



Remembering  
our past



Driving the  
present



Building the  
future

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# About the Royal Bafokeng Nation

*Bafokeng means 'people of the dew' or 'people of the grass'*

- Oral tradition has it that when the Bafokeng – or the '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.
- The Royal Bafokeng Nation (RBN) is the ethnic homeland of the Bafokeng people, a Setswana-speaking traditional community.
- The term Bafokeng is used to refer both to the tribal grouping as well as the land its members inhabit. The Bafokeng are led by a hereditary *Kgosi* or king.
- The monarchy covers 1,400km<sup>2</sup> in the North West Province of South Africa and Phokeng is the administrative capital.
- The crocodile is the genealogical totem of the Basotho-Batswana group of people – which includes the Bafokeng and thus, the RBN. How the crocodile became the totem of the Basotho-Batswana and Bafokeng people is obscure. However, unlike the other Basotho-Batswana groups which depict the crocodile with its mouth open, the Bafokeng have always depicted the crocodile with its mouth shut. In the RBN's flag, the crocodile is moving towards the water, which the Bafokeng people believe to be a sign of contentment.
- The Royal Bafokeng's motto is *a e wele metsing* (idiomatically translated as 'let there be peace'). The RBN's praise idiom is *MaNape a Tshukudu E naka le nthla E ithabang e ithabela* (literally translated as 'Nape the Rhino, with a sharp horn, that pierces as it pierces for itself').
- The RBN gained greater international attention in 2010, when six of the FIFA 2012 World Cup soccer games were played at the Royal Bafokeng Stadium in Phokeng. The Bafokeng Sports Campus hosted the England team during the World Cup.





The theme of this year's Review:

## Past, present and future

The focus of this year's Review takes us on a journey: from *remembering our past*, to those factors that are *driving the present* and what is needed for *building the future* for the RBN, its communities and its stakeholders.

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# Royal Bafokeng Holdings: past, present and future

## Scope of the Review

At Royal Bafokeng Holdings (RBH), we believe we have a responsibility to provide our stakeholders with a holistic picture of the company, to enable them to assess the ability of RBH to create and sustain value over the short, medium and long term. By providing disclosure in accordance with best practice, our stakeholders can make an informed decision about the sustainability of the businesses in which they are invested; or in which they are planning to invest; or with which they do business.

Accordingly, our 2012 Review continues our journey towards integrated reporting, in line with the recommendations of the King Code on Corporate Governance 2009 (King III). Consistent with our previous Reviews, 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 therefore that it is 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 these to environmental, social, economic and financial issues.

As in previous years, RBH's audited financials will be published separately from, and at a later date to, this Review. The company's auditors, PricewaterhouseCoopers Inc, have provided an Independent Assurance Report to the directors of RBH on selected sustainability information in respect of this Review (see page 47).

RBH is the primary investment vehicle of the RBN, a community of approximately 150,000 Setswana-speaking people with substantial, mineral-rich land holdings in South Africa's North West Province. Our core business function is to develop and manage the commercial assets of the RBN and to utilise dividends received from investee companies to sustainably fund the development of the RBN in line with the key strategic focus areas outlined by the Supreme Council.

The society in which RBH operates is critical to the success of the business and our stakeholders are assiduously identified, engaged with, and their interests and concerns ascertained and addressed. In short, our stakeholders inform and shape our strategy. Our sustainable development and responsible investment policies and processes continue to evolve as we better understand the needs and expectations of our communities and other stakeholders.



# Our vision, our values

RBH's vision – which is aligned with the RBN's Plan 2035 and its Masterplan described below – is to become the world's leading community-based investment company

## Plan 2035

Plan 2035 has been developed with the aim of enabling the RBN to become self-sufficient participants in the regional and national economy by the end of the second decade of the 21st century. This ambitious goal will be achieved only if the development of the RBN's communal assets and human capital is maximised so that the economic empowerment of individuals within the community is advanced.

RBH is one of the delivery mechanisms through which the RBN's Plan 2035 will be fulfilled. See [www.bafokengholdings.com/a/tbn\\_2035.php](http://www.bafokengholdings.com/a/tbn_2035.php)

## The RBN'S Masterplan

The Masterplan, the physical embodiment of Plan 2035, was launched in August 2006. The plan, devised in conjunction with Singapore based urban design consultants Surbana, is aimed at creating an environment in which people live with dignity and have access to facilities – health, education, recreation and employment – thus enabling them to maximise their abilities and talents.

The 30 year Masterplan is based on a detailed assessment of the opportunities offered and constraints imposed by the 1,400km<sup>2</sup> of land owned and controlled by the Royal Bafokeng and sets the direction of development by the year 2035. The plan takes into account a predicted population increase of more than double the present numbers to 700,000 people on RBN land and aims to reduce dependency on mining for economic growth.

Mine boundaries and state and privately owned land are recognised as possible developmental constraints, but the proximity of Rustenburg to Bafokeng land opens up the potential for the development of a business corridor linking the former with the latter. A major road, which traverses a portion of RBN land, is seen as an axis for the development of tourism activities between Sun City and the Pilanesberg National Park in the north, and historic and scenic sites in the south. See [www.bafokengholdings.com/a/tbn\\_masterplan.php](http://www.bafokengholdings.com/a/tbn_masterplan.php)



*The RBN's Masterplan is aimed at creating an environment in which people live with dignity and have access to facilities.*

# Profile and structure

RBH is responsible for the management and development of the commercial assets of the RBN, with the overall business objective of maximising returns to enable the RBN to deliver sustainable benefits to the community.

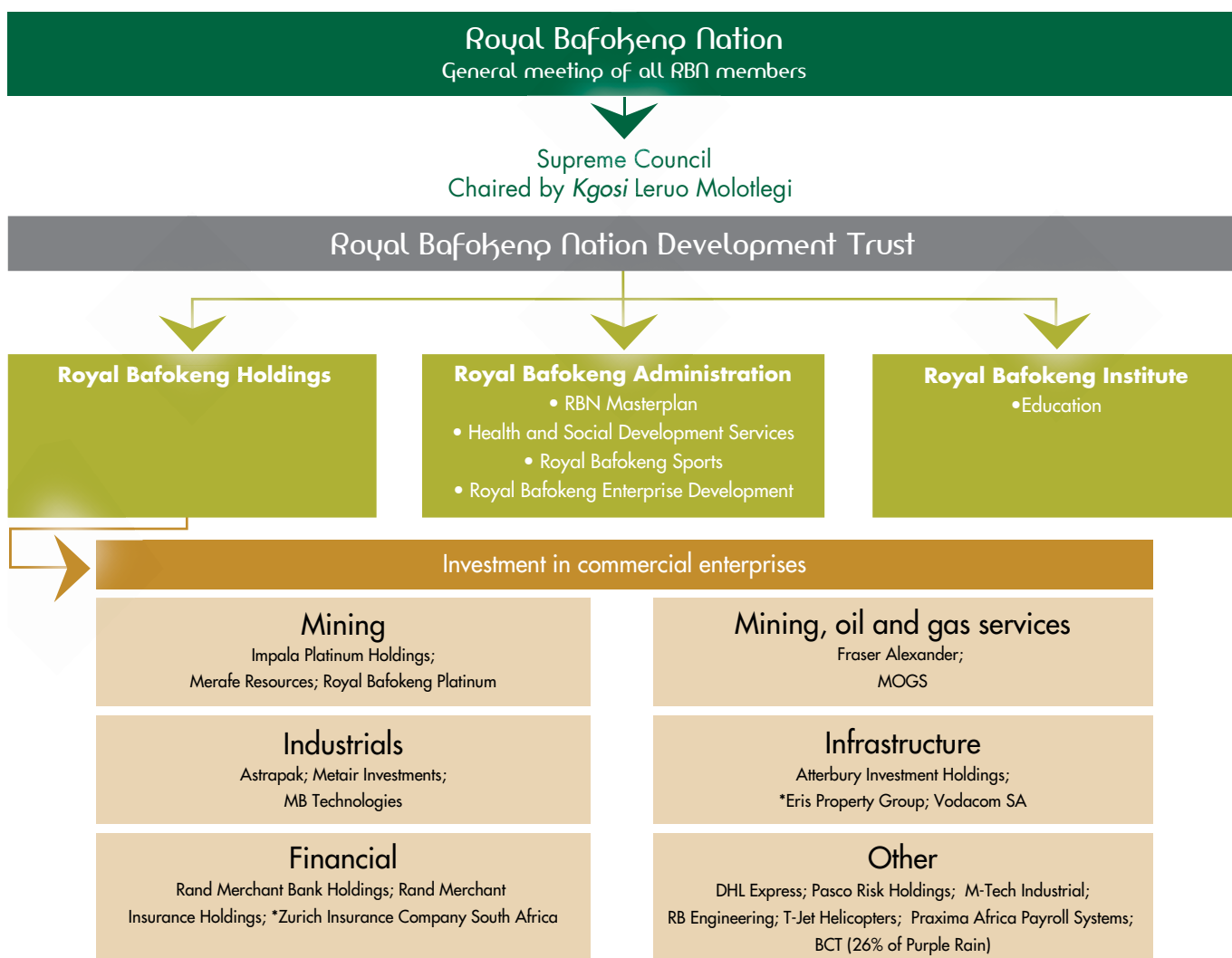
Established in 2006 as a result of the merger between Royal Bafokeng Resources (established in 2002) and Royal Bafokeng Finance (established in 2004), RBH strives to continually improve the economic wellbeing and quality of life of all stakeholders by investing in businesses that will generate exceptional returns over the long term, thus enabling it to contribute directly to the upliftment of the RBN community, both today and into the future. In line with this policy, RBH has a diversified investment portfolio, with assets in the mining, telecommunications, financial, manufacturing, services and infrastructural sectors.

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, Plan 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 platinum group metals (PGMs) as a source of wealth.

Today, some 100,000 members of the Setswana-speaking RBN – as well as a further 50,000 non-Bafokeng – prosper in the Rustenburg valley. The valley contains one of the largest deposits of 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.



\* During the year, RBH sold its investments in the Eris Property Group and Zurich Insurance Company of SA





# Remembering our past

The Bafokeng people can trace their history back to the year 1140 and, to this day, retain their unique cultural identity and traditional leadership structures.

Between 1450 and 1550, drought forced the Bafokeng people to move to the fertile Rustenburg valley – what is now known as Phokeng in the North West Province and the land which they still occupy.

Kgosi Sekete III, who ruled in the early 1700s, was the first in the line of kings. He was followed by Kings Diale, Ramorwa, Sekete IV, and Thethe.

Periods of rapid change and population movements characterised Bafokeng history from the 17th century until the arrival of white races in the early 19th century.

It was, however, the actions of Kgosi August Mokgatle who reigned from 1834 to 1891, that re-assembled and unified the Bafokeng and it was Kgosi Mokgatle who had, arguably, the most influence on the fortunes of the RBN.

The Boers, who had established the South African Republic, had claimed vast tracts of Bafokeng land as their own, by right of conquest after the Great Trek and battles with breakaway Zulu leader, Mzilikazi. It was his friendship with Boer leader and Transvaal president, Paul Kruger, which inspired Kgosi Mokgatle to embark on a land acquisition programme in the late 19th century, to buy back much of Bafokeng land and to secure the community's rights to the land. In order to fund this, young Bafokeng men were sent to work on the mines in Kimberley, after diamonds were discovered there in 1869, and to work at neighbouring farms, with orders to repatriate their earnings to help buy the land.

