. These principles are used by ICMM members to implement and measure their performance.	RBH approves of the principles and is investigating the process of membership with ICMM.

RBH has developed a number of positions and policies that will inform its own activities and those of its investee companies with respect to sustainability. These include the following:

- preferential procurement policy;
- corporate governance policy;
- corporate social investment policy; and
- code of ethics.

These policies are available in a downloadable format at [www.bafokengholdings.com](http://www.bafokengholdings.com) and further policies are currently being developed.

# Sustainable

## development review continued

### Understanding the material issues

Since its inception, RBH has operated under an overarching business sustainability principle – that of asset diversification (see discussion on page 31).

In this, its first integrated sustainable development review, RBH has undertaken to report on those issues and companies that are most material to it and its stakeholders. The outcomes of this deliberation are set out below.

RBH is aware of the fact that it does not operate in isolation – it represents the community on behalf of which it invests. The way in which it approaches sustainability matters must, therefore, address the needs of its community, and be undertaken through partnerships. Key stakeholders have been identified as:

- the RBN community and RBN service delivery entities;
- the RBN Supreme Council and the RBN DT;
- government – local, provincial and national;
- investee companies, corporate partners (lenders, advisers, suppliers);
- surrounding community members;
- non-governmental organisations (NGOs) and community-based organisations (CBOs); and
- RBH employees.

In 2010, RBH intends to examine and better understand the needs of these stakeholders. In addition, the RBN's environmental advisers have prepared an environmental issues matrix where the strategic priorities associated with the RBN were mapped against the background of existing local and

national programmes. The intention is that RBH's approach should use its position as a multi-company shareholder for the benefit of all stakeholders.

By virtue of their contribution to RBH income and asset value or the influence that RBH has on these companies, the impact or potential impact that these businesses have on the natural and social environments, and their impact on members of the RBN community, the following companies are considered to be 'focus' companies: Implats, Merafe Resources, Bafokeng Rasimone Platinum Mine (BRPM) and Fraser Alexander.

These companies will be encouraged to report on their sustainability performance in their own right, in compliance with GRI, and pertinent information will be reported in the RBH Annual Review. It is understood that, in this first year of reporting by RBH, information may not be comparable or complete.

Since the focus companies are situated in the region in which the RBN people are located, RBH has also considered the primary issues that are material to the communities. Through a process of consultation these have been established as:

- the availability and creation of jobs;
- income generation and economic activity;
- provision of health services;
- education;
- food security; and
- environmental degradation – water and air pollution.

RBH has identified a second tier of investee companies, namely MB Tech, Metair and Astrapak, and more attention will be paid to these companies in future.







## Seeking growth and prosperity through diversity

The origins of RBH lie clearly in the mining industry where, by virtue of the mineral wealth found beneath the RBN land, this community-based company has been able to develop and grow into an economic force.

Royal Bafokeng Resources (RBR) was established to manage and develop the RBN's mining-related assets in 2002. But the RBN recognised that mining interests, by their very nature, exploit finite resources. Further, their fortunes are dependent on cyclical commodity prices, underpinned by vacillating demand/supply fundamentals that are outside of the company's control. So, to generate economic prosperity into perpetuity, the RBN needed to diversify and stabilise its investment income over time, and to spearhead this, Royal Bafokeng Finance (RBF) was formed in 2004. RBR and RBF were merged in 2006 to form RBH, with the intention of broadening and diversifying the asset base into other sectors, particularly financial services and infrastructure, including telecommunications.

A significant turning point for RBH was the conversion of the royalty paid by Implats to the RBN for the right to mine on the Impala Lease Area into an equity stake. RBH is Implats' largest single shareholder and is represented on the Implats board. In addition to the significant dividend flow from Implats, RBH now has an interest in a longer-life, multi-operation international entity rather than being limited to royalty flows from a single mine complex.

In addition to preserving and growing the wealth of the RBN community, RBH has been able to provide significant cash flow into the RBN. Through its various service delivery entities the RBN has undertaken and overseen infrastructural development (roads, water reticulation, sanitation, electricity and street lights) valued at more than R3 billion. In addition, some 60 schools and five health centres have been built, as well as a sports stadium and related facilities, municipal buildings, the Bafokeng Sports Campus and the Bafokeng Plaza shopping mall. Local communities, irrespective of whether they are members of the RBN or not, have benefited from these initiatives.

