



Our people



Our community



Our future



## Integrated Review 2011

## Scope of the review

In this 2011 review, Royal Bafokeng Holdings (RBH) takes another step towards integrated reporting, in line with the recommendations of the King Code of Corporate Governance 2009 (King III). While RBH is not a listed company, we believe that we have a responsibility to report to stakeholders in accordance with best reporting practice. We have taken the principles of AA1000 AccountAbility Principles Standard (APS) (2008), being inclusivity, materiality and responsiveness, into account in preparing this review. Our reporting is also aligned with the recommendations of the International Integrated Reporting Committee and the South African Institute of Chartered Secretaries' Framework for Integrated Reporting. We have also been guided by the Global Reporting Initiative (GRI) guidelines in the compilation of this review, the principles of the United Nations Global Compact (UNGC), of which we are a signatory, and the United Nations Principles for Responsible Investment (UNPRI).

The company, consistent with the tenets of integrated reporting, believes that the success of an organisation is inextricably linked to the society and environment in which it operates and to the global economy, and believes that it is therefore vital to report with a deep understanding of these links. Thus, RBH's integrated review is an overview of the organisation, providing important information about strategy, risks and opportunities, while relating them to environmental, social, economic and financial issues.

The focus of this year's review is on people, in particular the people of the Royal Bafokeng Nation (RBN). Since the society in which RBH operates is critical to the success of the business, this means that RBH's stakeholders are of paramount importance. Stakeholders are assiduously identified, engaged with, and their interests and concerns ascertained and addressed. In short, our stakeholders inform and shape our strategy.

The RBH integrated review has as one of its chief aims the provision of a holistic picture of the company: a picture that enables stakeholders to assess the ability of RBH to create and sustain value over the short, medium and long term – and to make informed decisions about the sustainability of the business they are invested in or are planning to invest in or work with.

RBH has engaged the services of PricewaterhouseCoopers (PwC) to review the implementation of the AA1000APS principles

in our reporting. For us, inclusivity means knowing who our major stakeholders are, understanding their needs and, where reasonable, responding to them.

RBH defines itself as a community-based investment company. Its core business function is to develop and manage the commercial assets of the RBN. The dividends received from investee companies fund the RBN for the development of sustainable community projects. RBH therefore has a sound understanding of its communities and other stakeholders. This focus, together with our evolving sustainable development and responsible investment policies and processes – while remaining true to the AA1000 principles – will mature over time.

As in previous years, RBH's audited financials will be published separately and at a later stage than the company's annual review. There has been a restatement and reissuance of the 2010 financial statements due to the correction of the valuation of the call option in Vodacom South Africa.

The theme of this year's review is people.

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RBH understands that an organisation is only as good as its people and that every member of the RBH team has a vital role to play in the organisation.

Our munity

RBH exists to benefit the members of the RBN. Their interests, concerns and needs inform and shape our company strategy.

r f t re

RBH is committed to ensuring long-term sustainable returns for the benefit of our shareholders, the people of the RBN – and their children's children.

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# Corporate profile



Oral tradition has it that when the Bafokeng – or “people of the dew” – settled in South Africa’s North West Province, the valley they inhabited was seen to capture heavy overnight dew, holding the promise that the land would be fertile and the community would prosper.

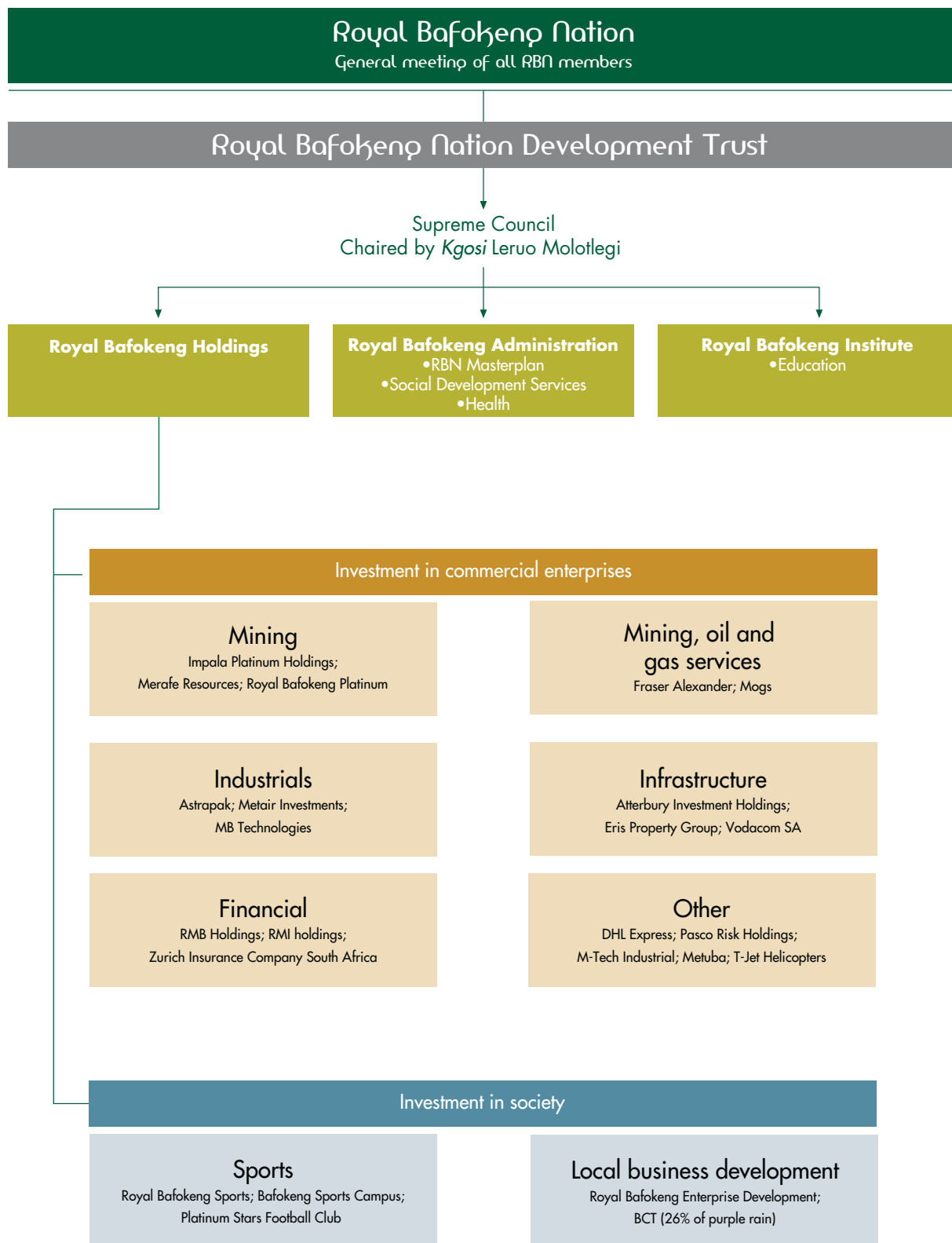
Today, some 100,000 members of the Setswana-speaking RBN – as well as a further 50,000 non-Bafokeng – do indeed prosper in the Rustenburg valley. The valley contains one of the largest deposits of platinum group metals (PGMs) in the world and, as a result of an innovative approach to development, the revenue from this mineral resource has been wisely invested for the benefit of the community.

RBH was established in 2006 to manage and develop the commercial assets of the RBN. The company was a result of the merger between Royal Bafokeng Resources, established in 2002, and Royal Bafokeng Finance, established in 2004. RBH’s investment activities are aimed at optimising the income required for the RBN to deliver sustainable benefits to the community.

Through the Royal Bafokeng Nation Development Trust (RBNDT), the RBN is RBH’s sole shareholder. The RBN’s development aims and activities are financed almost entirely by the dividends from RBH and interest income generated by RBN cash holdings. The development agenda, Vision 2035, and its masterplan or detailed strategy document seek to ensure the creation of a competitive, thriving and self-sufficient community, which participates in the national and regional economies.

In keeping with the determination to create a sustainable community, RBH holds a long-term investment view, one that seeks to diversify its portfolio in order to lessen reliance on PGMs as a source of wealth. As well as significant holdings in the mining industry, RBH’s investment portfolio includes interests in the telecommunications, services, infrastructure, financial and industrial sectors.

# Corporate structure





## The way we work



## r peo e

RBH understands that an organisation is only as good as its people and that every member of the RBH team has a vital role to play in the organisation.

# Material issues, mandate and strategy

RBH's investment mandate, the strategy employed to execute the mandate and the issue informing both of these, are described in the following sections. The issues, mandate and strategy are inseparable and form components of a holistic approach guiding investments, portfolio management, and resource allocation.

## Material issues

RBH exists for the benefit of the RBN. The commercial and social investment mandates and strategies are rooted in this. Consequently, the views and opinions of the people of the RBN are important in determining the manner in which RBH manages its investments and interacts with investee companies.

Over and above RBH's commercial mandate, its investment strategy is informed by the environmental and socio-economic realities which its beneficiaries face on a day-to-day basis. These include:

- employment opportunities;
- enterprise development;
- availability and access to health care;
- availability and access to education;
- food security; and
- water and air pollution.

Consequently, these issues are also considered by RBH as part of its approach in making investments. RBH follows an investment strategy which is designed to make capital returns, achieve diversification and maximise dividend flow to the RBN to address these social and developmental needs.

## Commercial mandate

Investments made in accordance with RBH's vision – to become the world's leading community-based investment holding company – clearly require a stable and growing income. But there is significantly more that the words "leading community-based investment holding company" demand in order that the vision becomes a reality.

While a narrow focus on delivering solid financial returns may provide the required developmental benefits in the short to medium term, ultimately this approach will contradict not only

RBH's vision, but the long-term viability of the RBN itself. The word "leading" requires that the investments made on behalf of the nation consider more than just financial returns.

The full meaning of RBH's vision has at its core the understanding that the wellbeing of the RBN is inextricably linked to environmental, social, economic integrity and political stability. Thus "leading" asks RBH to consider the implications of its investment decisions, not only from a commercial perspective, but also in terms of the broader impact the investment will have. Of course, many of the investments made on behalf of the RBN do have social and environmental impacts – it is here that RBH will be able to influence the manner in which these investments are managed and these impacts mitigated.

This investment approach is progressive. While it cannot be implemented in absolute terms, since no investment is without impact, RBH is certain that this integrated method will enable it to realise its long-term vision. RBH's new Sustainability Strategy and its Policy for Sustainable Responsible Investment and Portfolio Management integrate these financial and non-financial drivers and provide RBH with the strategic framework within which to exercise this holistic approach (refer to pages 12-14).

## Social mandate

RBH's primary concern is the generation of financial returns to fund developmental and infrastructure projects for the RBN. The returns generated by RBH must enable a sustainable and positive impact on the socio-economic circumstances of the RBN.

In addition to the generation of dividends that are used to fund social delivery projects, RBH contributes to the sustainable development of the RBN in a number of ways, through:

- the activities of its wholly owned subsidiaries;
- direct corporate social investment (CSI);
- indirect CSI – encouraging investee companies and other corporate partners to contribute resources to RBN projects;
- monitoring of investee companies operating on RBN land – ensuring that the boards of these companies remain sensitive to, and constructively tackle issues and externalities that impact on, the RBN community;
- human capital development, to build a competent, high-calibre team that can deliver on the mandate.





# Directors and executives



## 1. Kgosi Leruo Molotlegi – Chairman

BArch, University of Natal

Kgosi Leruo Molotlegi is King of the RBN and Chairman of the Supreme Council and the RBN DT. Kgosi Leruo serves on the human resources and nominations sub-committees of the Board.

## 2. 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 Chief Executive Officer of Royal Bafokeng Finance in 2004 and of RBH in 2006. With the rest of the executive team, Niall oversees the development and implementation of business strategy.

## 3. Thabo Mokgatla – Non-executive Director

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

Thabo Mokgatla 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 and Business for the RBN. Thabo serves on the audit and risk management sub-committees.

## 4. 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 Royal Bafokeng Platinum (RBPlat). He has been admitted as an attorney to the High Court of South Africa and is a member of the Black Lawyers Association. Steve brings to the Board his expertise on governance and stakeholder relations.

## 5. Tshidi Nyama – Non-executive Director

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

Tshidi Nyama is a partner at Makhup Business Services and Coaching and the head of external affairs at BHP Billiton Manganese SA. She previously held various senior positions at Spoomet and Wesbank, as well as a number of non-executive directorships. Tshidi serves on the human resources and nominations sub-committees.