These land purchases were fraught with challenges when the Boer parliament ruled that black people were not allowed to buy land. This forced Kgosi Mokgatle to ask Lutheran missionaries, who were brought to Phokeng to further the education of the Bafokeng, to buy the land on behalf of his people, and to hold it in trust for them.

The Bafokeng people were ruled by Kgosi Tumagole when he succeeded his father in 1891. He ruled until his death in 1896.

Land purchases continued during the reign of Kgosi August Molotlegi (1896 – 1938) and while other traditional groups were embroiled in wars, the Bafokeng maintained a position of neutrality.

In 1924, some 33 years after the death of Kgosi Mokgatle, the world's largest deposits of PGMs were discovered under Bafokeng land. The vision which led Kgosi Mokgatle to purchase the land had set his people on the path to wealth creation.

The discovery of platinum by Hans Merensky in 1924 precipitated a 'platinum rush' for ownership by major mining companies and the Bafokeng endured attempts to strip the nation of its mineral wealth throughout the 20th century.

The South African National Party came into power and *apartheid* legislation was entrenched in South Africa during the reign of Kgosi James Manotshe Tumagole Molotlegi XII (1938 – 1956).

In 1956, Edward Patrick Lebone Molotlegi interrupted his studies in medicine and law at Wits University, to assume chieftainship of the Bafokeng. On 28 December 1958 he was appointed Kgosi. The Bophuthatswana homeland was established under *apartheid* in 1961 and in 1977, the Bophuthatswana government was given authority





## History of the Bafokeng

- 1450** Bafokeng moved to the Rustenburg valley in the now North West Province
- c1700** *Kgosi Sekete III*, first king of the Bafokeng, followed by *Kings Diale, Ramorwa, Sekete IV and Thethe*
- 1834 1891** Reign of *Kgosi August Mokgatle*, arguably the most influential king in Bafokeng history. Pooling community resources, he started buying land the Bafokeng had occupied for centuries. Many years later, his foresight enabled his people to lease their mineral rights and claim royalties
- 1852** Establishment of South African Republic
- 1880 1881** First Anglo Boer War
- 1891 1896** Reign of *Kgosi Tumagole*
- 1896 1938** Reign of *Kgosi August Molotlegi*, during which land purchases continued
- 1899-1902** Second Anglo Boer War
- 1924** Discovery on Bafokeng land of the world's largest deposits of platinum group metals
- 1938 1956** Reign of *Kgosi James Manotshe Tumagole Molotlegi XII*, during which *apartheid* legislation was entrenched in South Africa
- 1956 1995** Reign of *Edward Patrick Lebone Molotlegi*
- 1961** Bophuthatswana homeland established under *apartheid*
- 1994** Bophuthatswana re integrated into South Africa
- 1995 2000** Reign of *Kgosi Mollwane Molotlegi*
- 1995** Birth of the Royal Bafokeng Nation (RBN)
- 1999** Court settlement with Implats gave the RBN a 22% royalty on all platinum taken from their territory and an ownership stake in Implats
- 2000 to present day** *Kgosi Leruo Molotlegi* is 36th King of the Bafokeng

by the ruling National Party over all Batswana people, including the Bafokeng. *Kgosi Lebone's* opposition to the move brought him into conflict with the then Bophuthatswana President, *Lucas Mangope*. Matters became worse after the 1988 coup led by *Rocky Malebane-Metsing*, which *Mangope* accused *Kgosi Lebone* of backing.

The Bafokeng king was subjected to a campaign of intimidation, until, with failing health, he was forced into exile in neighbouring Botswana. At this time, *Mangope* recognised *Mokgwaro George Molotlegi*, *Kgosi Lebone's* brother as *Kgosi* of the Bafokeng. The RBN suffered massive political repression under *Mangope*. This situation prevailed until 1994 when *Mangope* was forced out of power and Bophuthatswana was re-integrated into South Africa. *Kgosi Lebone* returned to Phokeng and once again led his people until his death in November 1995. During the reign of *Kgosi Lebone*, major infrastructural developments took place in the Bafokeng territory and the RBN was embroiled in a protracted legal battle with *Implats* and *Mangope* over land and mineral rights. In the 1990s, after extensive engagement with mining companies, the payment of equitable royalties to the RBN in exchange for the right to mine this valuable land was negotiated.

1995 saw the official birth of the Royal Bafokeng Nation and ascendancy to the throne of *Kgosi Mollwane Lebone Boikanyo Molotlegi II*. Following his death in 2000, his brother, *Leruo Tshakedi Molotlegi*, ascended to the throne. He is the 36th King of the Bafokeng and the 15th direct descendent of the lineage of Bafokeng kings.

Despite a history of repression and attempts at marginalisation, the Bafokeng have benefited greatly by a rich succession of visionary leaders. The Bafokeng continue to remain true to their traditions and past legacies while also focusing on the future.



Past, present and future: Kgosi Mokgatle watches over outgoing Chairman, Kgosi Leruo Molotlegi, and incoming Chairman, Monhla Hlahla.



# Chairman's message

I am humbled to have been entrusted with overseeing the investments of our shareholders, the RBN. Given that RBH's asset portfolio was spawned in the platinum belt, and that the royalties and later revenues were derived from our exposure to this sector, we kept a watchful eye on the very disturbing and violent conflict that shook the country in the past year, and which reverberated throughout the financial markets globally.

The events that took place at Marikana from August to October have impacted the mining industry negatively as a whole, South Africa more broadly and the region in which we operate, more specifically. The effects of the Marikana tragedy and general labour unrest have already been felt with the downgrading by Moody's and Standard and Poor's of South Africa's investment ratings and the general uncertainty in the South African economic environment.

Our subsidiary Royal Bafokeng Platinum (RBPlat) was not unscathed by the industrial action in the sector, but it was to the credit of both employees and management that the issues that arose were maturely and expeditiously dealt with. Sound relationships with employees and communities, developed through consistent engagement with stakeholders, made it possible for RBPlat, through dialogue, to avert what could have been protracted and violent industrial action. However, due to the RBN's significant footprint in the PGM sector and its physical proximity to events in Marikana, it is inevitable that the RBN will be affected in the longer term. The direct and immediate impact of the labour unrest meant lower PGM production, lower revenue, reduced investor confidence and a fall in platinum company share prices. Reduced revenue from the platinum companies in which we are invested will mean reduced dividends, and less money to repatriate to Phokeng for social and developmental projects. The platinum sector is also likely to be shedding jobs, ushering in attendant social issues.

In the macro-economic environment, uncertainties continued to prevail in 2012, burdened particularly by the Eurozone debt crisis. I am pleased to report that our team, led ably by the newly-appointed Chief Executive Officer (CEO), Albertinah Kekana, keeps a vigilant eye on developments, given particularly the requirement to diversify our investment portfolio. Ahead of Marikana the oversupply of PGMs added further pressure to an industry already under strain. And while we still have a 50% exposure to the mining sector, our non-mining investments have provided good returns in alignment with our vision to become the world's leading community-based investment company.

In late 2011 we concluded two transactions totalling more than R7 billion to increase RBH's shareholding in Rand Merchant Bank Holdings (RMB Holdings) and Rand Merchant Insurance Holdings (RMI Holdings) to 15%. Although it is still premature to call the success of this investment, it has added further healthy diversification of our portfolio and exposure to pre-eminent financial services companies in the country. During 2012 we divested our interests in the Eris Property Group (Eris) and Zurich Insurance Company South Africa (ZICSA) for better alignment of our portfolio.

"RBH has demonstrated management depth and competence through these very uncertain times"

It has been a stated objective that one of our long-term goals is to build pan-African businesses. In pursuit of this, we have embarked on initiatives to identify potential partners within the rest of the continent, while we also provide encouragement to our investee companies to focus on the continent as an area for future growth.

Since my taking office in March 2012, RBH has faced many challenges, including the loss of some key executives. Despite this, RBH has demonstrated management depth and competence through these very uncertain times.

At this time, I would like to acknowledge Kgosi Leruo Molotlegi, from whom I took over as Chairman of RBH during March 2012. Kgosi, who had served as Chairman of RBH since its formation, stepped down from the Board on 28 November 2012. Under his guidance, RBH has grown to be a company that is delivering returns in pursuit of its mission. I am in awe at the boundless energy that he applies to ensure that his people benefit, grow and develop from the efforts of RBH, and his lifelong work will continue under my chairmanship.

I would like to thank Kgosi for the support and guidance that has been given me since taking up office. As the head of our shareholder, the RBN, he will continue to challenge us to meet our commitments.

Finally, the year has seen a number of Board and management changes. Niall Carroll resigned from the Board and management and Pieter Rörich resigned as Executive: Investments at the end of March 2012. I would like to thank Lucas Ndala for so ably filling the position of acting CEO at this time until the position of CEO was filled by Albertinah Kekana on 1 November 2012.

We welcome Albertinah, whose knowledge and experience will hold RBH in good stead.

On behalf of the Board, I would like to thank Thabo Mokgatlha for his valuable contribution made to RBH during his tenure on the Board, and wish him well in his future endeavours. I would like to extend a warm welcome to Obakeng Phetwe and Fran du Plessis who joined the Board in March 2012 and June 2012 respectively.

**Monhla Hlahla**

Chairman

31 March 2013



# Our mandate

RBH has a holistic approach towards investments, portfolio management and resource allocation, all of which are informed by the mandate that the company has from its shareholders; the issues that RBH, and the RBN face; and the strategy in place to achieve the company's stated objectives.

## Material issues

The commercial and social investment mandates and strategies employed by RBH are entrenched in the fact that RBH exists for the benefit of the RBN, and for this reason, the views and opinions of the people of the RBN are important when deciding the manner in which RBH manages its investments and the way in which it interacts with investee companies.

In addition to 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.

As such, these issues are also taken into consideration by RBH as part of its approach in making investments. The investment strategy followed by RBH is designed to achieve capital growth and diversification and maximise dividend flow in order to address the social and developmental needs of the RBN.

## Commercial mandate

A stable and growing investment income is a prerequisite for RBH to achieve its vision to become the world's leading community-based investment holding company. However, there is significantly more than the words 'leading community-based investment holding company' demand for the vision to become a reality.

The word 'leading' requires that the investments made on behalf of the RBN consider more than just financial returns, and 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 full meaning of RBH's vision has at its core the understanding that the wellbeing of the RBN is inextricably linked to environmental, social and economic integrity and political stability. Thus 'leading' requires 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 is able to influence the manner in which the investments are managed and the impacts mitigated.

This investment approach is progressive. While it cannot be implemented in absolute terms, since no investment is without impact, RBH believes 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. See pages 10 to 12.

## Social mandate

RBH's social mandate centres around the generation of returns that enables it to fund developmental and infrastructure projects that will make 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:

- 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; and
- human capital development, to build a competent, high-calibre team that can deliver on the mandate.

# Our risks, challenges and opportunities

## Risks – affecting revenues

- Downturn in the global economy;
- Post-Marikana impact and ongoing labour unrest impacting negatively on the share price of South African investee mining companies;
- Downgrading of South Africa as an investment destination, impacting negatively on the share price of other investee companies; and
- Volatility of platinum mining earnings.

## Challenges

- High unemployment in South Africa;
- The growing gap between the rich and the poor which is unsustainable;
- The HIV/Aids pandemic; and
- Resource scarcity (including food security).