# Sustainable

## development review continued

### Focus companies.

Company	Sector	RBH interest	Board representation and SD committee representation
Impala Platinum Holdings Limited	Mining – PGMs	13.2%	Two RBH nominees on the Implats board, three RBH nominees on the Impala Platinum (mine company) board, observer status on the Implats Group Sustainable Development Forum
Merafe Resources Limited	Mining and smelting – ferrochrome; JV with Xstrata	30.8%	One RBH nominated director on the board
Bafokeng Rasimone Platinum Mine (BRPM)	Mining – PGMs	50:50 unincorporated joint venture	50% representation on the management committee
Fraser Alexander Limited	Construction and operation of tailings dams and other mine facilities	100%	50% of the board comprised of RBH nominees



The primary issues relating to sustainability of the focus companies are discussed briefly below.

## Impala Platinum Holdings Limited



Impala Platinum Holdings Limited (Implats) is the second largest platinum producer in the world. Implats' primary business is the mining, processing and refining of platinum group metals (PGMs). Implats has operations in South Africa, on the world-renowned Bushveld Complex, and in Zimbabwe on the Great Dyke.

On an annual basis, Implats produces a sustainable development report in line with the GRI's G3 guidelines. This report is independently assured and may be found at [www.implats.co.za](http://www.implats.co.za).

RBH's assessment of the most significant sustainability risks/issues are:

- Safety and health of employees. Regrettably, in the 2009 financial year to end June 2009, 11 employees died in work-related accidents. Sadly, in the first half of the 2010 financial year (July 2009 to December 2009), a further 14 people died at these operations, nine of whom lost their lives in a single tragic accident in July 2009. This means that the group's safety performance will have seriously deteriorated by the end of the financial year. This is of significant concern to RBH. Implats has placed great emphasis on safety standards and training, and has implemented behaviour-based safety programmes.
- Preferential procurement. As a significant generator of economic activity RBH believes that Implats can and should play an increasing role in developing and supporting local and historically disadvantaged South African (HDSA) companies, particularly in the areas around its operations. As its primary operation is located in the region in which the RBN is located, this provides a common goal and much collaboration is taking place between the RBN and Implats to address this issue. This collaboration is happening at board and local procurement level, where RBED is working directly with Impala procurement officers to facilitate the procurement of local goods and services.
- Community engagement. RBH regards it as imperative that Implats should engage with its local communities. Implats has developed an integrated approach to sustainability and, in 2009, the company put in place a stakeholder engagement unit specifically to interact with local communities.
- Socio-economic development. Through the Impala Bafokeng Trust (see page 18), Implats and RBH work jointly to ensure that funds are committed to long-term sustainable development projects aimed at the RBN and other Bojanala communities.
- Environmental impacts. Implats has adopted ISO14001 as the basis for its environmental management systems, and has implemented or is in the process of implementing this standard at all operations. As part of ISO14001, the group is committed to continuous improvement.

# Sustainable

## development review continued

### Merafe Resources



Established in 1987, Merafe Resources is a ferrochrome mining and processing company whose major shareholders are RBH (30.8% interest) and the Industrial Development Corporation (IDC).

Through its wholly owned subsidiary, Merafe Ferrochrome & Mining (Pty) Limited, Merafe participates in a joint venture with Xstrata South Africa (Pty) Limited, a wholly owned subsidiary of Xstrata plc. In terms of the agreement, the companies combined their ferrochrome operations in 2004 to form the largest ferrochrome producer in the world and this secured Merafe Resources' participation in the combined earnings of the venture.

Merafe produces a sustainable development report as part of its annual report. This is available at [www.meraferesources.co.za](http://www.meraferesources.co.za), and is produced in accordance with the GRI's G3 guidelines.

Xstrata's sustainable development policy and its 17 sustainable development standards (both available on

the Merafe website) are used as the basis for environmental management at Merafe, as part of the venture.

Critical sustainability issues for Merafe, as identified by RBH are:

- Environmental impacts. Water and air quality, particularly in the areas surrounding the Boshhoek smelter.
- Water usage and availability. The venture has established targets for the reduction of water consumption.
- Energy usage and availability. Ferrochrome smelting is energy intensive, resulting in the 2009 development and implementation of programmes addressing climate change (focused on reducing greenhouse gas emissions) and decreasing energy usage (through improved energy efficiency projects).

## Bafokeng Rasimone Platinum Mine



The Bafokeng Rasimone Platinum Mine (BRPM) is an unincorporated 50:50 joint venture between RBH (held through a wholly owned subsidiary, Royal Bafokeng Resources) and Anglo Platinum (held through a wholly owned subsidiary, Rustenburg Platinum Mines Limited).