## 6. Monhla Hlahla – Non-executive Director

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

Monhla Hlahla has been the Managing Director of Airports Company South Africa (ACSA) since 2001, and is also currently the Interim Chairman of the Industrial Development Corporation (IDC) and the President of the African chapter of Airports Council International. Monhla serves on the human resources, audit and risk and nominations sub-committees.



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### 7. Tom Boardman – Non-executive Director

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

Tom Boardman has held senior positions throughout his career for companies including Anglo American Corporation, Sam Newman Limited and Boardmans. He has been involved with the Nedbank Group for many years and, though now retired, still serves on the board of Nedbank, Woolworths Holdings and the Vodacom Group, among others. Tom serves on the human resources, audit and risk and nominations sub-committees.

### 8. Khumo Shongwe – Executive Director: People and Sustainability

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

Khumo Shongwe is a registered clinical psychologist and has spent most of her career in the mining industry, specifically in human resources and transformation. She has also participated in the sustainable development portfolios of the organisations for which she has worked. She has held executive positions at Lonmin, De Beers and Anglo Platinum. Previously, she worked for Transnet, Gold Fields and the public sector. Khumo is responsible for human capital development, sustainable development and corporate social investment.

### 9. Lucas Ndala – Chief Financial Officer

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 group finance and risk management.

### 10. Mpueleng Poeo – Executive: Legal and Public Affairs

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

Mpueleng Poeo 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 the then AngloGold Limited in 1999 as legal counsel. Mpueleng is responsible for stakeholder management, legal affairs and governance.

### 11. Pieter Rörich – Executive: Investments

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

Pieter Rörich heads the RBH investment team. 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. Pieter is responsible for advancing portfolio growth and diversification.

# Chairman's message



A strong and holistic view of sustainable business is at the very core of RBH's mission.

*Kgosi Leruo Molotlegi*

## The way we work

It gives me great pleasure to present the 2011 Royal Bafokeng Holdings Integrated Review.

Although there are signs of recovery, the global economic climate continues to present major challenges. Our primary objective of diversifying geographically and reducing the current portfolio's exposure to the risks associated with one dominant sector, platinum, is on course.

The platinum price fell by 21% in 2011, which, together with other factors affecting the sector, including the indigenisation policy in Zimbabwe and the nationalisation debate in South Africa, had a negative impact on the overall net asset value of the portfolio. However, we are confident that this market sector will bounce back. A major highlight for the year was the conclusion of a R7 billion transaction with Rand Merchant Bank Holdings (RBMH) late in 2011. This transaction represents a major step for our diversification strategy and brings our non-mining assets to a healthy 43% of the total RBN portfolio. We are proud to be a partner with the RBMH group in the financial services sector.

Our vision of becoming the world's leading community-based investment company means looking beyond the balance sheet to ensure that RBH and its investee companies pursue the most progressive policies in terms of environmental management, social return, and good governance. RBH is committed to modelling best practice in these areas, as well as to positively influencing the policies and practices of its investee companies. A strong and holistic view of sustainable business is at the very core of RBH's mission.

On a sad but important note, the founding Chief Executive Officer of RBH, Niall Carroll, will be stepping down in 2012, after eight years at the helm. Niall, who has led RBH since its beginnings

as Royal Bafokeng Finance, can be credited with a great deal of the success enjoyed by RBH to date. The team, partnerships and the strong reputation that Niall built at RBH are an invaluable contribution, and for that, we sincerely thank him and wish him well as he takes on new challenges.

RBH is part of a much wider enterprise, the growth and development of the RBN. The Bafokeng people are at once the owners and beneficiaries of RBH's work and their ability to achieve their goals is one way to measure RBH's success. In this respect, the gains being realised in education, health, and economic development in the Nation are a testament to the enabling environment RBH has helped to create.

As such, during the course of 2012, I will shift the balance of my own focus to the development initiatives under way in the community, and will hand over the chairmanship of RBH to our incoming Chairman elect, Monhla Hlahla. As founding Chairman, I am indeed satisfied by what we have achieved, and as I shift to take on the shareholder oversight role, I will ensure that the founding principles of RBH remain strong. I am grateful for the privilege and confidence that my people have placed in me to establish and lead RBH.

Finally, a word of appreciation to management and the entire team at RBH: your commitment to building a business capable of generating strong financial returns for the Bafokeng is steadfast. Your promise to remain at the vanguard of responsible, sustainable approaches to business must remain fundamental to everything you do. I thank each and every one of you for sterling performance.

**Kgosi Leruo Molotlegi**

Chairman

31 March 2012



# A proach to investing

## Overview

RBH is in the process of adopting a much more progressive approach to the manner in which investment decisions are made and the way in which it engages with those companies in which it is invested – the investee companies – on issues beyond financial performance and commercial outlook. These issues are collectively referred to as ESG issues – those dealing with environment, society and governance.

This more holistic approach to investing and portfolio management is rooted in a more comprehensive perspective on risk management, and also in the knowledge that investments made on behalf of the RBN in companies with poor management practices with regard to society and the environment, and which operate on RBN land, are inimical to the sustainability of the RBN itself.

RBH has taken bold steps to codify this new approach. Its position is represented in two key documents which have been adopted by the Board: the RBH Sustainability Strategy and the RBH Policy for Responsible Investment and Portfolio Management. The implementation of these will be accompanied by a company-wide training programme designed to educate the RBH executive and RBH directors sitting on investee boards as to the importance of ESG issues in the investment process and their relevance to daily operational aspects of investee companies.

RBH's vision is to become the world's leading community-based investment company. RBH will continually endeavour to improve the economic well-being and quality of life for all stakeholders by investing in businesses that will generate exceptional economic returns over the long term and will contribute directly to the upliftment of the RBN community.

The company has committed itself to the principles set out by internationally recognised organisations, including those of the UNGC, the UNPRI, the Millennium Development Goals (MDG), the National Strategy for Sustainable Development (NSSD), and has taken note of the International Council on Mining and Metals (ICMM) principles. It continues to encourage its investee companies to do the same.

The development of the RBH Sustainability Strategy and the Policy for Responsible Investment incorporates the principles advocated by these initiatives, thereby committing RBH to the global drive towards reaching a sustainable equilibrium for the greater good.

Through its involvement in these initiatives, RBH was able to identify areas in need of improvement and, accordingly, to initiate the development of policies and procedures that will further enhance sustainable development initiatives. These include: the development of a voting policy, the implementation of the recently-developed reporting system, formalising the social and environmental due diligence process, and defining our role as active owners.

RBH has factored ESG considerations into the investment process and into influencing investee company management through the following:

- RBH already undertakes a high-level social and environmental due diligence process of all target investee companies. We intend to formalise this process further, ensuring that investment decision-making promotes the recently Board-approved Sustainability Strategy and as a method to identify risk and liability.
- RBH applies a negative screening process to new investments which excludes investments in companies that conduct business in a manner regarded as in conflict with RBH's ethical standards.
- RBH promotes best practice governance in all investee companies. Moreover, RBH encourages the establishment of sustainable development committees in its investee companies, where these do not already exist.
- RBH aims to influence investee companies to act in compliance with legislation and to develop programmes and initiatives that contribute positively to the development of the Bafokeng and others.

RBH's commitment to sustainable development is expressed through formalising our approach to the incorporation of ESG issues in the Sustainability Strategy and Policy for Responsible Investment. RBH has created a sustainability portfolio that oversees all aspects of sustainable development.

Formalised training programmes in ESG issues serve to embed this approach. Over and above the screening of potential investments with an ESG filter, and really understanding the ESG risks of target investments, RBH will increase the degree to which it actively engages with investee companies in respect of ESG issues.

In 2011, RBH initiated a benchmarking exercise of active ownership activities undertaken by our peers with the aim of better understanding what it means to be an active owner (refer to box opposite).

## Sustainability strategy

The strategy guides all investment decisions and provides a framework for management of the existing investment portfolio. The strategy complements RBH's three principal objectives:

- To maximise return on investment;
- To do no harm; and
- To ensure sustainable employment opportunities and enterprise development through considered decision-making.

It defines sustainability as the ability to maintain growth of the commercial asset base to meet the needs of the RBN and ensure sustainable employment opportunities through agreements with investee companies and the RBN while protecting and enhancing social and natural capital.

## The way we work

RBH recognises that many of the challenges facing the RBN are encapsulated by the principles contained in the MDGs. Accordingly, these form an important part of the company's strategy.

There are five strategic ESG objectives:

- **Environment:** RBH will not invest in companies with poor environmental management track records. Where it does invest, it actively encourages sound environmental management in accordance with best practice. To enable a more comprehensive understanding of cumulative impacts resulting from investee operations on RBN land, RBH will assist the Royal Bafokeng Administration (RBA) to initiate an environmental quality monitoring programme.
- **Equity and transformation:** RBH is committed to promoting the well-being of historically disadvantaged South Africans (HDSAs) through employment and preferential procurement both within the company itself, its suppliers and in investee companies.
- **Community:** RBH's goal is to help provide strategic direction with regard to social and economic development of the RBN in an effort to eradicate poverty and under-development.
- **Governance:** RBH seeks to achieve the highest governance standards possible.
- **Communication:** RBH is committed to full public disclosure of information.

### Active ownership

RBH considers active ownership an important component of its investment strategy. RBH includes in the shareholders' agreement the nomination of one or more directors to the boards of RBH investee companies in the acquisition of a controlling or influential stake.

In choosing its directors, RBH nominates individuals that will add value to the investee company and will participate in and influence the investee company's strategic management. The RBH director so nominated owes his/her primary fiduciary responsibility to the investee company. RBH has adopted a decentralised, participative management style.

RBH will further formalise a due diligence process of all target investee companies as part of a systematic method of identifying risks and liabilities. An element of the RBH investment policy is to buy sound businesses with good management and to ensure that the management structure is retained.

To this effect, RBH has identified focus companies with whom effort toward collaboration on environmental and community development issues is directed. The identification of these focus companies is based on the size of the investment, the level of influence and the potential extent and severity of the environmental and social impacts associated with the operations.

RBH has developed an exclusion list which defines the types of investments that will not be considered. RBH will not invest, either directly or indirectly, in companies or projects that are involved in "sin" industries, or illegal or prohibited activities.



# A proach to investing continued

The principles of responsible investment and management adopted by RBH are affected and implemented through policy (refer to next section). Selected sustainability indicators have been identified to monitor and report progress towards achieving the stated objectives.

## Policy for Sustainable Responsible Investment and Portfolio Management

The sustainability strategy is expressed through this policy. In accordance with the strategy, RBH commits to the following investment objectives:

- To protect and enhance the wealth of the RBN and provide sufficient capital means to deliver on the budgeted service delivery projects of the RBA by generating positive real returns at moderate risk, while complying with sound corporate governance principles; and
- To ensure that due consideration is given to the environmental and social consequences resulting from the business operations of current and target investee companies.

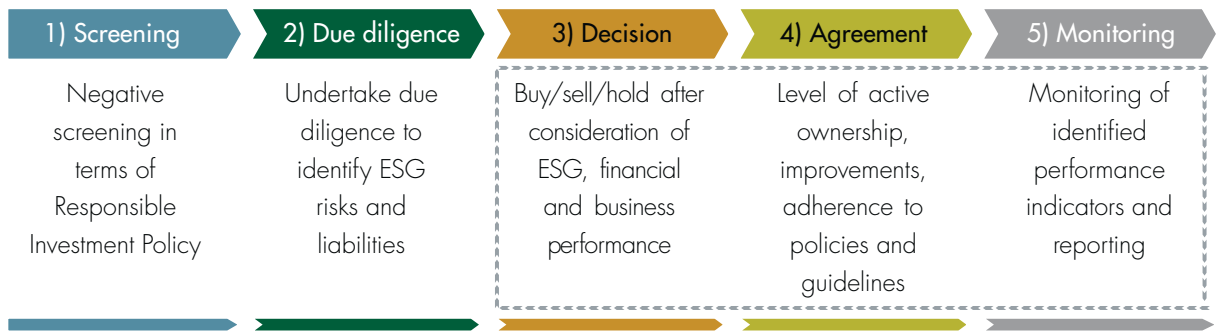
The objectives will be achieved by:

- undertaking a due diligence process of all target investee companies as part of a systematic method of identifying risks and liabilities as well as to assess the investee target against financial and ESG investment criteria;
- being active owners (see box on page 13).

The policy enables RBH to disinvest from a company in the event that:

- an investee company does not meet the set financial performance criteria;
- an investee company fails to meet ESG investment criteria (RBH will, as a first course of action, use its influence and assist an investee company to align with ESG criteria); and
- RBH becomes aware that an investee company is participating in exclusion activities as listed in the policy. (See box on active ownership on page 13.)