## Opportunities

- Asset portfolio diversification – including Africa and other countries;
- Local and international investment into the RBN;
- Hosting of international conferences and sporting events in association with the South African Tourism Board and international bodies;
- Tie up with tertiary institutions for further education development of the RBN;
- Sustainable farming initiatives – self-sustaining with access to local and global markets;
- Business development – self-sustaining with access to local and other markets; and
- Large exposure to platinum mining companies.



*One of our challenges is food security: the Tswaraganang Basadi community gardens in Phokeng.*

# Our strategy and approach to investing

## Overview

RBH has been mandated by its shareholder, the RBN – through the RBNDT – to manage the RBN’s commercial assets to ensure long-term sustainable returns for the benefit of our shareholders, the people of the RBN and their children’s children. Our primary responsibility is the generation of financial returns and we seek to generate sufficient yield to fund the needs of the current generation, while also protecting and growing the asset base for the benefit of future generations. Although the primary focus is on value creation, diversification of the portfolio over time is also an important consideration, given the current high exposure to PGM mining assets. Income generated from the investment portfolio is the primary source of funding for the RBN’s social expenditure budget.

A secondary responsibility is to assist more directly in the generation of social returns. This has been an area of greater scrutiny over the past three years due to RBH’s increased profile within the community, as well as the uneven record of delivery by some RBN entities. RBH currently adds value to this process through the activities funded by its R15 million per annum CSI programme; and through encouraging its investee companies and other third parties to bring funding and skills to bear on programmes that are part of or are aligned with the RBN’s focus area.

Through the RBH Sustainability Strategy and RBH Policy for Responsible Investment and Portfolio Management documents adopted by the Board in 2011, RBH has codified a holistic approach to, and guidance in the making of investment decisions. Copies of these documents can be found on the company’s website under the following link [www.bafokengholdings.com/cc/cc\\_i.php](http://www.bafokengholdings.com/cc/cc_i.php)

Concurrent with the implementation of these documents, a company-wide training programme, designed to educate RBH directors and executive management sitting on investee boards of the importance of environment, society and governance (ESG) issues in the investment process and their relevance to daily operational aspects of investee companies, began during the year. The training programmes in ESG issues serve to embed an understanding of the ESG risks of target investments and will inform the degree to which RBH will actively engage with investee companies in respect of ESG issues. Training will remain an ongoing focus.

In the development of the RBH Sustainability Strategy and RBH Policy for Responsible Investment and Portfolio Management documents, RBH has incorporated the principles advocated 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, thereby committing RBH to the global drive towards reaching a sustainable equilibrium for the greater good. RBH continues to encourage its investee companies to do the same.

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

- We undertake 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.
- We apply a negative screening process to new investments, which excludes investments in companies that conduct business in a manner regarded to be in conflict with RBH’s ethical standards.
- We promote 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.

## Our strategy

Our 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.

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

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 wellbeing of historically disadvantaged South Africans (HDSAs) through employment and preferential procurement 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.

RBH considers active ownership an important component of its investment strategy. RBH includes in shareholders' agreements flowing from the acquisition of controlling or influential stakes in investee companies the nomination of one or more directors to their boards.

In choosing its directors, RBH nominates individuals who 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 which efforts toward collaboration on environmental and community development issues are 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 investment 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.

### Approach to investing

RBH seeks to acquire interests in well-run businesses that will generate superior returns over time. These superior returns on investment are generated in a number of ways:

- buying in at a discount to fair value;
- participating in the growth of the business during the holding period;
- selling the investment at fair value/premium to fair value;
- investing in good-quality assets in selected sectors that will produce growth and yield over the long term;
- encouraging partnerships;
- supporting management; and
- providing fundamental analysis.



*Metair Investments subsidiary: First National Battery.*

# Our strategy and approach to investing

## continued

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 level of King III compliance
- Compliance with anti-corruption laws
- Employment equity

## Looking forward

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

As 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. Therefore, we generally avoid buying assets that are trading on high price to earnings ratios.

Notwithstanding our unwillingness 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 assets which are at the bottom of their profit cycles and are therefore most undervalued. Similarly, should we seek to dispose of non-core assets we would aim to do so when they are ‘hot’, near the top of their profit cycle and relatively overvalued. Timing cycles, however, is tricky – we would rather buy into businesses that can hold through cycles.

The terms of purchase can be further enhanced through securing black economic empowerment (BEE) discounts, mispriced options and follow-up purchases and the judicious use of debt funding.

Ultimately, RBH’s investment activities are opportunistic. We need to move around, seeking out undervalued asset classes, industries and companies. We can identify sectors of strategic relevance, but must then ensure we do not overpay for specific investments. Finally, we must position RBH to maximise our access to relevant deal flow so that we can have the greatest possible choice.

An essential element of past success has been RBH’s approach to partnership and abundance. All stakeholders have a role to play in RBH’s drive to create value and all need to share fairly in that value.

This approach starts with RBH’s shareholder, the RBN, which has historically treated the RBH executive team as its partner in value creation. The RBN provides the capital, brand and credentials and the RBH executive provides the experience and skills to generate financial and social returns from the RBN asset base.

In turn, the RBH executive seeks to support and encourage the management teams and co-shareholders of RBH’s investments in creating value for all stakeholders, irrespective of the size of our shareholding.

# Our Board



## Non-executive directors – as at 31 December 2012

### 1. MONHLA HLAHLA (50)

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

#### Independent non-executive director and Chairman

Monhla Hlahla joined the Board on 1 April 2011 and was appointed Chairman on 27 March 2012. She has been the managing director of Airports Company South Africa 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 and nominations committee.

### 2. TOM BOARDMAN (64)

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

#### Independent non-executive director

Tom Boardman was appointed to the Board on 1 January 2011 and 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, although now retired, still serves on the

board of Nedbank, Woolworths Holdings and the Vodacom Group, among others. Tom serves on the human resources and nominations committee and is the chairman of the audit and risk management committee.

### 3. FRAN DU PLESSIS (59)

BCom LLB, University of Stellenbosch; Chartered Accountant (SA); BCom (Hons) Taxation, University of Cape Town; Advocate of the High Court of South Africa

#### Independent non-executive director

Fran du Plessis was appointed to the Board on 1 June 2012 and has practiced as a chartered accountant specialising in the fiscal laws of taxation since 1994. She is currently a director of Loubser du Plessis Inc and also sits on the boards of directors of several other companies, including Sanlam, ArcelorMittal and KVV Holdings. Fran lectures on an *ad hoc* basis for the University of Stellenbosch. She serves on the audit and risk management committee.

### 4. TSHIDI NYAMA (53)

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

#### Independent non-executive director

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 Spoornet and Wesbank, as well as a number of non-executive directorships. She was appointed to the RBH Board on 1 October 2007. Tshidi is the chairman of the human resources and nominations committee.

### 5. OBAKENG PHETWE (36)

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

#### Non-executive director

Obakeng Phetwe was appointed to the Board on 27 March 2012. A chartered accountant, he completed his articles with PricewaterhouseCoopers Inc. He is currently the CEO of the RBNDT. He has held the positions of group treasury and business manager for the RBN; finance manager for the RBA; and senior audit manager at Mokuia and Associates Chartered Accountants.



# Our Board continued



## Non-executive directors – as at 31 December 2012

### 6. STEVE PHIRI (57)

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

#### Non-executive director

Steve Phiri is the CEO of RBPlat. He was appointed to the RBH Board on 24 July, 2006. He has been admitted as an attorney to the High Court of South Africa and is a member of the Black Lawyers Association. Steve brings to the Board his expertise on governance and stakeholder relations.

## Executive directors – as at 31 December 2012

### 7. ALBERTINAH KEKANA (40)

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

#### Chief Executive Officer

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

### 8. LUCAS NDALA (38)

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

#### Chief Financial Officer

Lucas Ndala was appointed to the Board on 1 January 2010. He is a chartered accountant and completed his articles at Deloitte and Touche. Prior to this, he worked at Barclays in corporate credit and at Mettle, where he was involved in structured finance. Following the resignation of Niall Carroll in March 2012, Lucas was appointed as

interim CEO, a position he relinquished on the appointment of Albertinah Kekana in November 2012. Lucas is responsible for group finance, information technology (IT) and risk management.

### 9. KHUMO SHONGWE (47)

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

#### Executive director: People and Sustainability

Khumo Shongwe was appointed to the RBH Board on 26 June 2008 and is a registered clinical psychologist who 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 in the public sector. Prior to resigning from the employment of RBH and from the Board with effect from 31 January 2013, Khumo was responsible for human capital development, sustainable development and corporate social investment.

# Our management



10

“With the wellbeing of hundreds of thousands of direct and indirect stakeholders in our hands, we must demonstrate our capacity to deliver”

*Albertinah Kekana, CEO*

## As at 31 December 2012

### 10. MPUELENG POOE (53)

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

#### Executive: Public Affairs

Mpueleng Pooe is RBH’s public affairs executive. He has been admitted as an attorney to the High Court of South Africa and began his career as a lawyer with Bell Dewar & Hall, where he was later appointed director. He joined AngloGold Limited in 1999 as legal counsel. Mpueleng is also responsible for stakeholder management, legal affairs and governance.

## Subsequent to year-end

With effect from 31 January 2013, Khumo Shongwe, Executive director: People and Sustainability, resigned from the employment of RBH and from the Board.



Implats' Ngezi operation is located 150 kilometres south west of Harare, Zimbabwe.





# Driving the present

- **RBH's major role and responsibility** as a community-based investment company is to manage the investment portfolio of the RBN in order to deliver maximum returns to fund broad-spectrum social benefits for the RBN; others who live with them in their communities and neighbouring communities; the North West Province; and the country as a whole.
- RBH is committed to the socio-economic upliftment of the Bafokeng people. With the income generated from its commercial investments, and in 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.**
- RBH holds a long-term investment view, one that **seeks to diversify the investment portfolio** of our shareholder, lessening its reliance on mining – PGMs in particular - as a source of wealth. While we still have a 50% exposure to the mining sector, our non-mining investments provided good returns in 2012.

- 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.
- RBH's investee companies continued to provide support to the RBN in 2012. **A total of R137.6 million was donated to the RBN** to support community initiatives.
- The **main focus** of RBH's 2012 CSI spend has been on issues relating to:
  - community health;
  - education; and
  - social development.
- **RBH allocated R15 million to its CSI programme** in 2012.





## Key features for 2012

# 10%

increase in dividend income

# 13%

increase in gross asset portfolio

**Mining exposure reduced** to approximately half of the portfolio due to outperformance of non-mining assets, especially the financial services assets

**Sale** of Eris and ZICSA investments

**Gearing reduced** due to asset appreciation and sale of highly geared investment

**RBH** underperformed the All Share Index (ALSI) of the Johannesburg Stock Exchange (JSE) by 9% during 2012 due to a high exposure to mining shares

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

Mining exposure reduced to half the portfolio





“Our investment portfolio in the year under review benefited from the strong performance of our recent investments”

*Albertinah Kekana*

# Chief Executive Officer's review

## Stakeholder engagement

With this Review of your company, we continue to make progress towards best practice in terms of integrated reporting, particularly as envisaged by the Code of and Report on Governance Principles for South Africa 2009, better known as King III.