Each partner has a 50% participation interest and equal powers, duties, rights and obligations in relation to management. Anglo Platinum is the world's largest platinum producer with its primary operations, Rustenburg Platinum Mines Limited and Amandelbult, located on the western limb of the Bushveld Complex.

The BRPM joint venture was established to exploit PGMs in the Merensky and UG2 reefs on the Boschkopie, Frischgewaagd and Styldrift farms in the Rustenburg area, in the heart of RBN landholdings. BRPM produced its first concentrate from the Boschkopie property in December 1999. The operation has the potential to produce more than 500 000 ounces of platinum when the Styldrift Phase 1 project reaches steady state levels. Capital funding for the joint venture is apportioned equally between the parties. With effect from January 2010, this operation is being managed by RBH.

In the past, BRPM's sustainability performance was reported as part of Anglo Platinum's overall sustainable development reporting. Anglo Platinum prepared its first fully integrated annual report in 2009, which covers ESG aspects of the company. This report can be downloaded at [www.angloplatinum.com](http://www.angloplatinum.com).

Material sustainability issues for BRPM, as identified by RBH are:

- Community engagement. Given that the mine has been operated by an RBH subsidiary as of January 2010, it is imperative that community engagement structures are further developed.
- Energy, climate change and water. BRPM must continue to focus on energy efficiency projects. In 2009, new heat pumps were installed at the BRPM change houses which are classified as a renewable energy source because they use ambient heat as their energy source. BRPM has reduced potable water intake through the installation of a water treatment plant which allows for greater use of processed water. BRPM will continue to focus on the prevention of ground water and surface water contamination from mine processes.
- Preferential procurement. As with Implats, the need to increase the mine's procurement expenditure on local RBN and other HDSA companies is critical. RBED works directly with BRPM procurement to facilitate access by RBN SMMEs to procurement opportunities.
- Safety. In 2009, one employee at BRPM lost his life in a work-related accident at the concentrator plant.

# Sustainable

## development review continued

### Fraser Alexander



RBH holds 100% of Fraser Alexander which was founded in 1912 to provide a tailings disposal service to the gold mining industry on the Witwatersrand. As its tailings business grew, Fraser Alexander added other businesses to its portfolio of operations. The Fraser Alexander group of companies now comprises three complementary businesses:

- Tailings: operates mostly in the mining sector, managing the risks associated with wet tailings disposal, related wastes and hydraulic re-mining solutions.
- Bulk mechanisation: operates in the mining and ferrometals industries, managing the handling of dry bulk materials.
- Construction: specialises in the construction of infrastructure related to the activities of its associate companies.

Fraser Alexander is an unlisted company and does not distribute an annual report or produce a sustainability report. RBH's intention is to use its influence on the Fraser

Alexander board to pursue a sustainability agenda and, in time, to produce an integrated annual report.

The material sustainability issues associated with Fraser Alexander are:

- Environmental impact. Fraser Alexander's work is related to the development and maintenance of tailings storage facilities (TSF) which, if inadequately managed, could have a significant negative impact on the environment. The company's professional services ensure that these facilities are properly constructed and maintained. There is the risk of a TSF failing which could have devastating consequences in terms of lives lost and damage to the environment. However, the risk of such an event is deemed to be small.
- Transformation. The development of HDSAs and the progress of women into management positions has not been significant. These matters are being addressed as a matter of urgency.

## GRI content index

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	Environmental	
	Social	



# Directors

## and executives



*Kgosi Leruo Molotlegi*



*Niall Carroll*



*Andrew Jackson*



*Thabo Mokgatlha*



*Steve Phiri*



*Tshidi Nyama*

### *Kgosi Leruo Molotlegi*

Chairman

BArch, University of Natal

*Kgosi Leruo Molotlegi* is the King of the Royal Bafokeng Nation and Chairman of the Supreme Council and Royal Bafokeng National Development Trust.

### *Niall Carroll*

Chief Executive Officer

BCom (Hons) CTA, University of Cape Town; Chartered Accountant (SA); Chartered Financial Analyst, CFA Institute; Licentiate and Fellow, Trinity College London

*Niall Carroll* is a chartered accountant and completed his articles with Deloitte Haskins & Sells, followed by 12 years at Deutsche Bank. He was appointed CEO of Royal Bafokeng Finance in 2004 and of Royal Bafokeng Holdings in 2006.