The investment process is illustrated in the following diagram (refer to box below for criteria):



### ESG investment and management criteria

- Return on investment
- Evidence of effectiveness of risk identification process and management system implementation
- Evidence of the appropriate assessment of environmental impact and mitigation or offset strategy
- Compliance with the RBH Investment Exclusion List
- Acceptability of the level of legal compliance
- Acceptability of the level of ESG awareness within organisation
- Acceptability of the level of consideration for ESG principles in business strategy and decision making
- Acceptability of the level of King III compliance
- Compliance with anti-corruption laws
- Employment equity







## The year in review



# Our

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RBH exists to benefit the members of the RBN. Their interests, concerns and needs inform and shape our company strategy.

# Chief Executive Officer's review



We are delighted to occupy positions of strategic influence in five world-class companies that we believe, over time, will continue to generate superior returns for all shareholders.

Niall Carroll

## The year in review

## Major features of the year

RBH's sixth year of operation took place against the backdrop of difficult global and local market conditions, especially for our platinum mining investments.

The net asset value of the equity portfolio fell by 16.7% to R25.1 billion, which compared unfavourably to the Johannesburg Stock Exchange (JSE) All Share Index (ALSI) rise of 2.6%.

Driven by the unsettling political pronouncements on mining nationalisation in South Africa and indigenisation in Zimbabwe, the share prices of our two largest investments by value at end 2010, Impala Platinum (Implats) and RBPlat, fell by 28% and 18% respectively over the course of the 2011 year. Although smaller in size, our stake in Merafe Resources was even more badly affected by global growth concerns, down by 45% for the period.

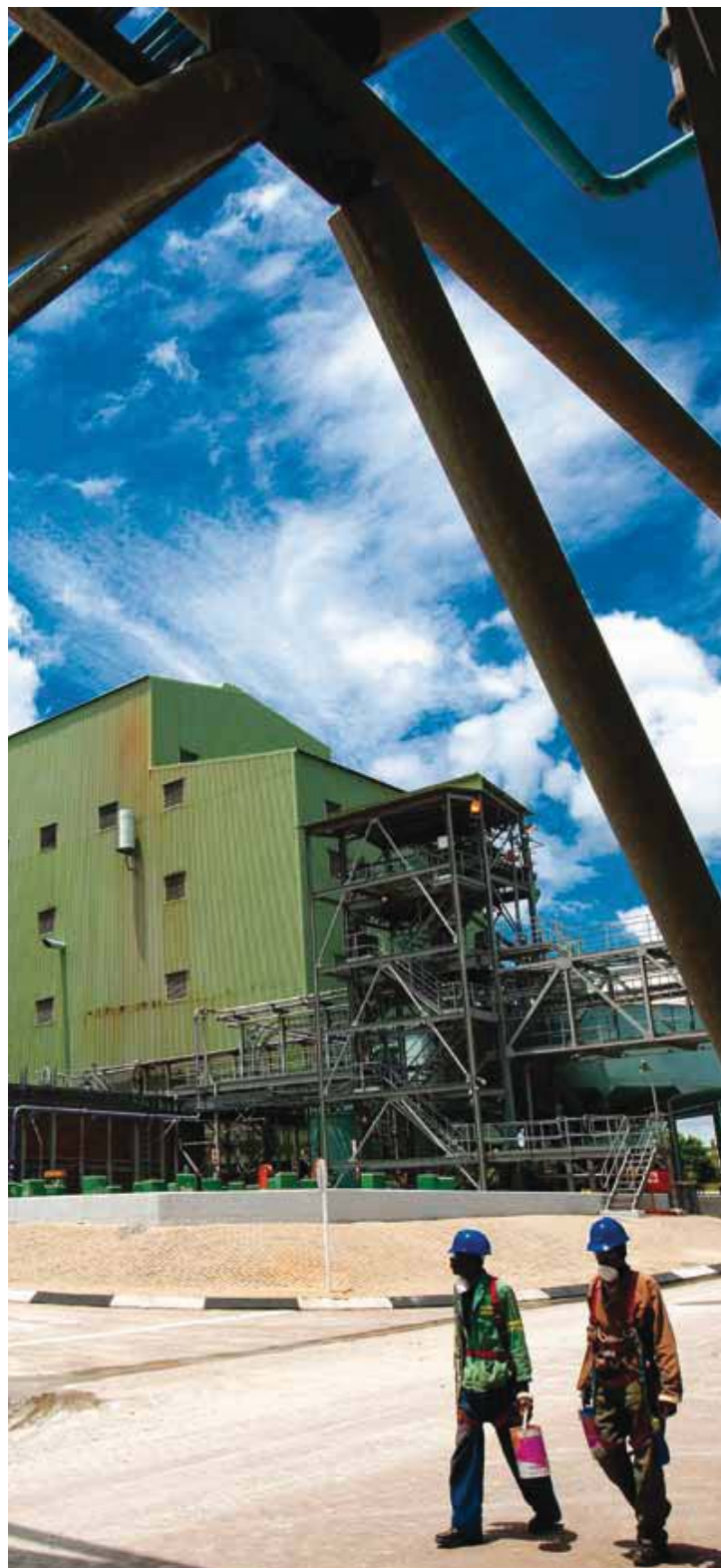
While some of our smaller investments showed reasonable growth, these sharp declines dragged down overall portfolio returns.

Long-term returns remain robust. Since inception, RBH has generated an annual compound return to its shareholders of 18.3%, which compares favourably to the ALSI total annualised return of 13.0% over the same period. Our interests in the platinum sector comprise a very significant portion of gross assets and will contribute to higher than average volatility when we calculate our annual returns. Nevertheless, in our opinion, short-term price fluctuations are a small price to pay for strategic exposure to these high-quality businesses and we remain long-term platinum bulls.

The major feature of 2011, however, was the cumulative acquisition, in two separate tranches, of 15% interests in RMB Holdings (RMBH) (banking) and RMI Holdings (RMIH) (insurance). These transactions, totalling some R8 billion, have had a dramatic impact on the size and composition of RBH. Despite the decline in the value of investments held at the beginning of the year, gross assets rose year-on-year by 6% to R35.3 billion as a result of these acquisitions. Also, mining investments as a percentage of total gross assets fell from 80% to 57% over the period. When RBH was formed, mining assets comprised 93% of total portfolio value.

These acquisitions have transformed the RBH portfolio, both quantitatively and qualitatively. At year end, 87% of RBH's gross assets comprised stakes in Implats, RMBH, RMIH, RBPlat and Vodacom. We are delighted to occupy positions of strategic influence in five world-class companies that we believe, over time, will continue to generate superior returns for all shareholders.

The remaining 13% of the portfolio at 31 December 2011 was made up of a further 17 investments. During the course of the year, as part of our ongoing portfolio management programme,



# Chief Executive Officer's review continued

we disposed of our interests in Senwes, Platinum Leopards and South African Coal Mining Holdings Limited (SACMH). We also resolved to transfer our 100% shareholding in Royal Bafokeng Sports (RBS) to the RBA, a transaction which is currently being finalised. We anticipate further disposals of smaller investments in 2012, in line with our previously stated approach to focus our time and financial resources on the larger drivers of portfolio returns.

## Growth

In meeting its primary responsibilities of financial return generation and diversification, the RBH team has always sought to invest in businesses where we are relevant and can add value. While RBH's franchise is most relevant in South Africa, we also have had a long-term goal of building major pan-African businesses in three attractive sectors – resources, financial services and enabling infrastructure (including telecoms and property). This particular combination of sectors has both profit synergies and investment diversification characteristics. Currently 96% of gross assets are classified in one of these three major sectors, although the bulk of operations are still within South Africa.

## Our investment approach

Although the size and structure of future transactions are likely to evolve, our investment approach will remain unchanged. We seek to acquire interests in well-run businesses that will generate superior returns over time.

The team spends considerable time analysing the fair value of potential targets, as well as their long-term growth prospects. We would rather pay a fair price for a wonderful business than a wonderful price for a fair business. Over time, the higher compound return generated by the wonderful business will more than compensate for the initial discount on buying into a business that has an average growth rate.

Because the future is uncertain, we take refuge in value, that is, we buy into businesses at prices that do not factor in high future earnings growth rates. We therefore generally avoid buying assets that are trading on high valuation multiples.

Notwithstanding our reluctance to predict the future, we believe in trends and cycles. We recognise the importance of cycles in economic growth, commodities, interest rates and other macro drivers on company profits and share prices. We try to invest in a contrarian manner – buying out of favour businesses that are near the bottom of their profit cycles and are therefore most undervalued. Similarly, although we are long-term investors we will sell investments that are overvalued relative to their long-term growth prospects. Timing cycles, however, is tricky – we would rather buy into businesses that we can hold through cycles.

It is unfashionable to say so, but RBH's investment activities have been opportunistic. Although we are guided by a high-level strategy, we move around seeking out undervalued asset classes, industries and companies. We have identified sectors of strategic relevance, but then try to ensure we do not overpay for specific investments.

Over the next few years, we will continue to support the growth aspirations of our existing businesses, as well as improve our strategic positioning in our three focus areas. We also need to work out how best to diversify geographically.

## Management

This is my final Annual Review. After eight years with the Royal Bafokeng, I have indicated to the Board my desire to seek fresh challenges and I will therefore be stepping down as Chief Executive Officer at the end of the first quarter of 2012. Mr Lucas Ndala, currently Chief Financial Officer, has been approved as interim Chief Executive Officer.

My thanks and best wishes go to the Board, executive and staff of RBH, other RBN entities, investee/partner companies and advisors, who have all contributed to the success that is RBH today. It has been a great story to date and I am sure there are many exciting and inspiring chapters still to be written.

**Niall Carroll**  
Chief Executive Officer  
31 March 2012

# Investment in commercial enterprises



As with inter-generational endowment funds, RBH's primary investment mandate is to build a diversified, growth-orientated investment portfolio for the RBN, to protect and grow the capital base over time, and to deliver the yield necessary to allow the RBN to meet its community development objectives.

RBH is a long-term value investor. Its approach is to acquire significant equity stakes in high-quality listed and unlisted companies in the mining, telecommunications, services, infrastructure, financial and manufacturing sectors. Once a core equity holding has been established, RBH will always consider increasing its shareholding in existing investments as an alternative to investing in new companies.

Potential investments are screened and analysed using predetermined criteria that are consistent with RBH's overall investment strategy. The company is an active and participative shareholder and, while it does not seek to manage the relevant operations, RBH executives participate in strategy and governance issues, and sit on the boards of investee companies.

The fundamental profit performance of each investment is the primary determinant of long-term returns. RBH seeks to further enhance its return on equity by exploiting the current transformation and sustainability dynamic in negotiating the price and structuring terms of each investment.

Overall, the portfolio is funded by a combination of equity capital contributed by the RBN and by prudent levels of structured debt, secured against the cash flow from underlying assets.

## Commercial investments

| RBH commercial investments   | %  |
|------------------------------|----|
| Mining                       | 57 |
| Financial services           | 27 |
| Infrastructure               | 9  |
| Mining, oil and gas services | 4  |
| Industrials                  | 3  |
| Other                        | 0  |

### Mining

- 13% of Implats, the world's second largest platinum producer.
- 57% of RBPlat, an independent, black-controlled platinum producer listed on the JSE.
- 29% of Merafe Resources. Merafe has a 21% participation in the Xstrata-Merafe Chrome Venture, the world's largest producer of ferrochrome.

# Investment in commercial enterprises

continued

## Financial

- 15% of RMB Holdings, a holding company with a large stake in FirstRand, a leading South African bank.
- 15% of RMB Insurance Holdings, a diversified group that holds significant investments in leading South African insurance companies, namely OUTsurance, Discovery and MMI.
- 25% of Zurich Insurance Company South Africa, the third-largest short-term insurer in the country.

## Infrastructure

- 2% of Vodacom SA, a cellular communications company with a leading share of the South African market.
- 14% of Atterbury Investment Holdings, one of the largest unlisted commercial property funds in South Africa.
- 15% of the Eris Property Group, a partnership with Rand Merchant Bank, the Tiso Group and management. Eris is a property management and development business.

## Mining, oil and gas 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.

- 100% of MOGS, a South African-based company created by RBH to invest in mining, oil and gas services businesses in Africa and the Middle East.

## Industrials

- 17% of Astrapak, South Africa's largest plastic packaging group.
- 13% of Metair Investments, an automotive component manufacturer.
- 55% of MB Technologies, South Africa's largest privately owned information technology distribution group.

## Other

- 25% of DHL Express, South Africa. DHL is the global leader in express, air and sea freight, overland transport and logistics solutions.
- 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.
- 33% of Praxima Payroll Systems, an outsourced payroll and human resource service provider.
- 26% of RB Engineering, a mining-related joint venture with engineering firm Metix.
- 100% of T-Jet Helicopters, an aviation business.