In this, our second Integrated Review – an account to our stakeholders and in particular our shareholder, the RBN, of our affairs during 2012 – we have sought to better and more meaningfully relate our business performance to our social performance.

We have done this, mindful that our role and responsibility as a community-based investment company is to manage the investment portfolio of the RBN in order to deliver maximum returns to fund broad-spectrum social benefits for the RBN; others who live with them in their communities and neighbouring communities; the North West Province; and the country as a whole.

Our Integrated Review augments the many other ways we communicate on a regular basis with our stakeholders, not least our Annual Financial Statements, our participation in the bi-annual *Kgotha-Kgothes*, or gatherings of the RBN, our quarterly newsletter, *Podi-Ya-Tsela*, and our website.

To better understand our particular *raison d'être* and our commitment to accountability, we would refer you to our vision, on page 2 of this Review, and to our mandate, on page 8.

## Business performance and material issues

It is pleasing to report that our investment portfolio in the year under Review benefited from the strong performance of our recent investments in RMB Holdings and RMI Holdings. These contributed a total return of 58% in 2012, thanks to strong operational performances in core businesses, progress on new ventures, turnaround in new acquisitions and capital optimisation.

However, strong operating and share price performances from all of our non-mining assets were not sufficient to fully offset the effect of the flat performance of our mining investments, and our investment portfolio as a whole delivered an internal rate of return (IRR) of 18% compared with -13.8% in 2011. Again – as in 2008 and 2011 – we underperformed against the ALSI, which recorded a return of 26.7% in 2012.

The platinum price – to which we are substantially exposed due to our historically overweight investments in PGM miners (Implats and RBPlat) – strengthened by 10% in 2012 and the rand weakened by 4%, the latter factor generally a paradoxical advantage to South African producers.

However, these positive factors were not enough to soften the blow to our mining investments as a whole due to three negative, material

issues: labour unrest in the South African mining sector, about which more is said below; indigenisation legislation in Zimbabwe; and the nationalisation debate in South Africa. Lower production flowing from labour unrest and general investor disquiet regarding the indigenisation and nationalisation issues saw substantial declines in the share prices of all three of our mining investments.

Encouragingly, nationalisation in South Africa appears to have been put firmly to bed by the ruling African National Congress (ANC) at its elective conference in December last year. It is to be hoped, therefore, that investors will factor this positive development into their investment decisions going forward. We are pleased to have played a practical role in broadening the debate on the issue ahead of the ANC's conference.

Dividend income from investments grew by 10% in 2012 to R837 million, higher dividend returns from the new financial services investments offsetting lower returns from Implats. We paid R192 million in dividends to our shareholder in the year under review, compared with R600 million in 2011.

The gross assets showed a 13% increase in capital value in 2012 to R39 billion, the strong growth from our financial services assets offsetting the substantial declines in our mining asset values. Excluding the sale during the year of our investments in ZICSA and Eris (discussed further below), the increase would have been 14%.

## Social performance

Until 2012, our direct investment in society was through three primary vehicles: Royal Bafokeng Sports (RBS), active, as its name implies, in a broad spectrum of sporting events and sports development activities; Royal Bafokeng Enterprise Development (RBED), focused on the creation of self-sustaining, Bafokeng-led businesses; and CSI, specifically in the areas of social development, education, entrepreneurship development, music and the arts, and sports development.

We reported at the end of 2011 our intention to transfer our 100% holding in RBS to the RBA and in 2012 this was completed, all parties having agreed that our role of 'incubator' had been satisfactorily executed. By early 2012, RBED was also unbundled out of RBH in order for it to pursue its mission independently of us.

That we are able to report a 65% increase in our CSI expenditure for 2012 to R15.8 million is enormously satisfying. Together with our dividend payment to our shareholder reported above, this demonstrates material delivery on our mandate, described in detail on page 8 of this Review.

Health benefited most from our CSI allocation in 2012 (32%), followed by entrepreneurship and social development (25%). In respect of the former, the RBN Mobile Clinics Project, the objective of which is to take primary health care to the remotest areas of the RBN, reaching some 2,500 people, was a primary beneficiary.



# Chief Executive Officer's review continued

In the areas of entrepreneurship and social development, key beneficiaries were the Non-Governmental Organisation and Community-Based Organisation (NGO and CBO) Capacity Building Project and the NGO Forum. Both are focused on organisational development and capacity-building within a broad range of NGOs and CBOs active throughout the RBN.

Our core function is to manage our shareholder's asset portfolio for optimal delivery of returns to fund social development, with close, sustained attention to and delivery on the three non-financial factors – environmental, social and governance (ESG) – by which companies, increasingly, are being evaluated by their existing shareholders and potential investors. In addition, however, we have a duty also to ensure that the companies in which we are invested are equally as attentive to ESG, and make their contribution in terms of sustainable development and social delivery. In 2012, our investee companies' total CSI contribution within the RBN footprint was R137,677,290. This compares with R28,976,341 in 2011.

## Delivering on our strategy

We have been embarked for some time now on a strategy to diversify the investment portfolio of our shareholder, lessening its emphasis on mining – PGMs in particular – and broadening its South African footprint to become more Pan-African in orientation, the better to deliver on our social mandate. A more balanced portfolio of investments simply makes the best sense in the longer term, the better to ride and to weather the cycles that characterise all economic sectors from time to time. Amidst the current, protracted global economic downturn, the African continent is enjoying an investor 'renaissance' of substantial order, with many African countries recording growth rates that are the

envy of some of their beleaguered European counterparts. It would be foolhardy were we not to act on this turn of events.

The RMB Holdings and RMI Holdings investments during 2011 substantially transformed our investment portfolio. In 2010 mining assets comprised 81% of the whole and at the end of 2011 this had reduced to 56%. Factoring in the outperformance of the financial investments in 2012, and the sale of ZICSA (to avoid a conflict of interests) and of Eris (no longer considered to be core), the portfolio's exposure to mining had reduced further, to 50%, by year-end.

In 2012, in respect of South Africa, we focused primarily on formalising our role within RMB Holdings and RMI Holdings, all the while remaining vigilant in respect of new investment opportunities. However, we remained true to our standing resolve to seek out core, well-priced assets with a track record of good performance at the bottom of their cycle, in favour of non-core, over-priced assets, performing well, but peaking. That no investments of the former genre were identified and made is testimony both to our discipline and the subdued economic climate prevailing.

While we did not grow our asset base in Africa either during 2012, investee company MOGS continued to consolidate its position in the oil and gas space in Mozambique; Atterbury Investment Holdings in commercial property development in Ghana, Zambia and Angola; and mining services company Fraser Alexander in Zimbabwe, Zambia, Botswana and Mozambique. Going forward, our preference is to find partners of some standing, with a track record of success in doing business in Africa, and to take a sufficient investment position to ensure active participation in strategy formulation and implementation at board level.



*RMB Holdings has significant influence over one of South Africa's leading bank and financial services groups, FirstRand, whose portfolio includes Rand Merchant Bank.*

In terms of our strategic approach to social delivery, this has been influenced of course by the afore-mentioned disposal of RBS to RBA during the year and will be influenced further by our afore-mentioned move to unbundle RBED back into the RBA.

The Marikana tragedy – so close to us both physically and spiritually – must be a major cause for serious, collective introspection by all stakeholders in the mining sector, ourselves included. Various related factors, not least the outcome of the enquiry currently in progress, is likely to profoundly influence approaches taken to social delivery, ours included. Without anticipating where deliberation on this will take us in the months ahead and how it will influence future strategy, our responsibility to execute judicious management of our shareholder's assets in order to maximise returns for social investment remains firm.

## Leadership, human resources

Leadership has been, and remains, critical to RBH's ability to deliver effectively into its closely related business and social delivery mandates. That companies will experience leadership change throughout their existence is simply a fact of corporate life. In 2012, we certainly experienced quite substantial leadership change, both at Board and management levels.

Kgosi Leruo Molotlegi, hereditary leader of the RBN, who has guided us as Chairman since our inception, first resigned his chairmanship of the Board and later in the year stood down as a non-executive director; Niall Carroll resigned as CEO and executive director; and Thabo Mokgatla as a non-executive director. Peter Rörich resigned from our management team as Executive: Investments. And subsequent to year-end Khumo Shongwe, Executive director: People and Sustainability, resigned from RBH's employment and from the Board.

As incoming CEO, I was very conscious of the contribution made individually and collectively by these departing Board and management members over a number of years. However, I came quickly to realise that, as testimony to RBH's reputation and maturity, there would be no leadership crisis. I would immediately enjoy the benefit of sound succession planning, and the expertise, experience and camaraderie of several newcomers like myself: Monhla Hlahla as non-executive Chairman, Fran du Plessis as an independent non-executive director, and Obakeng Phetwe as a non-executive director. Lucas Ndala, Chief Financial Officer, most ably fulfilled the role of interim CEO between Niall's departure and my arrival.

## Looking ahead: objectives

I see the year ahead as being filled with challenges, at the same time daunting and very exciting.

Key amongst our objectives as an organisation are:

- fine-tuning of our strategy, already under way, in terms of both business development and social delivery, in order to best position us for changed and changing circumstances, not least those brought about by continuing, interrelated global and domestic economic pressures and the impact this has on stakeholder expectations; and
- continuing, energetic yet judicious implementation of this fine-tuned strategy, specifically in respect of:
  - further diversification of our shareholder's investment portfolio, both in terms of sectors and African geography, in pursuit of both value growth and profit generation, and a comfortable level of protection from commodity cycles;
  - focused social delivery both by ourselves and our investee companies, ensuring that we are as sensitive as we can possibly be to stakeholders' evolving needs and expectations; and
  - on-going talent identification and development.

Our task – both on the business development and social delivery fronts – is substantial, and we will continue to need the best human capital to plan, implement and deliver. We are conscious that accessing this human capital in the current environment is as challenging as accessing financial capital.

In closing, I would like to thank my Board and management team, and the staff of RBH for their early confidence in and support of me. Simultaneously, I would request their continued support in the year ahead. With the wellbeing of hundreds of thousands of direct and indirect stakeholders in our hands, we must demonstrate our capacity to deliver.

**Albertinah Kekana**

Chief Executive Officer

31 March 2013



# Investment in commercial enterprises

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 and 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.

In line with RBH's overall investment strategy, as detailed on pages 10 to 12 of this report, all potential investments are screened and

analysed using predetermined criteria. While it does not wish to manage the relevant operations of the companies in which it is invested, RBH is an active and participative shareholder with its executives sitting on the boards of investee companies through which RBH has input into strategy and governance issues.

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 dynamics in negotiating the price and structuring terms of each investment.

The funding of the overall portfolio is made through a combination of equity capital provided by the RBN and by prudent levels of structured debt, secured against the cash flow from underlying assets.