### *Andrew Jackson*

Executive Director: Investments

BSc Geology/Hydrology, University of Natal; BSc (Hons) Geology, University of Natal; Chartered Financial Analyst, CFA Institute

*Andrew Jackson* is a qualified geologist and has held various senior positions at De Beers Consolidated Mines and at Rex Mining. He was previously employed at Deutsche Bank and joined Royal Bafokeng Finance in 2004.

### *Thabo Mokgatlha*

Non-executive Director

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

*Thabo Mokgatlha* is a chartered accountant, having completed his articles with Coopers & Lybrand. He previously lectured at the University of the North West. *Thabo* is the Executive: Treasury & Business for the RBN.

### *Steve Phiri*

Non-executive Director

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

*Steve Phiri* is the Chief Executive Officer of Merafe Resources Limited. He has been admitted as an attorney to the High Court of South Africa and is a member of the Black Lawyers Association.

### *Tshidi Nyama*

Non-executive Director

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

*Tshidi Nyama* is a partner at Change Partners where her focus is on executive coaching. She previously held various senior positions at Spoornet and Wesbank as well as a number of non-executive directorships.





*Khumo Shongwe*



*Gillian Kettaneh*



*Mpueleng Pooe*



*Pieter Rörich*



*Lucas Ndala*

## Khumo Shongwe

Executive Director: HR and Transformation

BSc (MED) Hons (Psych), MSc (Clin Psych), Medunsa; BJourn, Rhodes University

Khumo Shongwe has 12 years' experience in the mining industry, where she has held senior positions at Lonmin, De Beers and Anglo Platinum.

## Gillian Kettaneh

Executive: Corporate

BSc Economics, London School of Economics; Juris Doctor, Harvard Law School; Masters in Public Administration, John F Kennedy School of Government, Harvard University

Gillian Kettaneh is responsible for RBH's legal and corporate affairs, governance and sustainable development. She has held various positions at Cleary, Gottlieb, Steen & Hamilton (New York), the World Bank (Washington DC), the European Bank for Reconstruction and Development (London), and the International Finance Corporation (Johannesburg).

## Mpueleng Pooe

Executive: Public Affairs

BProc, University of the North; Management Development Programme, Gordon Institute of Business Science; Certificate in Advanced Corporate and Securities Law, Unisa

Mpueleng Pooe is RBH's public affairs executive. He has been admitted as an attorney to the High Court of South Africa

and began his career as a lawyer with Bell Dewar & Hall, where he was later appointed director. He joined AngloGold Limited in 1999 as legal counsel.

## Pieter Rörich

Executive: Corporate Finance

BCom (Accounting), University of Pretoria; BCompt (Hons), Unisa; Certificate in Theory of Accountancy, Unisa; Chartered Accountant (SA)

Pieter Rörich is responsible for evaluating RBH's investments and executing transactions. Pieter's expertise is in the fields of corporate finance, mergers and acquisitions. He was an executive director of African Rainbow Minerals from 2004, before joining RBH in 2008.

## Lucas Ndala

Executive: Finance

Postgraduate Diploma in Management, University of Cape Town; BCom (Hons), University of Cape Town; Chartered Accountant (SA)

Lucas Ndala is a chartered accountant and completed his articles at Deloitte & Touche. Prior to this, he worked at Barclays in corporate credit and at Mettle, where he was involved in structured finance. Lucas is responsible for RBH Group finance.

# Glossary

## of acronyms

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AIDS	Acquired immune deficiency syndrome
ALSI	All Share Index of the JSE
BRPM	Bafokeng Rasimone Platinum Mine
BSC	Bafokeng Sports Campus
BTE	Black Tie Ensemble
ESG	Environmental, social and governance
FIFA	Fédération Internationale de Football Association (International Federation of Association Football)
GRI	Global Reporting Initiative
Group	RBH and its subsidiaries
HIV	Human immunodeficiency virus
IBT	Impala Bafokeng Trust
ICMM	International Council on Mining and Metals
MOGS	Mining, Oil and Gas Services
OVC	Orphaned and vulnerable children
RBA	Royal Bafokeng Administration
RBED	Royal Bafokeng Enterprise Development
RBH	Royal Bafokeng Holdings
RBN	Royal Bafokeng Nation
RBR	Royal Bafokeng Resources
RBS	Royal Bafokeng Sports
RBSP	Royal Bafokeng Sports Palace
RBNDT	Royal Bafokeng Nation Development Trust
SACMH	South African Coal Mining Holdings

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