## Financial review 2011

### Highlights

**81%** increase in dividend income

**6%** increase in gross asset portfolio

**Diversification strategy** received a major boost through the increased stakes in RMB Holdings and Rand Merchant Insurance Holdings

**Sale** of Senwes and SACMH investments

**Gearing levels** increased to more optimal levels

**RBH** underperformed the ALSI during 2011 due to high exposure to mining shares

**Long-term performance** remains well ahead of the market



# Investment in commercial enterprises

continued

## Commentary

The spillover effect of the European Union's economic woes during 2011 was detrimental to 'risky' assets such as emerging market currencies and commodities. The rand depreciated by 23%, the ALSI lost 1% and the Commodity Research Bureau (CRB) Commodity Index was down 8% during 2011.

Three macro factors negatively impacted RBH's portfolio, namely the decline in the platinum price, indigenisation legislation in Zimbabwe and the nationalisation debate in South Africa. The platinum price, to which RBH's portfolio is heavily exposed, declined by 21% during the year. The indigenisation and nationalisation debates served to increase uncertainty and potentially the cost of doing business, which, together with lower commodity prices, culminated in large share price declines of RBH's three mining investments.

The negative return on our mining investments, in turn, resulted in the overall RBH portfolio delivering an internal rate of return (IRR) of -13.8% for 2011, despite strong operational and share price performances from our non-mining assets. The most recent financial services investment was made shortly before year-end and, hence, did not meaningfully influence investment performance for the year. It did, however, contribute to the 6% growth in the portfolio's value of gross assets.

The financial services acquisitions acted as a catalyst for optimising the balance sheet during 2011. Gearing at year end stood at 29%, from 10% at the end of 2010.

Looking ahead, there appears to be increasing confidence that a Eurozone solution to the Greek sovereign debt crisis will be found, and this has already boosted commodity and share prices after yearend. Furthermore, a re-rating of our financial services investments has also taken place post year-end. These factors bode well for 2012, despite the seriousness and fluidity of the Eurozone problems.

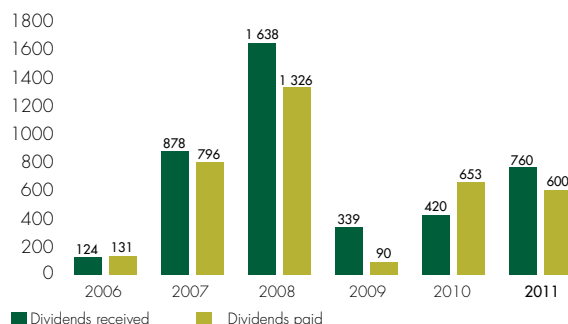
## Dividends received and paid

Dividend income grew by 81% during the year, driven by higher dividends from Implats and new investments in financial services. Part of the dividends received was utilised to service newly-raised debt.

Dividends paid to our shareholder amounted to R600 million in 2011. The 2010 dividend was inflated by the return of excess capital to the shareholder.

Dividends received and paid

R million

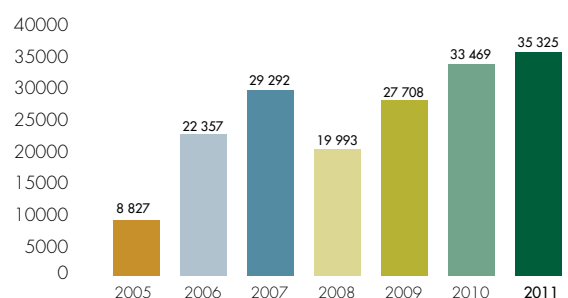


## Portfolio value

The value of RBH's gross assets grew by 6% to over R35 billion, from a restated R33 billion in 2010. Large declines in our mining asset values were offset by new investments in and strong growth from our financial services assets.

Gross asset value

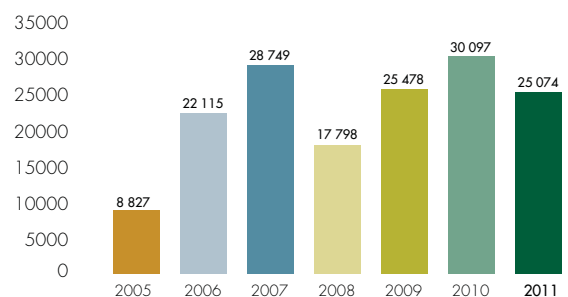
R million



Due to the decline in mining share prices and the gearing introduced during the year, net asset value (NAV) declined by 17% to R25 billion from a restated R30 billion in 2010.

Net asset value

R million



## The year in review

### Relative cumulative total return performance

The RBH gross asset portfolio delivered a -13.8% IRR for 2011, which was less than the ALSI's 2.6% total return.

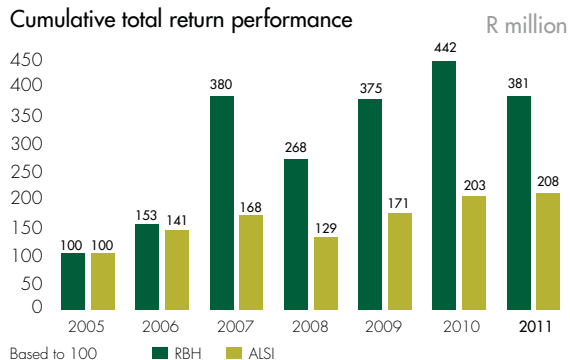
#### RBH's gross assets IRR versus ALSI and Resources Index (RESI) total return

|                 | RBH<br>(gross assets) | JSE ALSI | JSE RESI |
|-----------------|-----------------------|----------|----------|
| IRR – 2011      | -13.8%                | 2.6%     | -6.0%    |
| IRR – 2006-2011 | 22.7%                 | 13.0%    | 11.2%    |

Source: I-Net, RBH

As RBH is overweight in platinum mining shares for historical reasons, it underperformed the ALSI in 2008 and 2011. RBH nevertheless comfortably outperformed the ALSI on a cumulative basis. RBH's IRR on gross assets over the past six years was 22.7%, compared with the ALSI's compound annual growth rate (CAGR) of 13% for the same period.

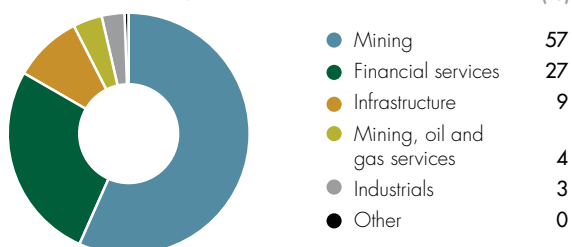
#### Cumulative total return performance



### Sectoral split by value

The R7.8 billion investment in financial services during 2011 has transformed and increased the diversification of our portfolio. At year-end, 43% of the value of the portfolio consisted of non-mining investments.

#### Gross asset value by sector



# Investment in commercial enterprises

continued

## RBN asset portfolio as at 31 December 2011

The 6% increase in the value of gross assets was boosted by our investment in financial services, offset to some extent by the sale of Senwes and SACMH and a decline in mining share values during the year. The bulk of the new acquisitions were funded by debt. This, together with the decline in mining share values, caused the portfolio's NAV to decline by 17% during the year.

### Asset portfolio (as at 31 December 2011)

| R million   | 2011          | %<br>change | 2010          | %<br>change | 2009          | %<br>change | 2008          | %<br>change | 2007          | %<br>change | 2006          |
|---|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|
| <b>Market value of listed investments</b>           | <b>29 708</b> | <b>7</b>    | <b>27 841</b> | <b>19</b>   | <b>23 395</b> | <b>54</b>   | <b>15 178</b> | <b>(44)</b> | <b>27 128</b> | <b>28</b>   | <b>21 268</b> |
| Implats   | 13 909        | (28)        | 19 363        | 15          | 16 872        | 50          | 11 221        | (43)        | 19 719        | 21          | 16 336        |
| RBPlat  | 5 151         | (18)        | 6 245         | 26          | 4 940         | 75          | 2 824         | (43)        | 4 963         | 29          | 3 847         |
| Merafe Resources                                    | 663           | (45)        | 1 195         | 19          | 1 008         | 65          | 612           | (64)        | 1 685         | 203         | 556           |
| Zurich Insurance Company of South Africa            | 673           | 16          | 581           | 165         | 220           | (1)         | 222           | 2           | 218           | 19          | 183           |
| Metair  | 372           | 60          | 232           | 132         | 100           | (9)         | 110           | (60)        | 272           | 100         | –             |
| Astrapak  | 174           | (22)        | 224           | (12)        | 256           | 35          | 189           | (30)        | 270           | (22)        | 346           |
| RMI Holdings  | 2 986         | 100         | –             | 0           | –             | 0           | –             | 0           | –             | –           | –             |
| RMB Holdings  | 5 781         | 100         | –             | 0           | –             | 0           | –             | 0           | –             | –           | –             |
| <b>Directors' valuation of unlisted investments</b> | <b>5 617</b>  | <b>0</b>    | <b>5 629</b>  | <b>31</b>   | <b>4 312</b>  | <b>(10)</b> | <b>4 815</b>  | <b>122</b>  | <b>2 165</b>  | <b>99</b>   | <b>1 090</b>  |
| Vodacom SA  | 2 550         | 10          | 2 310         | 10          | 2 105         | (20)        | 2 623         | 100         | –             | 0           | –             |
| Fraser Alexander Holdings                           | 1 077         | 10          | 980           | 19          | 827           | (4)         | 860           | 16          | 741           | 56          | 476           |
| Atterbury Investment Holdings                       | 643           | 29          | 499           | 100         | –             | 0           | –             | 0           | –             | 0           | –             |
| MB Technologies                                     | 377           | (47)        | 711           | (10)        | 792           | 1           | 784           | 0           | 785           | 105         | 383           |
| MOGS  | 436           | 57          | 278           | 103         | 137           | 122         | 62            | 100         | –             | 0           | –             |
| Eris Property Group                                 | 86            | (1)         | 87            | 18          | 74            | 62          | 46            | 100         | –             | 0           | –             |
| Bafokeng Sports Campus                              | 365           | 0           | 365           | 100         | –             | 0           | –             | 0           | –             | 0           | –             |
| Other   | 83            | (79)        | 399           | 6           | 378           | (14)        | 441           | (31)        | 639           | 32          | 230           |
| <b>Gross asset value</b>                            | <b>35 325</b> | <b>6</b>    | <b>33 469</b> | <b>21</b>   | <b>27 708</b> | <b>39</b>   | <b>19 993</b> | <b>(32)</b> | <b>29 292</b> | <b>31</b>   | <b>22 357</b> |
| Less: Liabilities                                   | 10 251        | 204         | 3 372         | 51          | 2 230         | 2           | 2 195         | 304         | 543           | 124         | 242           |
| <b>Net asset value</b>                              | <b>25 074</b> | <b>(17)</b> | <b>30 097</b> | <b>18</b>   | <b>25 478</b> | <b>43</b>   | <b>17 798</b> | <b>(38)</b> | <b>28 749</b> | <b>30</b>   | <b>22 115</b> |

## The year in review

## Non-financial review 2011

RBH's approach to sustainable development is two-fold. While its core focus is the development of the RBN community and its surroundings, the company also has a duty and responsibility to guide and direct the companies in which it invests to embed sound ESG standards into their business decisions and practices.

With this latter focus area in mind, RBH adopts the following procedures in terms of its investment selection process and the relationship it maintains with these entities:

- RBH undertakes a screening process and is further formalising a high level social and environmental due diligence process of all its target investee companies as part of a systematic method of identifying risks and liabilities. These include human rights violations, unmanageable direct environmental and social impacts, corruption and other violations of ethical norms. RBH does not invest in companies that do not comply with these principles.
- RBH promotes good governance in all its investee companies and encourages a strong management team supported by a balanced and qualified board, which may also include the presence of independent directors and RBH executives. Moreover, RBH encourages the establishment of sustainable development committees in its investee companies, where these do not already exist.

- RBH aims to influence its investee companies to act in compliance with legislation and regulations guiding safety and health, environment, employment equity and transformation, and labour relations, and to develop programmes and initiatives that contribute positively to the development of the Bafokeng and others.

RBH is actively involved in its investee companies and considers active ownership an important part of responsible investment. In the shareholders' agreement signed upon RBH's acquisition of a controlling or influential stake in a company, RBH provides for the nomination of one or more RBH directors to the boards of the company concerned. In choosing its directors, RBH nominates individuals that will add value to the investee company and will participate in and influence the investee company's strategic management. The RBH director so nominated owes his/her primary fiduciary responsibility to the investee company.