*Smiths Manufacturing: a subsidiary of Metair Investments.*



Below is a table reflecting the individual commercial investments made by RBH, and the sector of the economy under which they fall, as at 31 December 2012:

Sector and commercial entity	% held in commercial entity	% of total commercial investment in sector
<b>Mining</b>		50
– Implats, the world's second largest platinum producer	13	
– RBPlat, an independent, black-controlled platinum producer listed on the JSE	57	
– Merafe Resources, which has a 20.5% participation in the Xstrata-Merafe Chrome Venture, the world's largest producer of ferrochrome	29	
<b>Financial services</b>		33
– RMB Holdings, a holding company with a large stake in FirstRand, a leading South African bank	15	
– RMI Holdings, a diversified group that holds significant investments in leading South African insurance companies, namely OUTsurance, Discovery and MMI	15	
<b>Infrastructure</b>		10
– Vodacom SA, a cellular communications company with a leading share of the South African market	2	
– Atterbury Investment Holdings, one of the largest unlisted commercial property funds in South Africa	14	
<b>Mining, oil and gas services</b>		4
– 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	
– MOGS, a South African-based company created by RBH to invest in mining, oil and gas services businesses in Africa and the Middle East	100	
<b>Industrials</b>		3
– Astrapak, South Africa's largest plastic packaging group	17	
– Metair Investments, an automotive components manufacturer	13	
– MB Technologies, South Africa's largest privately-owned information technology distribution group	55	
<b>Other</b>		<1
– DHL Express, South Africa, the global leader in express, air and sea freight, overland transport and logistics solutions	25	
– Pasco Risk Holdings, Africa's largest privately-owned, independent risk management company	27	
– M-Tech Industrial, a company involved in nuclear energy, including the development of plant simulators	25	
– Praxima Africa Payroll Systems, an outsourced payroll and human resource service provider	33	
– RB Engineering, a mining-related joint venture with engineering firm Metix	26	
– T-Jet Helicopters, an aviation business	100	

# Review – financial and non-financial

## Financial review

The uncertainty surrounding the global economy continued into 2012 and resulted in a mixed performance from the underlying portfolio, although the portfolio registered growth of 13% for the year. The rand depreciated by 4%, the ALSI gained 27% and the Commodity Research Bureau Commodity Index was down 3% during 2012.

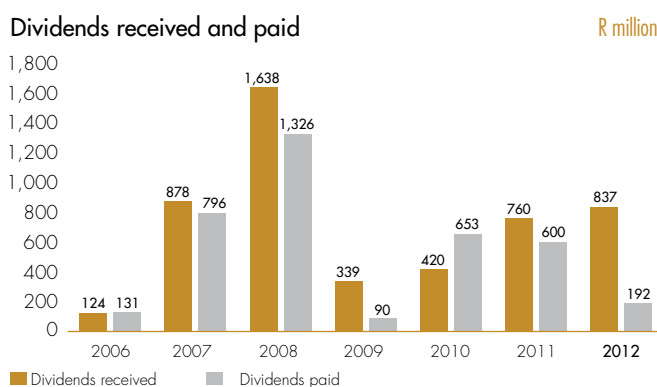
The flat performance of our mining investments resulted in the overall gross RBH portfolio delivering an IRR of 18% for 2012, despite very strong operational and share price performances from our non-mining assets. RBH's portfolio benefited from the strong performance of the recent investments in RMB Holdings and RMI Holdings that contributed a total return of 58% in 2012. The mining portfolio's flat performance for 2012 was in spite of the platinum price (to which RBH's portfolio is heavily exposed) appreciating by 10% by year-end and the rand weakening.

Three factors that negatively impacted the mining portfolio were labour unrest, especially Marikana; indigenisation legislation in Zimbabwe; and the nationalisation debate in South Africa. The indigenisation and nationalisation debates served to increase uncertainty and the cost of doing business, which, together with lower production, culminated in substantial declines in the share prices of RBH's three mining investments.

The positive performance from the gross asset portfolio, combined with the sale of one heavily geared investment, reduced gearing from 29% at the end of 2011 to 25% at the end of 2012.

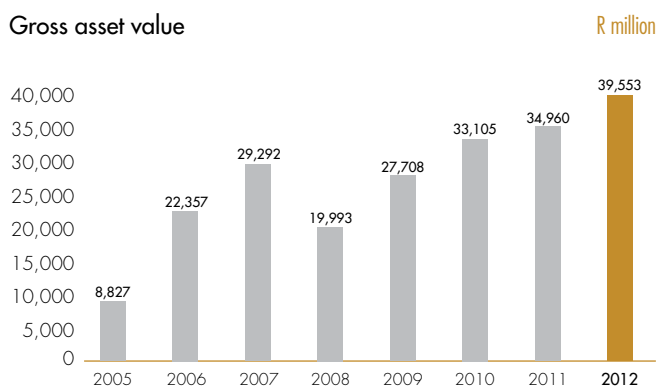
Looking ahead, the United States seems to have averted a 'twin cliffs' crisis and the Chinese economy appears to have landed softly. This should support the global economic recovery, although this recovery may already be reflected in share prices and the JSE ALSI reaching record levels at year-end. On the downside, European sovereign debt problems persist and pose a threat to global growth and asset prices.

## Dividends received and paid

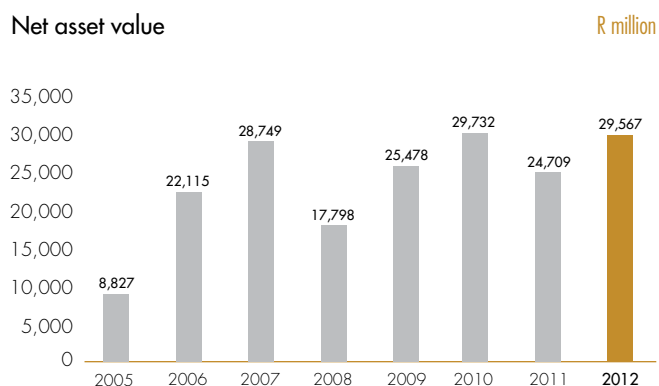


Dividend income grew by 10% during the year, driven by higher dividends from the new investments in financial services, offset by lower dividends from Implats. The RMB Holdings/RMI Holdings dividends were used to service newly-raised debt. Cash dividends paid to our shareholder amounted to R192 million in 2012.

## Portfolio value



The capital value of RBH's gross assets grew by 13% to more than R39 billion, from R35 billion in 2011. Large declines in our mining asset values were offset by strong growth from our financial services assets. Adjusting for the sale of our investments in ZICSA and Eris, the growth in gross assets would have been 14%.



Due to growth in the gross asset portfolio being in excess of the cost of funding, RBH's net asset value increased by 20%, from R25 billion in 2011 to R30 billion in 2012.

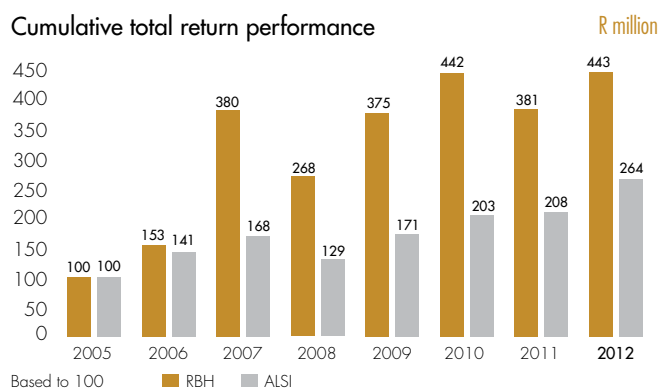
## Relative cumulative total return performance

The RBH gross asset portfolio delivered an 18% IRR for 2012, which was below the ALSI's 26.7% total return due to RBH's high exposure to underperforming mining companies.

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

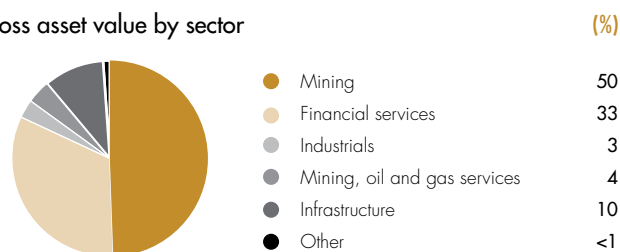
	RBH (gross assets)	JSE ALSI	JSE RESI
IRR – 2012	18%	26.7%	3.1%
IRR – 2006 - 2012	21.8%	14.9%	10.0%

### Cumulative total return performance



Due to being overweight in platinum mining shares for historical reasons, RBH underperformed the ALSI in 2008, 2011 and 2012. Nevertheless, the company comfortably outperformed the ALSI on a cumulative basis. RBH's IRR on gross assets over the past seven years was 21.8%, compared with the ALSI's 14.9% compound annual growth rate for the same period.

### Gross asset value by sector



### Sectoral split by value

The R7.8 billion investment in financial services during 2011 transformed the portfolio from being one dominated by resources shares, to a more diversified investment portfolio in 2012 (from 81% in 2010 to 56% at the end of 2011). Outperformance from the financial investments caused the mining exposure to reduce further, to 50%, at the end of 2012.

*Implats is the world's second largest platinum producer.*



# Review – financial and non-financial

continued

## RBN asset portfolio as at 31 December 2012

The 13% increase in the value of gross assets was boosted by the strong performance of our financial services investments, offset by the underperformance of the mining investments and the sale of the ZICSA and Eris investments during the year.

## RBH asset portfolio as at 31 December 2012

R million	2012	% change	2011	% change	2010	% change	2009	% change	2008	% change	2007	% change	2006
<b>Market value of listed investments</b>	<b>33,803</b>	<b>16%</b>	<b>29,035</b>	<b>7%</b>	<b>27,259</b>	<b>18%</b>	<b>23,176</b>	<b>55%</b>	<b>14,955</b>	<b>-44%</b>	<b>26,909</b>	<b>28%</b>	<b>21,085</b>
Implats	13,938	0%	13,909	-28%	19,363	15%	16,872	50%	11,221	-43%	19,719	21%	16,336
RBPlat	5,385	5%	5,151	-18%	6,245	26%	4,940	75%	2,824	-43%	4,963	29%	3,847
Merafe Resources	497	-25%	663	-45%	1,195	19%	1,008	65%	612	-64%	1,685	203%	556
Metair Investments	613	65%	372	60%	232	132%	100	-9%	110	-60%	272	nm	–
Astrapak	165	-5%	174	-22%	224	-12%	256	35%	189	-30%	270	-22%	346
RMI Holdings	4,586	54%	2,986	nm	–	–	–	–	–	–	–	–	–
RMB Holdings	8,618	49%	5,781	nm	–	–	–	–	–	–	–	–	–
<b>Directors' valuation of unlisted investments</b>	<b>5,750</b>	<b>-3%</b>	<b>5,925</b>	<b>1%</b>	<b>5,846</b>	<b>29%</b>	<b>4,532</b>	<b>-10%</b>	<b>5,037</b>	<b>111%</b>	<b>2,383</b>	<b>87%</b>	<b>1,272</b>
Vodacom SA	3,134	23%	2,550	10%	2,310	10%	2,105	-20%	2 623	nm	–	0%	–
Fraser Alexander	1,114	3%	1,077	10%	980	19%	827	-4%	860	16%	741	56%	476
Atterbury Investment Holdings	714	11%	643	29%	499	nm	–	0%	–	0%	–	0%	–
MB Technologies	291	-23%	377	-47%	711	-10%	792	1%	784	0%	785	105%	383
MOGS	422	-3%	436	57%	278	103%	137	122%	62	nm	–	0%	–
Other	76	-91%	841	-21%	1,067	59%	671	-5%	709	-17%	857	32%	413
<b>Gross asset value</b>	<b>39,553</b>	<b>13%</b>	<b>34,960</b>	<b>6%</b>	<b>33,105</b>	<b>19%</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>
<b>Less: liabilities</b>	<b>9,986</b>	<b>-3%</b>	<b>10,251</b>	<b>204%</b>	<b>3,372</b>	<b>51%</b>	<b>2,230</b>	<b>2%</b>	<b>2,195</b>	<b>304%</b>	<b>543</b>	<b>124%</b>	<b>242</b>
- RMI Holdings	2,828	4%	2,727	nm	–	0%	–	0%	–	0%	–	0%	–
- RMB Holdings	4,278	3%	4,141	nm	–	0%	–	0%	–	0%	–	0%	–
- Vodacom SA	1,713	-3%	1,775	0%	1,770	0%	1 814	0%	1,786	0%	–	0%	–
- MB Tech	388	5%	370	nm	–	0%	–	0%	–	–	–	–	–
- ZICSA	–	–	496	nm	–	0%	–	0%	–	–	–	–	–
- Corporate debt	779	5%	741	nm	1,602	0%	416	0%	409	-25%	543	123%	243
<b>Net asset value</b>	<b>29,567</b>	<b>20%</b>	<b>24,709</b>		<b>29,732</b>	<b>17%</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>

nm = not meaningful

## Non-financial review

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.