Each year, RBH requests that its focus investee companies complete an ESG questionnaire as part of its management process. Responses are analysed and used as a basis for engagement with the investee companies.

The following table provides key data for selected variables measured as part of the survey of investee companies.

| 2011             |            |                   |                      |                                |                       |       |
|------------------|------------|-------------------|----------------------|--------------------------------|-----------------------|-------|
| Investee company | Fatalities | CSI spend         | % HDSA in management | Certified EMS                  | Provision of VCT, ART | Fines |
| RBPlat           | None       | R14 million       | 43%                  | Yes                            | Yes                   | None  |
| Implats          | 8          | R130 million      | 48%                  | Yes                            | Yes                   | None  |
| Fraser Alexander | 1          | R3 million        | 60%                  | No                             | VCT only              | None  |
| Merafe           | 2          | R4 million (est.) | 67%                  | Not all certified <sup>1</sup> | Yes                   | None  |

<sup>1</sup> The smelters are certified to ISO 14001. The mining operations use environmental management systems aligned with ISO 14001 standards, but are not certified.

# Investment in commercial enterprises

continued

## Focus companies

RBH continues to work with identified focus companies in effecting positive change with regard to sustainable development. Investee companies are assessed and identified as focus companies based on the size of the investment and the extent of the environmental and social impacts of their operations. In collaboration with identified focus companies, RBH hopes to maximise the outcomes of sustainable investment initiatives and help to ensure long-term business resilience and profitability. In 2012, RBH intends to become an active owner to achieve these objectives.

### RBPlat

The most impressive statistic coming from RBPlat is the zero fatalities recorded during FY2011. As a shareholder in the company, RBH is extremely proud of this record – long may it continue. The target lost time injury frequency rate (LTIFR), calculated per 200 000 hours, for the year, was 0.79; actual performance was 0.90 (2010: 1.001).

At RBPlat, accountability for sustainability resides with its board, with senior management responsible for management and control. The company is largely compliant with the requirements of King III. The board regularly monitors and assesses performance against key performance indicators (KPIs) for the following sustainability objectives:

- Safety and health stewardship – to adapt to a ‘safety first’ philosophy to achieve zero harm to employees through effective and efficient monitoring, prevention and management of occupational safety and health risks.
- Human capital development – to adapt to a ‘people first’ philosophy which enhances the intellectual and productive capacity of employees.
- Ore body development – to secure the long-term viability of the PGM resource through efficient exploration and development of ore reserves to create immediately mineable stopes (IMS).
- Economic capital – to employ cost-effective and efficient methods of PGM production to generate a risk-adjusted rate of return.
- Environmental stewardship – to employ mine development and extraction methods that minimise damage and disturbance to the natural environment.
- Social development – to empower communities to sustain themselves beyond mining activities.
- Corporate governance framework – to lead the business in accordance with best practice principles and compliance with regulations for sustained stakeholder value creation.
- Stakeholder engagement and reputation management – to acknowledge and recognise the direct and indirect impact of the business and to openly engage, communicate and respond to stakeholder concerns and interests.

RBPlat is ISO 14001 and OHSAS 18001 certified. The company further participates in the Carbon Disclosure Project (CDP) and plans to participate in the CDP Water Disclosure Project in the near future.

The company’s environmental management strategy is focused on water treatment and it takes a proactive approach to waste

management in response to regulatory requirements. RBPlat maintains a legal register and conducts compliance auditing using an external service provider. Based on the last audit undertaken in 2011, the company is found to be largely compliant with only minor non-compliances to be addressed.

RBPlat produces an annual Sustainability Report in accordance with the GRI’s guidelines ([www.bafokengplatinum.co.za/s/s\\_i.php](http://www.bafokengplatinum.co.za/s/s_i.php)). Selected indicators in the report are assured (limited) by an independent assurance provider.

As previously mentioned, RBPlat is currently focusing on water treatment alternatives and plans to investigate the viability of constructing a water treatment plant to treat mine waste water for re-use. The company will in future elaborate on a climate change risk response plan, energy conservation strategies and waste management.

The company’s CSI spend – R14 million for FY2011 and marginally greater than FY2010 – is directed towards education, health and enterprise development.

### Implats

Regrettably, there were seven fatalities at Implats’ Rustenburg operations during the 2011 financial year, which was, however, an improvement on the 15 fatalities of the previous year. Investigations conducted into these accidents revealed the following causes:

- Breaches of safety procedures and non-compliance;
- Inadequate supervision and poor accountability by personnel; and
- Poor levels of fitness in some employees due to illness.

The improvement in the number of fatalities is not regarded as an achievement and both Implats and RBH agree that loss of life is not acceptable. LTIFR (per million hours worked) increased (poorer performance) from 4.61 in 2010 to 4.94 in 2011.

At Implats, accountability for sustainability issues resides with the Implats board. Implats is compliant with the requirements of King III and remains a signatory to the UNGC. Implats focuses on initiatives addressing carbon and water management strategies and also participates in the CDP and the CDP Water Disclosure Project. As the second largest producer of platinum in the world, Implats has the potential to impact the global PGM market. In the past two years, amid a changing legislative and global operating environment, Implats has concentrated on deepening its understanding of the group’s sustainability footprint. Implats acknowledges that its business has a direct impact:

- Environmentally – pollution of water, air, land, noise pollution as well as its impact on the availability of resources;
- Socially – the social impact and consequences of the migrant labour system; inherent dangers of mining that have a direct impact on the safety of employees and the community; and
- Economically – loss of land for community farming, animal grazing and generation of income.

## The year in review

Despite these impacts, the company is able, through mining, to contribute positively to society by:

- providing employment and drawing human resources from surrounding communities;
- creating sustainable communities through upliftment programmes, which include enterprise and skills development, and community projects;
- developing community infrastructure such as roads and electrification; and
- working jointly with stakeholders to provide required government capacity to deliver on its mandate.

The company has implemented a water conservation strategy and strives to increase water recycling.

Again, Implats has retained its ISO 14001 certification, which it first achieved in 2002. Implats manages environmental risk through annual risk reviews and management strategies are developed to mitigate these risks. Further to this, Implats maintains a legal register and conducts compliance auditing using an external service provider. The last compliance audit was undertaken approximately two years ago.

The company produces an annual sustainability report in accordance with GRI ([www.implats.co.za/implats/CR-Reports.asp](http://www.implats.co.za/implats/CR-Reports.asp)). Implats also takes part in the JSE Socially Responsible Investment (SRI) Index, where it has been identified as a best performer. There were no significant environmental incidents during 2011.

Implats again made a significant contribution of R130 million to CSI during 2011, a significant increase on FY2010 (R88 million). CSI initiatives centre on the provision of healthcare services and education, both of which are focus areas identified by RBH and the RBN.

### Fraser Alexander

Founded in 1912, Fraser Alexander Limited (Fralex) provides a tailings disposal service to the mining industry. It is wholly owned by RBH.

Despite an improvement in the company's LTIFR, one fatality was recorded during the year. As a wholly owned subsidiary of RBH, RBH views this (and any other) fatality extremely seriously and will be engaging with Fralex management to ensure that everything is done to ensure that zero harm prevails at the company.

Although Fralex is unlisted, the company produced its first sustainable development report in 2010, compiled in accordance with the GRI. The company is also largely compliant with King III, a signatory of the UNGC, and both the board and senior management are fully accountable and responsible for issues relating to sustainability.

Fralex has made a conscious decision to recognise the management of health, safety and the environment as a part of its core business. The company's health, safety and environmental policies are embedded throughout all levels of the organisation.

As Fralex's work is centrally related to the development and maintenance of tailings storage facilities, the company's major

sustainability concerns are focused on minimising its environmental impacts. The company is therefore largely compliant with environmental legislation, with legal compliance audits being conducted by external parties. Fralex has also identified all major environmental risks, including oil spillage, contaminated wash water, diesel spillage, waste management and air pollution. A programme, which includes various administrative and engineering controls as well as waste management procedures, is in place to mitigate and address these risks. Fralex is ISO 9001-certified. There were no significant environmental incidents during the reporting period.

The focus of the company's CSI spend is on small, medium and micro enterprise (SMME) development, education, agricultural and environmental projects. This year the company spent R3 million on such initiatives. More information on Fralex's approach to sustainability is available at [www.fraseralexander.co.za](http://www.fraseralexander.co.za).

### Merafe Resources

Established in 1987, Merafe Resources is a ferrochrome mining and processing company. Through its wholly owned subsidiary, Merafe Ferrochrome & Mining, Merafe participates in a joint venture with Xstrata South Africa. In terms of the agreement, the companies combined their ferrochrome operations in 2004 to form the largest ferrochrome producer in the world.

Accountability for sustainability issues lies with the Merafe executive and board, while at operational level it lies with the Director: Sustainability, Xstrata Merafe Chrome Venture. The company has implemented the recommendations of King III and is largely compliant in this regard. Merafe produces an annual integrated financial and sustainability report in accordance with GRI.

The Xstrata Merafe Chrome Venture's sustainable development assurance programme is aligned with ISO 14001 and ICMM sustainable development principles. Merafe's environmental, health, safety and risk management systems are aligned with the OHSAS 18001 and ISO 14001 international standards.

Merafe also participates in the CDP, the European Community's Registration, Evaluation, Authorisation and Restriction of Chemicals regulation (REACH), the Ferroalloy Producers' Association (FAPA) and the International Chromium Development Association (ICDA). The company takes part in the JSE SRI Index where it is rated as a top performer.

Merafe maintains a legal register and conducts external compliance audits. No compliance issues were identified in the 2011 audit.

During the year under review, Merafe focused on the environmental and sustainability issues of becoming more energy efficient in order to reduce the company's carbon footprint and production costs; researching and examining alternative energy sources with a smaller carbon footprint; and managing and reducing water usage.

In 2011, the company's CSI spend (1% of profit) focused on education and health initiatives and enterprise development.

# Investment in societ



RBH's commercial investments underpin the company's commitment to the socio-economic upliftment of the Bafokeng community. With the income generated from such investments, and through partnerships with key stakeholders and various governance and community structures, the company seeks to invest in sustainable projects that will benefit the RBN in the long term.

The direct investments in society undertaken by RBH fit into three primary categories:

- Royal Bafokeng Sports (RBS), which exemplifies the relationship between the company's commercial and non-commercial investments most clearly;
- Royal Bafokeng Enterprise Development (RBED), which emphasises the RBH's commitment to the creation of self-sustaining, Bafokeng-led businesses; and
- Corporate social investment (CSI), which includes the company's interest and investment in the fields of social development, education, entrepreneurship development, music and arts, and sports development.

## R al Ba keng Sports

The year 2010 was a great sporting success for the nation. This meant that 2011 was always going to be a challenge as it would be measured against the success of 2010.

RBS has continued with its mandate to develop sustainable sporting structures and programmes that contribute to a healthy and active Royal Bafokeng community, while creating opportunities for the fulfillment of sporting potential.

### Sports development

#### Physical education in schools

At the beginning of 2010, RBS staff partnered with Royal Bafokeng schools to improve physical education programmes. This initiative continued in 2011. The Sport in Schools programmes are progressing well, and physical education classes are being conducted in 41 of the 43 RBN schools. Training of school sports co-ordinators remains a priority to ensure quality delivery of physical education classes. Furthermore, training will be provided to educators to empower them to coach school teams in specific sporting disciplines.

After-school sports activities and inter-school competitions remain a challenge, but are expected to be addressed in 2012. Relations with the Royal Bafokeng Institute and the Department of Education will be strengthened to assist RBS with these programmes.



## The year in review

Specific sports development focuses on six sporting codes – soccer, athletics, rugby, netball, martial arts and basketball. Development in these disciplines has enabled children with talent to benefit from specialised coaching and to compete against the best sides, nationally and internationally.

### Soccer

The Bafokeng Soccer Academy opened in 2011 and received its first intake of soccer players, aged between 11 and 12. These are talented children selected from Bafokeng villages who are being developed both as professional players and academically. Their academic performance has improved greatly since entering the academy. The second intake of academy students took place in January 2012.

The newly formed Platinum Stars FC under 17 and under 19 development teams will start competing in national competitions in a programme to increase their skills and competitiveness. This will help ensure that home grown talent can be absorbed into the senior team within a couple of years.

Soccer leagues in the villages will be revived in 2012.

### Athletics

RBS athletes continue to collect medals at national and international competitions and are also currently preparing for the 2012 London Olympics.

### Rugby

Three rugby players from the intermediate teams were selected to represent RBS in the national under 16 and under 19 Academy Rugby week. This sporting code still needs further exposure within the community.

### Netball

RBS obtained regional status for netball, which allows for netball teams in Bafokeng villages to participate in an RBS league. RBS hosted the under 19 and under 21 National Netball Championships at the Royal Bafokeng Sports Palace (RBSP), with the RBS under 21 team obtaining second position.

### Martial arts

The Bafokeng Dojo continues to dominate martial arts, retaining the number one position in the country. Three karatekas took part in the Thailand World Championships.

### Basketball

Basketball was launched in May 2011 as a sixth sporting code. This programme is offered to children through the Sport in Schools

programme, with a schools league operating in 18 schools. A total of 36 teams, 432 players, competed in the league. The overall winners were Lebone II College for boys, Sekete High School for girls, Thekwane Middle School for boys and Keledi Middle School for girls.

Basketball was a great success in 2011 and the learnings from this will be taken through to other sporting codes.

### Sports infrastructure

RBS will continue to market the company's commercial sports assets in order to make them venues of choice and self-sustainable.

### Bafokeng Sports Campus

The Bafokeng Sports Campus (BSC) was completed in 2010 and consists of the Royal Marang five-star hotel, the Platinum Stars FC clubhouse, a world-class high performance centre, seven fields for rugby and soccer, a grass athletics track, netball and tennis courts as well as the Bafokeng Academy.

The Royal Marang Hotel is expected to break even in 2012 and be profitable in the coming years. This entity has the potential to create more employment opportunities than is currently the case.

Guests hosted at the BSC in 2011 included Bafana Bafana, the Botswana Football Association, Banyana Banyana, the South African Police Service and the South African Rugby Union. The campus also hosted the Milo under 13 National Championships and the Queen Mother Polo Charity Cup.

### Royal Bafokeng Sports Palace

The RBSP comprises the Royal Bafokeng Stadium, the Royal Bafokeng Aquatics Centre and the Royal Bafokeng Court Complex.

The following events were hosted at the RBSP during 2011:

- Platinum Stars FC home games;
- Bafana Bafana vs Kenya;
- OR Tambo Soccer Challenge;
- Anglo American Safety Event; and
- Basketball launch.

### Commercial franchises

Platinum Stars FC is slowly stabilising, finishing in tenth position in the 2010/11 season, representing a move upwards of four places compared with the previous season. The team participated in the OR Tambo Challenge at the RBSP and beat Orlando Pirates to win the cup. In 2012, Platinum Stars FC is aiming to finish the league within the top eight.

# Investment in society continued

## Royal Bafokeng Enterprise Development

RBED's chief mandate up until the third quarter of 2011 was to ensure the development of SMMEs in order for them to access the market competitively through procurement opportunities and to create jobs. The mandate was then expanded to include economic development which now has SMME development and job creation as elements rather than main mandates.

Overall, 2011 was a year of restructuring and budgeting. A new approach to business has become critical if RBED is to make a meaningful contribution to poverty alleviation and job creation. Strategic areas of focus will be the RBED industrialisation plan, the agriculture development plan and mining linkages plan.

The restructuring of RBED began during July 2011 with the secondment of Thabo Mokgatla as Managing Director and Mpho Modisakeng as head of project planning for RBN Platinum Province BBBEE Trust operations. These developments followed the decision to expand RBED's mandate from narrow enterprise development to broader economic development. RBED started by reviewing and evaluating the areas of focus of the business which concentrated on training and the facilitation of interventions such as coaching and mentorship. It was decided to suspend all training-related activities, pending clarification of focus areas to evolve from the new mandate.

### Stakeholder relations

RBED continued to have good working relations with all RBN entities, as well as with outside stakeholders.

### RBN entities

#### Royal Bafokeng Administration

The relationship between RBED and RBA continued on the basis of collaborating on supply opportunities for SMMEs. RBED was involved in the evaluation of tenders for the painting of the Bafokeng Civic Centre and for telecommunications.

#### RBA property management

RBED continues to engage the RBA land unit on matters affecting RBN SMMEs, such as land use and rezoning applications. RBED participated in negotiating a lease agreement for the Pitse co-operative piggery project and two applications for agricultural purposes were referred to RBA property management for consideration: N Boikanyo piggery production; and Herman

Thipe poultry production. Two rezoning applications were submitted to the land unit for the Phola B & B and Kwa Letaoana Guest House.

#### RBA Agriculture Master Plan

RBED facilitated agricultural strategic planning workshops that took place over three days in July 2011. The sessions were very successful with over 200 farmers and community members from all regions in attendance.

#### Royal Bafokeng Institute (RBI)

RBI continues to inform RBED of opportunities for SMMEs. RBED also engages with RBI on a number of issues of mutual interest, including the development of the Kanana skills development campus planned for construction in 2012, and the "boot camp" that RBI aims to establish to counter joblessness among RBN youth.

Further engagements are taking place with RBI in areas such as agriculture co-operatives for the school feeding scheme and assistance for an SMME operating in the leather industry to obtain formal qualifications from local institutions offering leather design courses.

### External stakeholders

RBED has had interactions with many outside stakeholders in pursuit of enterprise development ideals.

#### Implats

Over and above the normal business relationship with Implats, RBED submitted two funding proposals to Implats, namely, the mushroom and the egg production projects. Implats officially handed over the Macharora Project to RBED for monitoring and support.

#### Productivity SA

RBED has had engagements with Productivity SA, the state-owned entity mandated to save jobs and ensure productivity within South African companies. RBED's intention is to explore how it can collaborate on equipping local enterprises to maintain jobs.

RBED currently collaborates with Productivity SA on the following two programmes:

- The identification of distressed companies and implementing turnaround strategies; and
- The implementation of an early warning signs programme, a proactive approach of taking companies through a process of identifying challenges within the company and acting on them timeously.

A list of SMMEs that could benefit from the services offered by Productivity SA has been forwarded to them for evaluation.

### Department of Agriculture, Forestry and Fisheries

RBED has had a number of interactions with the Department of Agriculture, Forestry and Fisheries to involve them in the development of small farmers.

### Tourism Enterprise Partnership (TEP) with RBED

The tourism mentorship programme in collaboration with TEP was launched in August 2011 at the Royal Marang Hotel. RBED has had subsequent meetings to finalise the mentors' and mentees' profiles, as well as the roll-out of the mentorship programme.

RBED participated in and contributed to the short-listing of mentors and the process of matching a mentor with a mentee. Five mentors have been identified and matched with four mentees each in the tourism mentorship programme, which consists of 10 accommodation establishments and 10 tour operators from the Bafokeng area. The 20 mentees will gain invaluable industry experience, support and guidance from their mentors. The mentorship programme is planned to come to an end at the end of March 2012. RBED will be using the exit reports of each of the 20 mentees to draft a development plan that will be used to grow the businesses in identified areas.

### Invest North West (INW)

RBED had interactions with INW regarding entering into a memorandum of understanding (MOU). The main purpose of the MOU would be to co-operate in attracting investors to the RBN area. INW is receptive to the idea. Discussions with INW will continue once the RBED restructuring process has been completed. Another area of possible collaboration is attracting trade missions to the RBN.

## Strategic partner

### The Business Place Network – Phokeng (BPN-P)

A number of meetings were held between RBED and BPN to ensure that management was fully cognisant of the contribution BPN should make to the overall enterprise development endeavours of RBED. RBED is now evaluating and exploring various options regarding future services to be offered by BPN. The BPN contract runs until November 2012 and will not be extended.

Highlights of the performance of BPN-P for the year 2011 are:

- 209 SMMEs trained in workshops;
- 115 networking sessions held; and
- 302 SMMEs made use of internet facilities.

## Operations

### Enterprise development unit

Key enterprise development activities in 2011 were:

- 89 assessments;
- 20 business development interventions;
- 145 SMMEs trained in various areas;
- 3 mentorships programmes with 37 SMMEs benefiting;
- 54 SMMEs sent to exhibitions and trade shows; and
- 21 sectoral information sessions.

### Business linkages unit

There has been a constant growth of 30% in the accessing of procurement opportunities from Implats by local SMMEs. The value of new contracts awarded to local SMMEs in 2011 amounted to some R59 million, with the number of SMMEs who accessed opportunities increasing from 29 to 33 by year-end. To date, a total of 48 SMMEs have accessed opportunities to the value of R184 million.

### Business support unit

The business support unit conducted various interventions to assist SMMEs in the normal day-to-day running of their businesses. Salient features of the unit's performance were:

- 100 SMMEs attended a taxation workshop;
- 39 SMMEs assisted with CIPRO returns;
- 38 SMMEs attended a UIF and compensation workshop;
- 27 SMMEs attended a Quickbooks financial control workshop;
- 14 SMMEs trained in finance management; and
- 14 SMMEs assisted with financial projections, management reports, statements and controls.

## RBED database

The RBED database at the end of the year recorded a total of 824 registered SMMEs. After an audit was conducted, it was confirmed that some 82 are operational, while the rest are either non-operational or pending status confirmation. Updating the database will continue to focus on identifying those businesses that are operational and can respond to opportunities.

The transfer of records from the old InTouch system to the Compass system was almost complete at the end of 2011 and it is expected that the enterprise development staff will be fully conversant with the new system by the end of the first quarter of 2012. The Compass system has very useful additional features that will assist with customer relationship management.

# Investment in societal development continued

## Contribute to societal development

RBH's CSI objective is to contribute towards the social and economic development of the RBN people through structured sustainable initiatives. In implementing its community projects, RBH enters into partnerships, including those with specialist service providers.

In 2008, RBH invested in a Strategic Environmental Assessment, which was concluded in 2010. The assessment established the current state of the environment, particularly with regard to land owned by the RBN, as well as determining key social and environmental issues of concern that required management.

Based on the outcomes of this assessment, it is RBH's intention to focus its CSI spend on issues relating to community health, education and employment opportunities. Identified projects include:

- An environmental monitoring programme for water and air quality since these are factors that may affect community health; and
- Investment in a mobile clinic service to provide basic primary health care services to Bafokeng communities.

These initiatives will include opportunities for skills transfer and the training of local community members to manage these programmes, thus promoting the principle of education and the creation of employment opportunities. The investment cost for these projects will amount to approximately R 5.5 million.

Partnerships established with investee companies and other strategic partners ensure that the community receives both financial and non-financial support. The combined financial contribution for 2011 was R38 million (2010: R27 million), enabling RBH to assist in increasing the quality of life of beneficiaries and empowering communities.

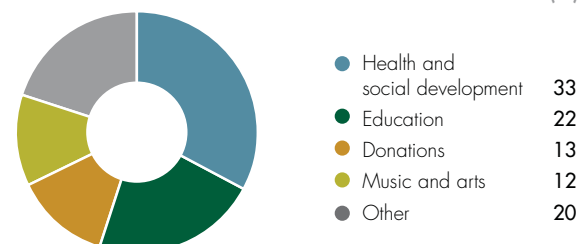
A spirit of volunteerism is fundamental to the success of this portfolio and RBH's employees once again donated their time and skills to help others throughout the year under review.

## Investment

RBH allocated R15 million to its CSI programme in 2011. Of this, 25% was allocated to non-RBN projects. The table and pie chart below set out 2011 expenditure according to areas of focus.

| Focus area                    | Amount R         |
|-------------------------------|------------------|
| Health and social development | 3,154,430        |
| Education                     | 2,112,788        |
| Donations                     | 1,209,065        |
| Music and arts                | 1,205,000        |
| Other                         | 1,894,000        |
| <b>Total</b>                  | <b>9,575,283</b> |

CSI expenditure 2011



## Projects in 2011

### Health and social development (33%)

#### Phokeng Trauma Centre

The Phokeng Trauma Centre is a centralised rape and trauma support centre that assists victims and survivors of crime, domestic violence, child neglect and physical and sexual assault, including rape. It has received funding from RBH for the past two years and continues to play a critical role in the RBN community. The centre has increased its capacity to deliver more services to the community and reach out to both RBN and non-RBN communities. The organisation has partnered with government, communities, business and international organisations, such as the UN, who have been providing financial and non-financial support. The organisation reached 14,931 people through field work programmes and 1,204 through in-house intervention programmes during the reporting period.

#### Godisanang Orphans and Vulnerable Children (OVC) Programme

This programme continues to provide a much needed service to affected children in the community. The Godisanang model of care and support ensures children receive comprehensive care which improves their quality of life. Assistance measures include shelter, nutrition, general health care, education, vocational training and psychosocial and spiritual support. The services are rendered from seven OVC centres and in 2011 reached 716 children, assisted by 59 child care co-ordinators and support staff.