The following table provides key data for focus companies in 2012.

Investee company	Fatalities	CSI spend R million	% HDSA in management	Certified EMS <sup>1</sup>	Provisions of VCT, ART <sup>2</sup>	Fines
RBPlat	1	127 <sup>3</sup>	67	Yes	Yes	1 <sup>4</sup>
Implats <sup>5</sup>	12	90	48	Yes	Yes	None
Fraser Alexander	0	3	32	Yes	VCT only	None
Merafe Resources	0	3.3 <sup>6</sup>	75	Yes	Yes	None

<sup>1</sup> Environmental management system

<sup>2</sup> Voluntary counselling and testing; antiretroviral therapy

<sup>3</sup> Social and labour plan spend

<sup>4</sup> Non-material fine issued by Department of Mineral Resources

<sup>5</sup> Statistics as at end June 2012

<sup>6</sup> The Xstrata Merafe Chrome Venture, in which Merafe Resources has a 20.5% interest, spent R31.8 million on CSI in 2012

- 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 who 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.

### Focus companies

In assessing and identifying focus companies, RBH takes due consideration of the size of the investment and the extent of the environmental and social impact of their operations. Through its representation on the boards of these focus companies, RBH hopes to actively influence the policies and practices implemented by these focus companies with due regard for sustainable development issues in alignment with RBH's stated strategies. This allows RBH to maximise the outcomes of sustainable investment initiatives and help ensure long-term business resilience and profitability.

# Review – financial and non-financial

continued

## RBPlat (financial year end: 31 December)

One fatality occurred to a contractor in February 2012, as a result of a fall of ground. The actual lost-time injury frequency rate (LTIFR), of 0.676 per 200,000 hours worked, reflects an improvement of 26% on the 0.909 recorded in 2011.

The board of RBPlat is accountable for sustainability and continually 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;
- 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; and
- 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.

To the extent required, RBPlat complies with the requirements of King III and the Bafokeng Rasimone Platinum Mine operations are ISO 14001 and OHSAS 18001 certified. RBPlat also participates in the Carbon Disclosure Project (CDP); and plans to participate in the CDP Water Disclosure Project in 2013.

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 2012, the company is found to be compliant on environmental issues with only minor non-compliances to be addressed on safety and health. (These were subsequently addressed in early 2013.) RBPlat 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.

During the 2012 financial year, RBPlat spent R126.9 million on their social and labour plans (2011: R35.8 million), which was directed mainly towards education, health, social development and enterprise development. Annually, RBPlat produces a sustainability report in accordance with GRI guidelines, for which selected indicators are given limited assurance by an independent assurance provider. The report can be accessed at [www.bafokengplatinum.co.za/s/s\\_i.php](http://www.bafokengplatinum.co.za/s/s_i.php)

## Implats (financial year-end: 30 June)

Safety performance at Implats remains a concern for RBH. For the year ended 30 June 2012, a total of seven employees and five contractors died in work-related incidents. Seven of the deaths were the result of falls of ground, with two due to mobile machinery, and one each to equipment handling, drowning and explosives.

The fatality rate of 0.087 per million man-hours worked increased when compared to 2011’s best-ever performance of 0.053 per million man-hours worked, signifying that more work needs to be done to change the group’s safety culture.

Subsequent to year-end, there have been no further fatalities as a result of falls of ground and efforts in this regard seem to be bearing fruit, though there have been a further six fatal accidents.

The LTIFR for 2012 remained almost unchanged at 4.96 across the group in spite of processing and the Zimplats operations reflecting improvements in their LTIFRs.

By contrast, the total injury frequency rate – a measure of all recorded injuries, including fatalities, lost-time injuries, restricted work cases and medical treatment cases – improved by 17%.

Implats is seriously concerned about injuries caused by mobile machinery, scraper winches and blasting practices. As a result, the company has undertaken major expenditure to implement personnel detection devices on all mobile equipment; rolled out a sophisticated winch signalling system including an audible warning methodology; and plans are under way to implement an improved, safer blasting system.

The group continues to focus on refining and monitoring a set of leading performance indicators. Mixed progress was achieved during 2012 in terms of these indicators:

- a total of 131 Section 54 stoppage instructions were issued at Rustenburg and Marula, resulting in a combined 292 days of lost production (2011: 175 days lost);
- group operations achieved 92% compliance (2011: 84%) in road behaviour testing, up from 35% compliance in 2010; and
- across operations, 62,492 breathalyser tests were conducted, with 243 employees testing positive. Disciplinary action was taken against these individuals.



In the 2012 financial year, a wide-ranging, in-depth self-assessment of previous mining and industry disasters was undertaken. The review of these disasters has helped Implats to inform the group's risk mitigation processes. Implats management is now actively participating in tripartite (government, industry and labour) efforts to achieve sustainable safety improvements within the sector.

To maintain access to strategic natural resources and to minimise environmental impacts, Implats committed to a number of initiatives during 2011. Below is a summary of how Implats performed against these commitments and an outline of the company's future commitments: The full report can be found under the following link: [www.financialresults.co.za/2012/implats\\_sd2012/index1f.php](http://www.financialresults.co.za/2012/implats_sd2012/index1f.php)

Key sustainability drivers	Commitments	Performance	Future commitments
	Implats' objectives for 2012	Implats' delivery on objectives	Implats' plans
Optimising energy usage and promoting climate change mitigation	Complete the implementation of a carbon management strategy, including the setting of carbon reduction targets	The Implats board has signed off its carbon management strategy and there has been some implementation across the group; the company is in the process of finalising carbon reduction targets	Implats will focus efforts on implementing its carbon management strategy at operational level. Carbon reduction targets to be completed and rolled out to all operations
Promoting sustainable water use	Complete implementation of the water conservation management strategy, including the setting of water targets	The Implats board has signed off the water conservation strategy and there has been some operational specific implementation across the group; water targets have not yet been finalised	Efforts will be focused on implementing water conservation management strategies at operational level. This includes water recycling targets over and above normal performance targets
Reducing atmospheric emissions	Obtain atmospheric emission licences at the South African operations	Implats' Rustenburg operation has received a provisional sulphur dioxide (SO <sub>2</sub> ) atmospheric emission licence, valid for two years. Applications have been made for the refineries	Every endeavour will be made to secure an atmospheric emission licence for the refineries and ensure adherence to licence specifications at all operations
	Complete the feasibility project for the implementation of SO <sub>2</sub> abatement equipment at Zimplats as part of the SO <sub>2</sub> reduction strategy	The feasibility assessment has been completed	The start of installation of the scrubber abatement equipment is scheduled for the 2017 financial year. Efforts will be made to secure authorisation for expenditure to install an SO <sub>2</sub> abatement system for the Zimplats operation
Managing waste streams	Waste licencing activities at the South African operations to ensure compliance to the National Environmental Management Waste Act (Waste Act)	Implats have identified all waste licencing requirements and are continuing to engage with regulatory authorities in South Africa to finalise the issuing of these	Implats will complete its waste licence applications during the 2013 financial year
General environmental management	All operations to retain their respective ISO 14001 certification and Marula to obtain certification	This has been achieved: at financial year-end all operations had retained their ISO 14001 certificates, and Marula passed the first stage of its ISO certification process	All ISO 14001 certified operations will strive to retain their respective certifications. Marula will conduct its stage 2 certification process
	Implement the environmental requirements of the revised Mining Charter and meet government's climate change policy requirements	This is ongoing	Implats will implement the environmental requirements of the revised Mining Charter

During financial year 2012, Implats committed R90 million to various CSI initiatives, details of which can be found at [www.financialresults.co.za/2012/implats\\_sd2012/downloads/04\\_our\\_performance\\_and\\_prospects.pdf](http://www.financialresults.co.za/2012/implats_sd2012/downloads/04_our_performance_and_prospects.pdf)

# Review – financial and non-financial continued

## Fraser Alexander (financial year-end: 31 December)

Fraser Alexander, founded in 1912, is best known for managing tailings dams, and has a long tradition of providing customised solutions to the mining industry. The company dispenses outsourced services to the mining, mineral processing, power generation, petrochemicals and water sectors and constructs related infrastructure to move, manage and add value to minerals, waste and water.

During 2005, RBH acquired a 100% stake in Fraser Alexander in pursuit of its strategy to diversify its asset portfolio. This arrangement has created many opportunities for Fraser Alexander, now a fully black-owned group, to grow its business in areas adjacent to its traditional business focus to the benefit of existing and new customers and RBH alike.

Fraser Alexander's commitment to continuously improve its safety performance is demonstrated by its LTIFR, which consistently outperforms the industry's average. Despite the improvement in the company's LTIFR year-on-year, one fatality occurred during the year. As a wholly-owned subsidiary, discussions with Fraser Alexander are ongoing to ensure that zero harm remains the company's objective and that acceptable progress towards this is achieved.

Fraser Alexander has made a conscious decision to recognise the management of health, safety and the environment as a part of its core business. Health, safety and environmental policies are embedded throughout all levels of the organisation from the chairman and CEO through to day-to-day operations. The company's safety philosophy is communicated widely across the group and reflects its key safety beliefs:

- safety is never compromised;
- leaders at all levels set an example and instil a culture of safe behaviour;
- workplace risk is best eliminated by awareness and training;
- understanding the cause of incidents is the basis for continuous improvement; and
- safety is good business.

Fraser Alexander recognises the reality of HIV/Aids in the workplace and seeks to provide leadership in the management of this pandemic. The focus on health-related issues is extended to the identification and control of the range of occupational health stressors.

Notwithstanding that Fraser Alexander is an unlisted company, it annually produces a sustainable development report compiled in



*Fraser Alexander is the South African market leader in mine tailings disposal.*

accordance with GRI. In addition, Fraser Alexander's board of directors subscribes to, and has implemented, appropriate principles of good corporate governance as laid out in the King Code on Corporate Governance (King III). It is the policy of the board and management to actively review and enhance systems of control and governance on a continuous basis to ensure that Fraser Alexander's businesses are managed ethically and within prudently determined risk parameters that conform to internationally-accepted standards and best practice.

Fraser Alexander's work is centrally related to the application of innovative solutions and enabling infrastructure to move, manage and add value to resources, waste and water across the mining and industrial value chains. Thus, the company's major sustainability concerns are focused on minimising its environmental impacts. It is therefore largely compliant with environmental legislation, with legal compliance audits being conducted by external parties. Fraser Alexander 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. Fraser Alexander is ISO 9001-certified. There were no significant environmental incidents during the reporting period.