#### NGO/CBO Capacity Building Project

This project is designed to develop community organisations operating in the RBN so they can function effectively, efficiently and independently and thus become sustainable organisations. The training organisation, Siyakhula Trust, has implemented year one of the Capacity Building Project. The focus of the training was organisational development to enable non-governmental organisations (NGOs) and community-based organisations (CBOs) to put systems in place for their smooth running. The organisations have been trained to develop their profiles, and business and project plans. This training intervention has increased confidence levels, resulting in the independent submission of

documents to the Non-Profit Organisation (NPO) Directorate and to SARS. A total of 28 organisations with 126 members are active participants in the project.

The NGO Forum has also been established and members have been elected to various positions. The forum will provide ongoing institutional support to NGOs and CBOs in the RBN. Additional support will be required for many members to assist them to serve in high level positions.

## Education (22%)

### Nkanyiso schools' vegetable gardens and nutrition

This project is designed to increase gardening and nutrition knowledge among learners, educators, school food handlers and parents, and to increase the nutritional value of school lunches through the use of fresh produce from school gardens. A further aim of the project is to empower community members with skills that will enable them to supply fresh produce to feeding programmes and to run food production businesses. The first year of the project has been completed, with five primary schools being beneficiaries of the project. A total of 42 educators, 39 community members and 87 learners have been trained in permaculture gardening and nutrition. Training provided to community members has been accredited by the Health and Welfare Sector Education and Training Authority (HWSETA). The project has had a far-reaching impact, with vegetables grown by the schools being sold to school feeding programmes as well as the community; community members starting their own gardens at home; and a marked increase in the nutritional value of learners' food. The project has succeeded in attracting other stakeholders, including the UN Food and Agricultural Organisation which have donated gardening equipment and education and health departments in the province which have assisted with funding.

### Molteno Institute

The Molteno Institute's literacy project focuses on empowering foundation phase educators with the skills necessary to teach literacy in the learners' mother tongue in order to develop learners' basic cognitive skills. The project supports and mentors educators through demonstrations and other strategies and provides resources. As a result of the project, confidence levels of educators have increased and children's reading and writing skills have improved drastically.

This initiative has trained 15 educators from 14 schools and 593 learners have benefited.

### 13th Year Project

The 13th Year Project aims to improve the level of mathematics and English learning in Bafokeng schools by using motivated and talented graduates of Grade 12 as classroom assistants and tutors. These former learners are in the process of applying for admission to tertiary education or studying to improve their pass marks for tertiary education entrance. A total of 40 Grade 12 graduates



# Investment in society continued

participated in the project in 2011. Not only have the learners benefited but so have the classroom assistants: their higher order thinking skills have been developed, their communication, reading, writing and presentation skills have improved significantly and they have extended their interest in and awareness of the arts and current affairs. The project has managed to holistically develop each participant and prepare them for the tertiary environment.

## Palaeontological Scientific Trust (PAST) Walking Tall Project.

Some 7,500 learners and 85 educators from 33 schools benefited from this project, the objective of which is to create awareness and excitement about paleo-sciences and evolution in particular.

## Donations (13%)

In 2011, donations were made to the following projects:

- Reach for a Dream;
- Associated Country Women of the World;
- Sisters of Mercy;
- RBH Employee Volunteering Programme;
- Gift of the Givers;
- Room 13; and
- Pearl Edu Vision.

## Music and arts (12%)

### Bafokeng Field Band

The Bafokeng Field Band caters for young people from the age of seven to secondary school leavers. Band members are taught twice weekly to read music, play marimba, steel band, trumpet, drums and to dance. The Bafokeng Field Band has gained popularity, with a steady increase in the number of young people showing an interest in its activities. In addition to providing music and dance training, the organisation also runs a social programme which provides support to vulnerable band members. A total of 36 band members has been assisted in this way, and help has included the acquisition of ID documents and school uniforms as well as the donation of food parcels.

### Royal Bafokeng Youth Choir

Through the Royal Bafokeng Youth Choir, outstanding singers in the Bafokeng region between the ages of 15 and 25 are exposed to excellence in choral singing. The choir is made up of 60 members who receive music theory and vocal training twice a week, provided by professional music directors. From time to

time, the choir participates in music master classes and workshops where external music directors help members to understand the dynamics of choral singing.

In 2011, the choir was invited to attend a workshop and master classes with the Drakensberg Boys School choir, considered to be one of South Africa's best choirs. This was a great opportunity to hone skills and also provided exposure for the choir.

## Employee volunteering programme

Twice a year, a mandatory employee volunteering day takes place. In 2011, the following activities were undertaken:

- Making vegetable gardens in four primary schools in Kana, Moremogolo, Bobuanja and Seolo;
- Preparing meals for OVCs in the three centres in Lefarakgathe, Masosobane and Salema villages;
- Building jungle gyms in two early childhood development (ECD) centres in Kgale and Lesung villages; and
- Painting of OVC centres in Robega and Mafenya villages.

## RBH's corporate partners

When entering into investment agreements with investee companies, RBH ensures that the community benefits by securing commitment from these companies to provide both financial and non-financial support through various means.

### ZICSA

ZICSA's expenditure was R7 million and the following initiatives were funded:

- RBI's literacy project;
- RBI's mathematics and science project;
- Godisanang OVC Programme;
- Phokeng Trauma Centre;
- Topologo Outreach Project; and
- RBS's Sports Development Project.

### RB Platinum

A total of R18,281,000 was spent by RBPlat on the following community projects:

- Community gardens in Rasimone and Mafenya;
- Hatchery in Robega;
- Kgotla offices in Chaneng and Rasimone;
- Support to Rasimone Intermediary School;
- Capacity development for SMMEs;

## The year in review

- Building of five houses in Rasimone;
- Provision of medical equipment to Chaneng Clinic;
- Portable (artisan) skills training; and
- Robega Police Station.

### Merafe Resources

Merafe Resources' CSI expenditure was R1,740,851 and this funded the following initiatives in the RBN:

- Tapologo Hospice; and
- Phokeng Trauma Centre

### Fralex

Fralex's expenditure was R1,223,000. This was used to support various community projects including:

- Associated Country Women of the World;
- waste and recycling plant in Phokeng;
- greenhouse for Chaneng Society for the Blind;
- Queen Mother's Polo Charity Cup;
- Best of Life charity dinner;
- RBI Career Day;
- Ntlhokomele MoAfrika;
- Bolokeng Koketso; and
- RBS.

### Metair

Metair's expenditure was R100,000. This was used to support a school gardening project in Serutube Primary. The project targets single and unemployed parents of children who attend the school. A total of 13 community members and four educators have received initial training.

### MB Technologies

MB Technologies donated IT equipment and consumables to NGOs working in the RBN to the value of R631,490. They also hosted a Christmas party for 110 children from the Godisanang OVC programme.

### Partnerships

#### ABSA

Financial literacy training, including the National Credit Act, was provided by ABSA. Some 1,500 people including the Dikgosana, have benefited from this training. The project aims to reach 17,000 people by the end of 2012. Planning is under way to provide permaculture gardening training to 15 ECD centres in the RBN.







## Governance and administration



# Our future

RBH is committed to ensuring long-term sustainable returns for the benefit of our shareholder, the people of the RBN – and their children's children.

# Corporate Governance



RBH is committed to upholding the highest ethical standards as formulated in its Code of Conduct, which is implemented at all levels within the group. The set standards are an aid to ensuring the implementation of proper corporate governance and compliance with international best practice.

## Corporate Governance

The effectiveness of RBH governance structures and RBH representatives on the boards of investee companies is continually reviewed by the Board and the Executive Committee to ensure sufficient shareholder involvement, to align the company with changes brought about by King III, and the Companies Act 71 of 2008 (Companies Act).

The Board and management of RBH and its shareholder, the RBN DT, are in agreement that good corporate governance which is based on an ethical foundation is imperative, and must be coupled with effective leadership to ensure short- and long-term strategic direction. RBH has committed to complying with the public company requirements as prescribed in the Companies Act.

## Governance Structures

### Shareholder

The shareholder has power to remove directors and is governed in its relationships with the company through the Memorandum of Incorporation (MOI). The shareholder of RBH holds an Annual General Meeting (AGM) during the third quarter of every year where all matters which are required to be dealt with at such a meeting as prescribed by the Companies Act are presented.

### Board of Directors

#### Role

The Board is responsible for the overall strategic direction of the company to produce the desired return for the shareholder, as well as ensuring sustainable development and healthy interaction with its stakeholders. Its role also 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, in collaboration with the Executive Committee, is responsible for the execution of the strategy and day-to-day management of RBH.

#### Composition

RBH endeavours to adopt to the extent possible, the King III recommendations for best practice, and has therefore appointed two additional independent non-executive directors to the Board.

## Governance and administration

The Chairman of the Board remains a non-executive director, and is supported by a Deputy Chairman who is an independent non-executive director.

The Board is comprised of nine directors, the majority of whom are non-executives. There are three executive, three non-executive and three independent non-executive directors. All are responsible for leading the company and maintaining an ethical corporate culture.

### Meetings

The Board meets at least four times a year to dispatch the business of the company in a manner prescribed for the Board by the King III, the Companies Act and the MOI. Additional Board meetings may be convened during the year when required.

### Board committees

The Board delegates certain responsibilities to two statutory committees: Audit and Risk Management Committee and the Human Resources and Nominations Committee, without relinquishing its responsibilities.

### Audit and Risk Management Committee

The committee consists of three non-executive directors, a majority of whom, including the chairman, are independent. Appointments to this committee are made by the Board in consultation with the committee's chairman. RBH aims to have the entire membership of the 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 sound risk management, internal and information technology control systems.

In pursuing its objectives, the committee oversees relations with external auditors. It approves their 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 appropriate standards. The recommendations made by the committee are submitted to the Board for approval.

### Human Resources and Nominations Committee

The committee consists of four non-executive directors, a majority of whom, including the chairman, are independent.

The 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 packages for specific individuals.

The committee also has a responsibility to carry out the director nomination process and to make recommendations to the Board regarding the appointment of new executive and non-executive directors, advising the Board on its composition and that of its committees.

The committee regularly reviews and updates the succession plan for directors and senior management.

RBH is in the process of reviewing the setting up of a Social and Ethics Committee as required by the Companies Act.

RBH is also in the process of updating its statutory documents in order to comply with the requirements as set out in the Companies Act.

## Internal controls and risk management

Management is responsible for the implementation of internal control systems and appropriate risk management processes. RBH has appointed Sekela Consultants to review and recommend improvements to internal controls. The group has undertaken a comprehensive risk assessment and rating of the various risks affecting the business. Internal audit will incorporate the risk register into their internal audit plan and monitor its management. The group endeavours to comply and implement best practice as far as possible.

## Public disclosures and information

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

**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.

**Governance structure:** There is a chart of the governance structure of the RBH group indicating the principle organs of the company's governance and to which each entity reports.

**Policies:** Corporate governance statement, Board Charter, Board committees' terms of reference, code of ethics, CSI, employment equity and preferential procurement policies are all available.

## 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 2011 will be prepared in accordance with International Financial Reporting Standards (IFRS).

# Corporate governance continued

RBH has appointed PwC, an internationally recognised accounting firm, as its independent external auditors for the year ended 31 December 2011. PwC issues an audit report on financial statements. The external auditors report to the Audit and Risk Management Committee and RBH expects that it will rotate the audit partners regularly in line with auditing regulations.

## Compliance and enhancement

The Board is ultimately responsible for RBH group compliance with Board-approved policies. In this task, the Board has delegated certain responsibilities to management. These policies encourage ethical behaviour of each individual separately as well as collectively as management groups. The Board should ensure that its conduct and that of management aligns with group values and is adhered to in all aspects of the business.

The Chief Executive Officer has overall management responsibility for ensuring that the company complies with the applicable laws, the Board Charter policies regarding corporate governance and the company's code of ethics. Shortcomings and exceptions permitted in law must be handled ethically.

The Company Secretary is responsible for the preparation for and the holding of Board meetings and the AGM.

The company believes that it is the responsibility of every employee and director of RBH to observe and implement the company's

governance 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.

RBH has established an internal audit function through the services of an external service provider to ensure a risk-based internal audit function, which is informed by the strategy of the company. This function spans financial, operational and compliance matters. The Audit and Risk Management Committee is responsible for overseeing the internal audit function, which reports at every committee meeting.

## Meeting attendance

The directors of the company for 2011 were as follows:

|                    |                          |
|--------------------|--------------------------|
| Kgosi LT Molotlegi | Appointed 24 July 2006   |
| NDJ Carroll        | Appointed 1 October 2007 |
| TA Boardman        | Appointed 1 January 2011 |
| MW Hlahla          | Appointed 1 April 2011   |
| TV Mokgatla        | Appointed 24 July 2006   |
| MPP Nyama          | Appointed 1 October 2007 |
| LM Ndala           | Appointed 1 January 2010 |
| DS Phiri           | Appointed 24 July 2006   |
| KP Shongwe         | Appointed 26 June 2008   |

The appointed Company Secretary in 2011 was OL Sebopedi.