Fraser Alexander commits itself to being a responsible corporate citizen and behaving in a morally responsible and accountable manner in the discharge of its business of creating wealth for its shareholders. In doing so, the company will not wittingly harm the interests of the other stakeholders in the social partnership and will make both indirect contributions to society in general, as well as select direct contributions to the upliftment of the communities in the vicinity of its operations, in particular. The focus of the company's CSI spend is on small, medium and micro enterprise development, education, agricultural and environmental projects. During 2012, the company spent R3 million on such initiatives. More information on Fraser Alexander's approach to sustainability is available at [www.fraseralexander.co.za](http://www.fraseralexander.co.za)

### **Merafe Resources (financial year-end: 31 December)**

The main business of Merafe Resources and its wholly-owned subsidiaries is the production and sale of ferrochrome to the stainless steel industry through its participation in a joint venture with Xstrata South Africa. In terms of the Xstrata-Merafe Chrome Venture agreement, Merafe Resources and Xstrata combined their ferrochrome operations in 2004 to form the largest ferrochrome producer in the world, supplying stainless steel mills in Europe, America, China, Japan, Taiwan, Korea and South Africa.

RBH holds a 29% interest in Merafe Resources.

The Xstrata-Merafe Chrome Venture (the Venture) has adopted an integrated and balanced approach to managing sustainable development and its sustainable development policy sets out management's approach with respect to the community, environment, health, safety, workplace and stewardship. Accountability for sustainability issues at Merafe Resources lies with the Merafe Resources 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 Resources produces an annual integrated financial and sustainability report in accordance with GRI.

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

The Venture also participates in the CDP, the European Community's Registration, Evaluation, Authorisation and Restriction of Chemicals regulation, the Ferroalloy Producers' Association and the International Chromium Development Association.

The company takes part in the JSE SRI Index, where it is rated as a top performer.

Merafe Resources maintains a legal register and conducts external compliance audits. No compliance issues were identified in the 2012 audit.

During the year under review, the Venture 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; managing and reducing water usage; and investing in energy efficient projects.

In 2012, the company's CSI spend (1% of profit) focused on education and health initiatives and enterprise development.

For more details on Merafe Resources' approach to its sustainability issues, access the company's website on [www.meraferesources.co.za](http://www.meraferesources.co.za)



# Corporate social investment

RBH understands that, at the heart of the empowerment challenge, is enhancing human dignity within a relatively poor rural community through long-term socio-economic development.

RBH is committed to the socio-economic upliftment of the Bafokeng people. With the income generated from its commercial investments, and in 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.

Until 2012, our direct investment in society was through three primary vehicles.

- Royal Bafokeng Sports (RBS)\*, which was involved in a broad spectrum of sporting events and sports development activities;
- Royal Bafokeng Enterprise Development (RBED)\*, which focused on the creation of self-sustaining, Bafokeng-led businesses; and
- CSI, specifically in the areas of social development, education, entrepreneurship development, music and the arts, and sports development.

*\*Note: In 2012 our 100% holdings in RBS and RBED were transferred to the RBA. For more information, see the Chief Executive Officer's review, page 19.*

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

The main focus of RBH's CSI spend has been on issues relating to:

- community health;
- social development; and
- education.

Identified projects include:

- the NGO and CBO Capacity Building Project, the aim of which is to empower community institutions to effectively and efficiently run and manage their projects; and
- investment in a mobile clinic service to provide basic primary health care services to Bafokeng communities.

## Investment

RBH allocated R15 million to its CSI programme in 2012. The table below sets out the 2012 expenditure according to areas of focus:

Focus area	R amount
Health	5,000,000
Social development	3,798,171
Donations and memberships	3,030,055
Education	1,941,337
Sports	1,103,575
Music and arts	807,980
Entrepreneurship development	118,800
<b>Total</b>	<b>15,799,918</b>

## 2012 CSI expenditure breakdown



## Projects in 2012

### Health (32% of spend)

#### RBN Mobile Clinics Project

The RBN Mobile Clinics Project is an initiative of the Health and Social Development Services (HSDS), supported by RBH and the provincial health department. The objective is to take basic health services to communities in outlying areas of the RBN. Currently, the primary health service is offered by government to these villages once a month. As this is not sufficient, HSDS provides the service on a weekly basis. Two fully-equipped mobile clinics have been bought and these service four villages – Mamerotse, Tantanana, Maile and Tlapa. The North West Department of Health has agreed to supply pharmaceuticals for the mobile clinics. Through this initiative, some 2,500 people per month are reached.

## Smile Foundation

The Smile Foundation is an organisation which was established to assist underprivileged young children suffering from a rare syndrome which causes facial nerve paralysis, to secure corrective surgery, thereby enabling them to lead as normal a life as possible. The organisation brings together teams of medical specialists and other professionals who provide their services free of charge. The project reaches an estimated 1,500 children each year.

The Smile Foundation, together with the Department of Plastic and Reconstructive Surgery at the Dr George Mukhari Academic Hospital, located at the University of Limpopo, Medunsa Campus, is in the process of establishing a burns unit to treat burns cases as well as to provide surgical assistance to patients requiring such reconstructive surgery.

The project will benefit the North West Province, including the RBN, as currently no hospital in the province provides these services. In addition, it will also help develop the capacity of the medical professionals operating within the RBN by providing them with the opportunity to participate in work carried out there.

Planning for this refurbishment of the hospital is under way and this is due for completion in the second quarter of 2013.

## Social development (24% of spend)

### Phokeng Trauma Centre

The Phokeng Trauma Centre operates from four centres in the RBN, namely Phokeng police station, Boitekong clinic, Mfidikwe clinic and Lefarakgatlhe community centre, serving people in and around the RBN community.

Since the beginning of 2012, the Centre has provided trauma and counselling services to 1,078 victims of rape, domestic violence and human trafficking. The Centre also conducted advocacy and awareness programmes reaching 11,706 people.

### Godisanang Orphans and Vulnerable Children Programme

The Godisanang Orphans and Vulnerable Children (OVC) Programme is the only organisation within the RBN providing a holistic service to orphans and vulnerable children within the RBN and surrounding communities. The programme continues to meet the psycho-social and

physiological needs of the affected children. The following villages – Mafenya, Chaneng, Robega, Rasimone, Dithabaneng, Lefarakgatlhe, Salema and Masosobane – have care centres which are used for various activities such as counselling, educational support, health care support, food parcels distribution and provision of clinical nutrition. In the year under review, the programme has assisted 796 children with the support of 60 care-givers.

### NGO and CBO Capacity Building Project

RBH has funded the NGO and CBO Capacity Building Project since 2010 and during this time, 28 NGOs and CBOs have transformed from organisations without clear direction to organisations that are fully registered and which have proper organisational development processes, defined strategies and operational plans in place.

Great results have been achieved to date and it is believed that through the support provided, the sustainability of organisations within the RBN will no longer be a continual challenge. The training provided by the Siyakhula Trust has enabled NGOs to be able to perform key functions required for organisations to operate smoothly such as:

- formulation of suitable constitutions;
- development of appropriate strategy and operation plans;
- implementation of human resources policies;
- registration with the Companies and Intellectual Properties Commission;
- application to the South African Revenue Service for Public Benefit Organisation status; and
- opening of active bank accounts in their own name.

As a result of the knowledge and skills learned during the capacity building and organisational development training, most organisations have been able to secure funding and donations from various sources, including the following organisations: the IDC, the ABSA Foundation, the National Lottery, the provincial Department of Social Development and Pick n Pay, amongst others.

### NGO Forum

The Royal Bafokeng NGO Forum is a community structure forming part of a community development initiative and is aimed at co-ordinating NGO and CBO activities at grassroots level for villages within the RBN. The Forum has been registered as a non-profit organisation with the Department of Social Development and has a membership of 30 organisations operating in the RBN.

# Corporate social investment continued

The Forum was established to ensure the survival of the NGO sector in the RBN following the capacity-building training offered to such organisations. NGOs have been operating in silos and their activities have not been properly coordinated to maximise benefits to the community. As a result of this, certain services were over-supplied such as those dealing with the issue of HIV/Aids, and there were fewer income generation and poverty alleviation initiatives, which are critical given the high levels of unemployment and poverty in the area. There was no formal structure providing support and guidance to these community organisations and it is intended that the NGO Forum will play that role.

The functions of the Forum will include:

- provision of technical support to members;
- serving as a platform for information-sharing, representation, and communication;
- co-ordination and motivation for funding;
- serving as an inclusive platform for CBOs to strategise on matters of mutual interest; and
- the creation of a broad-based body for CBOs to unite in their diversity, in pursuit of a collective agenda of engagement with government and other development agencies.

## Community Answer Home Based Care

The main objective of this organisation is to provide care, support and counselling programmes and services to HIV/Aids-infected people and their affected families as well as orphaned and vulnerable children. The project has 120 beneficiaries and funds donated have enabled the organisation to provide a better quality of service to beneficiaries.

## Pholontle Home Based Care

The objective of Pholontle Home Based Care is to provide support to the 130 people infected and affected by HIV/Aids located in the surrounding areas of Moumong, Lekgalong, Rankelenyane and part of Tlapa villages. Activities include, amongst others, HIV/Aids awareness, food parcel distribution, and home based caring.

## Donations and memberships (19% of spend)

Donations:

- Associated Country Women of the World
- Dirang Ka Thata
- United Cerebral Palsy Association of South Africa
- Pearl Edu Vision
- Kutlwanong School for the Deaf
- Ithemba Children's Project
- PSG School Uniform

- Employee Volunteering Programme
- Van Zyl Slabbert Education Trust
- Camp La Thuso

Memberships:

- UNGC
- UNPRI

## Education (12% of spend)

Education is the key to breaking the poverty cycle and RBH and the Royal Bafokeng Institute (RBI), responsible for education in the RBN, continue to play a vital role in eradicating poverty through education.

### Nkanyiso Schools Vegetable Gardens and Nutrition

The Nkanyiso Schools Vegetable Gardens and Nutrition project, which is managed in partnership with RBI, aims to improve the health and nutritional status of learners in the RBN through sustainable school-based nutrition and gardening programmes.

There is a great need for a feeding programme for underprivileged school children. While the government runs feeding programmes in some primary schools there is a need to supplement these in order to ensure all those children in need are fed with suitably nutritious food.

Nkanyiso Schools Vegetable Garden and Nutrition was developed as a comprehensive food programme beginning where it all starts: with gardening and growing. One of the main objectives of the project is to increase knowledge of and enthusiasm for gardening among participants, learners, educators and communities. Another is to highlight the importance of nutrition. By encouraging schools to grow fresh produce which can then be used for school lunches, both objectives are met.

Using the gardening, nutrition and environmental education curriculum developed by Nkanyiso, educators will also incorporate gardening and basic nutrition topics into the classroom. In its second year of operation, the project has been rolled-out to additional primary schools, namely Photsaneng, St Michael's, St Gerard Majella and Mfidikwe while continuing to provide support to the five schools currently participating in the project, to ensure their sustainability.

Additionally, this CSI initiative strives to empower the community members working in the gardens with skills to enable them to supply fresh produce beyond the project, and ultimately run their own profitable food-production businesses.

During the year, 220 learners, 42 educators and 78 community members participated in the project.