## Board meeting attendance for 2011

| Name               | 3 Feb<br>(special board) | 11<br>Mar | 2 Jun<br>(strat. session) | 3 Jun | 7 Sept | 6 Oct<br>(special board) | 7 Nov<br>(special board) | 1 Dec | 7 Dec<br>(special board) | Total |
|--------------------|--------------------------|-----------|---------------------------|-------|--------|--------------------------|--------------------------|-------|--------------------------|-------|
| Kgosi LT Molotlegi | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✓                        | ✓     | ✓                        | 9     |
| TV Mokgatla        | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✓                        | ✓     | ✓                        | 9     |
| SD Phiri           | ✓                        | ✗         | ✓                         | ✓     | ✓      | ✓                        | ✗                        | ✓     | ✓                        | 7     |
| MPP Nyama          | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✗                        | ✓     | ✗                        | 7     |
| TA Boardman        | ✗                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✓                        | ✓     | ✓                        | 8     |
| MW Hlahla          | –                        | –         | ✓                         | ✓     | ✓      | ✓                        | ✗                        | ✓     | ✓                        | 6     |
| KP Shongwe         | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✓                        | ✓     | ✓                        | 9     |
| LM Ndala           | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✗                        | ✓     | ✓                        | 8     |
| NDJ Carroll        | ✓                        | ✓         | ✓                         | ✓     | ✓      | ✓                        | ✓                        | ✓     | ✓                        | 9     |

✓ Present

✗ Apology

– Not yet appointed/already resigned

## Governance and administration

## Human Resources and Nominations Committee attendance for 2011

| Name               | 11 Mar | 25 May | 24 Aug | 29 Nov | Total |
|--------------------|--------|--------|--------|--------|-------|
| MPP Nyama          | ✓      | ✓      | ✓      | ✓      | 4     |
| Kgosi IT Molotlegi | ✓      | ✓      | ✓      | ✓      | 4     |
| NDJ Carroll        | x      | -      | -      | -      | 0     |
| MW Hlahla          | -      | ✓      | ✓      | ✓      | 3     |
| TA Boardman        | -      | -      | -      | ✓      | 1     |

NDJ Carroll – resigned 1 April 2011 (only attends by invitation)

MW Hlahla – appointed 1 April 2011

TA Boardman – appointed 7 September 2011

✓ Present

x Apology

- Not yet appointed/already resigned

## Audit and Risk Management Committee meeting attendance for 2011

| Name                   | 3 Mar | 31 May | 26 Aug | 1 Dec | Total |
|------------------------|-------|--------|--------|-------|-------|
| TV Mokgatla            | ✓     | ✓      | ✓      | ✓     | 4     |
| TA Boardman (Chairman) | ✓     | ✓      | ✓      | ✓     | 4     |
| NDJ Carroll            | ✓     | ✓      | -      | -     | 2     |
| MW Hlahla              | -     | x      | ✓      | x     | 1     |

NDJ Carroll – resigned at the AGM on 16 August 2011 (attends by invitation)

TA Boardman – appointed 1 January 2011

MW Hlahla – appointed 1 April 2011

✓ Present

x Apology

- Not yet appointed/already resigned

## RBH human resources

As at 31 December 2011, the total number of employees at RBH and its subsidiary companies was 138, inclusive of the 66 RBS village sports co-ordinators who are on fixed-term contracts. In addition, the Class of 2011 programme, that places graduates in investee companies and other RBN entities, consists of 23 candidates.

|                              | Male       | Female    | Black      | White    | Bafokeng   |
|------------------------------|------------|-----------|------------|----------|------------|
| Admin                        | 6          | 8         | 14         | 0        | 9          |
| Contractors (incl. cleaners) | 67         | 40        | 107        | 0        | 104        |
| Supervisory                  | 11         | 17        | 27         | 1        | 20         |
| Management                   | 11         | 13        | 21         | 3        | 8          |
| Executive                    | 11         | 2         | 9          | 4        | 2          |
| <b>TOTAL</b>                 | <b>106</b> | <b>80</b> | <b>178</b> | <b>8</b> | <b>143</b> |

Note: Includes RBS, RBMS, RBH and RBED.

# Corporate governance continued

## Training and development

RBH’s training Master Plan has been compiled based on training needs identified during a performance contracting competency assessment process with staff. This also forms the basis of the company skills plan in line with the Skills Development Act.

Training and development continues to take place, including post-tertiary qualifications, which is supported by the study assistance policy.

All development interventions undertaken are in line with the approved employee individual development plans and their key performance contracts.

First aid training has been prioritised to ensure that risks associated with sports training are significantly reduced in 2012.

## “Class of” programme

The Class of 2011 placed 26 candidates on a 12-month programme within RBH, RBA and RBH investee companies. Hosting companies included Implats, Fralex, Zurich SA, RBPlat and M-Tech Industrial. The majority of the Class of 2011 candidates has been offered permanent placements with effect from March 2012.

## Executive development programme (EDP)

RBH’s EDP is run through the Wits Business School. The customised EDP is attended by RBH, RBN and RBH partner company executives. The 2011 programme was completed at the end of October 2011. The participants indicated that the programme was an excellent opportunity to grow professionally and personally. Each of the participants looks forward to implementing the lessons learnt at their respective workplaces.

## Employee wellness

RBH’s employee wellness day was held on 2 September 2011. The purpose of the initiative was to emphasise the importance of a healthy and productive workforce. Employees underwent various medical tests including blood pressure, vision, weight and glucose levels. Those who were diagnosed with any health risks were encouraged to undergo relevant medical treatment.

## Performance dialogue and management

Performance reviews for all support staff in RBH and its subsidiaries are done twice a year and these inform performance-based bonus payments.

## Occupational health and safety

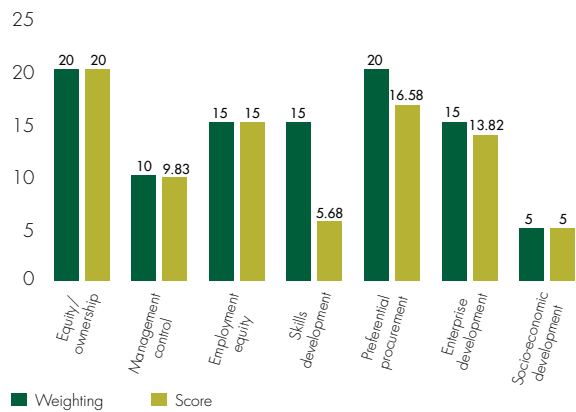
Two safety incidents were reported at RBS and RBH. Both employees fell and injured themselves during the normal execution of their duties. Both cases have since been reported to the Department of Labour in line with the requirements of the Workmen’s Compensation Act, for compensation of medical treatment.

## Employment equity and transformation

The company received a visit by Department of Labour officials from Rustenburg in September 2011. The purpose of the visit was to conduct an overall compliance assessment in line with the Employment Equity Act. The minor recommendations made, have been implemented.

Overall the officials expressed satisfaction with the systems and processes which have been set up to address employment equity within the company. The company has an established Employment Equity Committee that meets quarterly to deal with all employment equity matters.

RBH transformation scorecard 2011



## RBED restructuring

The restructuring of RBED was in line with the revised mandate of the company – to focus on economic development and not only enterprise development. This was done in line with Section 189 of the Labour Relations Act. The new structure was finalised by December 2011.

# Glossar f ter s and acron s



|        |  |
|--------|--|
| AGM    | Annual general meeting                               |
| AIDS   | Acquired immune deficiency syndrome                  |
| ALSI   | All Share Index of the JSE                           |
| ART    | Antiretroviral therapy                               |
| BEE    | Black economic empowerment                           |
| CBO    | Community-based organisation                         |
| CDP    | Carbon Disclosure Project                            |
| CRB    | Commodity Research Bureau                            |
| CSI    | Corporate social investment                          |
| EMS    | Environmental management system                      |
| ESG    | Environment, society and governance                  |
| GRI    | Global Reporting Initiative                          |
| HDSA   | Historically disadvantaged South African             |
| HIV    | Human immunodeficiency virus                         |
| ICMM   | International Council on Mining and Metals           |
| IFC    | International Finance Corporation                    |
| IFRS   | International Financial Reporting Standards          |
| JSE    | Johannesburg Stock Exchange                          |
| KPI    | Key performance indicator                            |
| MDG    | Millennium Development Goals                         |
| MOU    | Memorandum of understanding                          |
| MOGS   | Mining, oil and gas services                         |
| NGO    | Non-governmental organisation                        |
| NSSD   | National Strategy for Sustainable Development        |
| PGM    | Platinum group metal                                 |
| RBA    | Royal Bafokeng Administration                        |
| RBED   | Royal Bafokeng Enterprise Development                |
| RBH    | Royal Bafokeng Holdings                              |
| RBI    | Royal Bafokeng Institute                             |
| RBN    | Royal Bafokeng Nation                                |
| RBNDT  | Royal Bafokeng Nation Development Trust              |
| RBPlat | Royal Bafokeng Platinum                              |
| RBS    | Royal Bafokeng Sports                                |
| RESI   | Resources Index of the JSE                           |
| RMBH   | RMB Holdings   |
| SACMH  | South African Coal Mining Holdings                   |
| SEA    | Strategic environmental assessment                   |
| SMME   | Small, medium and micro enterprises                  |
| UNGC   | United Nations Global Compact                        |
| UNPRI  | United Nations Principles for Responsible Investment |
| VCT    | Voluntary counselling and testing                    |

# Independent Assurance Report to the Directors of Royal Bafokeng Holdings (Pty) Limited

## Introduction

We have been engaged by the Directors of Royal Bafokeng Holdings (Pty) Limited (RBH) to conduct an assurance engagement in accordance with the International Standards for Assurance Engagements 3000, "Assurance Engagements other than audits or reviews of historical financial information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board, on selected Identified Sustainability Information reported in RBH's Integrated Review 2011 (the Report), for the purposes of expressing a statement of independent assurance, for the year ended 31 December 2011.

## Scope and subject matter

The following Identified Sustainability Information was selected for an expression of limited assurance:

- total amount spent on Corporate Social Investment (CSI) projects in South African Rand (page 34);
- management's disclosure of implementation against the UNGC (United Nations Global Compact) principles ("Scope of the report");
- management's disclosure of implementation against the UNPRI (Principles of Responsible Investment) principles ("Scope of the report"); and
- management's disclosure of implementation against the AA1000 principles of materiality, stakeholder inclusivity and responsiveness in preparing the 2011 Report ("Scope of the report").

Our responsibilities do not extend to any other information.

## Responsibilities of the directors

RBH's Directors are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2011 Integrated Review, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

## Responsibility of the independent assurance provider

Our responsibility is to express, to the Directors, an opinion on the Identified Sustainability Information contained in the Report, for the year ended 31 December 2011, based on our assurance engagement.

This report, including the conclusion, has been prepared solely for the directors of the Company as a body, to assist the Directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2011, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this Report save where terms are expressly agreed and with our prior consent in writing.

## Summary of work performed

We conducted our engagement in accordance with the International Standards for Assurance Engagements 3000, "Assurance Engagements other than audits or reviews of historical financial information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either reasonable or limited assurance on the selected Identified Sustainability Information as per our terms of engagement.

RBH's internal corporate reporting policies and procedures were applied as criteria for evaluating the Identified Sustainability Information. Definitions for the Identified Sustainability Information applied are those determined by RBH and provided in the glossary (page 45).

Our procedures included examination, on a test basis, of evidence relevant to the selected Identified Sustainability Information. The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material non-compliance of the selected Identified Sustainability Information with the defined reporting criteria.

Our work consisted of:

- reviewing processes that RBH has in place for determining material Identified Sustainability Information to be included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report data at the sampled operations;
- conducting interviews with management at head office;
- applying the assurance criteria in evaluating the data generation and reporting processes;



## Governance and administration

- performing a controls walkthrough;
- testing the accuracy of data reported on a sample basis for limited assurance;
- reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes and to obtain explanations for deviations in performance trends; and
- reviewing the consistency between the Identified Sustainability Information and related statements in RBH's Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

The evidence gathering procedures for limited assurance are more restricted than for reasonable assurance and therefore less assurance is obtained with limited assurance than for reasonable assurance.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

### Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

### Conclusion

Based on our work performed, nothing has come to our attention causing us to believe that the Identified Sustainability Information selected for limited assurance, for the year ended 31 December 2011, is materially misstated.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.

Director: Wessie van der Westhuizen  
Johannesburg  
4 May 2012







## Contact Details



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