## Lebone II Youth Leadership Festival

The inaugural Lebone II (College of the Royal Bafokeng) Youth Leadership Festival took place in July 2012. The objective of the festival is to stimulate an appreciation of leadership as a service and a collaborative pursuit, to stretch participants by enhancing their life experience and raising their aspiration levels, and ultimately engaging in practical projects to experience leadership in action.

The participants at the Festival were drawn primarily from Grades 11 and 12. The 72 participants included approximately 15 learners from Lebone, 24 learners from surrounding Royal Bafokeng schools, 17 learners from the Extraordinary Schools Coalition, six learners from the 13th year programmes, with the remaining 12 learners being drawn from a range of other partner schools.

The festival programme was designed using an experiential approach. The activities included a range of group exercises as well as conversations with current leaders. The participants were joined on day one by Prof Tawana Kupe, Dean of the Faculty of Humanities at the University of the Witwatersrand, and on day three by Karabo Ndumo, executive director, Vodacom.

Participants also visited local leaders including Kgosana Mogono and Kgosana Rapetsana, the Mayor of Rustenburg and the Bishop of Rustenburg, as well as several local entrepreneurs, to better understand the practical challenges of leadership.

An international Skype link-up with two dynamic young people from India and Hungary added further interest. An important part of the Festival was the involvement for all of the participants in local community projects which deal with national social issues. Participants thus not only learned about leadership from current leaders, but were also expected to practice leadership in a hands-on way.

## Bishops Bafokeng Project

In 2008, discussions began between Bishops Diocesan College and RBH regarding a sustainable relationship between the two parties. The primary objective of these discussions was the formalising of a partnership for the future construction of a second school of excellence in the Bafokeng region, in addition to Lebone II, College of the Royal Bafokeng, to be built by RBH and administered by Bishops.

In order to expose young men from the Bafokeng to the Bishops culture, it was agreed that some 10-15 boys would be identified to spend between three and four years at Bishops before returning to the newly-built school in the Bafokeng region.

Unfortunately, as a result of the global economic recession, a decision was taken to put the construction of the new school on hold. However, to ensure that the relationship went forward, it was agreed by both parties to continue with the programme by sending Bafokeng boys to Bishops. Two boys from Bafokeng villages attended the school in 2012, funded by RBH.

## University of Cape Town School of Engineering

The objective of the School of Engineering is to produce high-quality engineering and built environment professionals as well as to build a diverse staff and student body that reflect the demographics of South African society.

Funds donated were used towards the construction of a new engineering building with 7,200m<sup>2</sup> of teaching studios, computer laboratories, and project facilities that can accommodate at least 3,500 undergraduate and 1,200 post-graduate students a year.

## Sports (7% of spend)

### Special Olympics

Special Olympics is an international organisation that is involved in changing the lives of people with intellectual disabilities through the power of sport, by encouraging and empowering them, promoting acceptance, and fostering communities with understanding and respect worldwide.

Special Olympics in partnership with RBS and other RBN entities hosted the Special Olympics Africa Unity Cup 2012. Through the concept of Unified Sports, Special Olympics athletes and Unified partners of the same ability level formed Unified teams which competed against each other, demonstrating the power of sport to promote tolerance and acceptance.

The event attracted participants from 13 African countries. The RBN team was selected from Kutlwanong Resource School, Itoko Special School, Reoleboge Special School, Temogo Special School, Thehe High School, Rustenburg Hoer Tegniese Skool, Mafenya Middle School and Bafokeng High School.

The Special Olympics Africa Unity Cup 2012 event not only focused on sports, but included other activities such as a family health forum, a youth summit, training of health care professionals and a National Basketball Association basketball clinic. The Africa event was made more special as it was a qualifier for the Special Olympics Unified Football Cup in Rio, Brazil in 2013.

The event received overwhelming support from the RBN with Kgos, Mmemogolo and other members of the royal family participating in all the activities. The Minister for Women, Children and People with Disabilities, Lulu Xingwana, as well as provincial and local government representatives and the Special Olympics delegation from America, were also involved.

The RBN male team, which is part of the South African team, was the tournament winner and will go to Brazil in 2014 to represent South Africa.

# Corporate social investment continued

## RBS Karate

Karate is one of the development programmes run by RBS that has been performing well in major competitions. It currently has 800 junior members in the mass programme and the RBN team, comprising 78 individuals, recently participated in the 2012 JKA Championships at which a total of 87 medals were won by RBN: 34 gold, 30 silver and 23 bronze.

## Music and arts (5% of spend)

### Bafokeng Field Band

The Bafokeng Field Band, which currently has 135 members, continues to play a critical role amongst the youth of the RBN. The project not only teaches the youth music (marimba, steel band, trumpet and drums) and dance skills but also, through its social programme, has been providing support to its members who are identified as children-in-distress. Services provided include provision of food parcels and assistance with the process of getting support grants, birth certificates and identity documents and medical referrals.

### Royal Bafokeng Youth Choir

The Royal Bafokeng Youth Choir (RBYC) is gaining momentum. RBN and the North West Province have been represented in the National Schools Choir Competition for the first time by Sizakele Zitha, a young boy from Tlaseng village who went as far as the Nationals and won the title in the tenor section of the competition.

RBYC has embarked on fund-raising initiatives to finance ongoing activities. The choir performed for the first time on 11 June 2012 at Sun City and as a result of the exposure, more requests for performances are being received. RBYC has also had exposure on radio station 702 FM. The choir has been invited to participate in a choir competition to be held in Wales in 2013 and will continue to raise funds for the trip.

### Room 13

The objective of the Room 13 project is to unlock children's imagination by developing their artistic expression across various art forms, in particular visual arts and literature. It also aims, through the running of its own studio as a business, to teach children essential business skills.

Funding was used to open a Room 13 studio in Moremogolo Primary School. This benefited learners in Grades 5, 6, and 7.

## Entrepreneurship development (1% of spend)

The aim of entrepreneurship development projects conducted in the RBN is to instil an entrepreneurship culture in communities, through learning of skills that will lead to the establishment of viable businesses and, in turn, the creation of sustainable employment.

### Mphe Bophelo

Mphe Bophelo is a bakery and brick-making co-operative operating in Maile village. It produces and sells bread and bricks to the community and has created 12 jobs.

Funds donated have been used to buy a brick-making machine to supplement the old, outdated machine, so as to meet the increased demand for bricks in the community.

### Thusanang Leuba

Thusanang Leuba is a soap- and candle-making co-operative which operates in Chaneng village and 12 members of the community are involved in the project. Funds have been used to purchase a candle-making machine in order to meet demand.

## Employee Volunteering Programme

Once again, the RBH and RBED teams spent three days with the community and engaged in various volunteering activities.

One day was spent at the Kutlwanong Old Aged Centre which looks after 137 elderly people. RBH and RBED staff members were involved in cooking, ironing, cleaning and hair-cutting activities.

Another day was spent with 377 learners from the Kutlwanong Centres for the Deaf and Hard of Hearing. The learners were put through their paces in fun activities such as soccer, face-painting and water slides.

## Mandela Day - 18 July 2012

RBH and RBED staffers participated in various activities to celebrate Mandela Day.

RBH volunteered at Barona Child Care and Support, a centre for 346 orphans and vulnerable children in Diepkloof, Soweto, and involved themselves in painting the hall and fence; cooking meals for the children; and distributing donated clothes and educational games.

Another project was a clothes collection drive, when RBH employees and the MOGS team donated clothes and non-perishable food. Thirteen bags of clothes and shoes were donated to the Strobane Centre for the Homeless in Johannesburg's central business district.

## RBH's corporate partners

RBH's investee companies have continued to provide support to the RBN. A total of R137,677,290 was donated to the RBN to support community initiatives.

### Investee companies' CSI contribution



\* Fraser Alexander, MB Technologies, M-Tech Industrial, DHL Express and Praxima Africa Payroll Systems

### RBPlat

RBPlat spent R126.9 million in projects which benefited both the RBN and non-RBN community members. The following initiatives were supported:

- Chaneng Association for the Blind
- The Enterprise Development Hub
- Provision of IT health support at Chaneng Clinic
- Charora High School e-Library
- Sports facilities at all five schools within the Macharora villages
- Rasimone Intermediate School classroom upgrade
- Kgotla offices in Rasimone and Chaneng
- Construction of a road in Chaneng
- Upgrading of the Phokeng police station

### Merafe Resources

Merafe Resources spent R4,854,428 on projects around the RBN. The following projects were supported:

- Ba-Leema, Meriti and Boitekong schools
- Tapologo Hospice
- Boshhoek crop and hydroponic garden
- Mfidikwe Trauma Centre
- Protec

### ZICSA

ZICSA spent R4,978,200 on a mobile library project. All RBN schools – 29 primary, eight middle and six high schools – benefited from this donation.

### Fraser Alexander

Fraser Alexander donated R391,952 to support the following projects;

- Bafokeng Arts
- Stakeholder dialogue
- Queen Mother's Polo Charity Cup
- Itireleng Poultry and Vegetables
- Tirafalo IT solutions

### MB Technologies

MB Technologies donated computers and IT consumables to the value of R349,410 and these were distributed among organisations operating in the RBN.

### M-Tech Industrial

M-Tech Industrial donated R160,000 to support the following RBN projects:

- Tshwaragana Prayer Women
- Itireleng Poultry and Vegetables
- Bana Ba Kgotso Home Based Care
- Baakanyang Bagodi for the Aged

### DHL Express

DHL donated school sports equipment containers to the value of R28,300 to the Sports Development Programme.

### Praxima Africa Payroll Systems

Praxima Africa Payroll Systems donated R15,000 to the Godisanang OVC programme.





# Building the future

- RBH's vision is to become the **'world's leading community-based investment company'**.
- One of our long-term goals is to **build pan-African businesses**. In an effort to achieve this goal we have embarked on initiatives to identify potential partners within the rest of the continent. We also encourage our investee companies to focus on the continent as an area for future growth.
- We will continue to **fine-tune our business development and social delivery strategy**, in order to best position us for changed and changing circumstances.
- We will further **diversify our shareholder's investment portfolio**, both in terms of sectors and African geography, in pursuit of both value growth and profit generation, and a comfortable level of protection from commodity cycles.
- We will continue to **focus on social delivery** both by ourselves and our investee companies, ensuring that we are as sensitive as we can possibly be to stakeholders' needs and expectations.
- We will continue to pursue **talent identification and development**. Our task – both on the business development and social delivery fronts – is substantial, and we will continue to need the best human capital to plan, implement and deliver. We are conscious that accessing this human capital in the current environment is as challenging as accessing financial capital.
- The RBN'S Plan 2035\* is to see the RBN as a **self-sufficient participant in the regional and national economy** by the end of the second decade of the 21st century. This will only be achieved with maximum development of the RBN's assets and human capital. RBH is one of the delivery mechanisms through which the RBN's Plan 2035 will be fulfilled. \*See [www.bafokengholdings.com/a/rbn\\_2035.php](http://www.bafokengholdings.com/a/rbn_2035.php).
- The RBN's Masterplan\*\* aims to **create an environment in which people live with dignity and have access to facilities** – health, education, recreation and employment – enabling them to maximise their abilities and talents. \*\*See box on page 39.





## Royal Bafokeng Nation Masterplan: Building a better future for all

- The RBN aims to be a progressive, dynamic and thriving community: a model that can be replicated in other parts of South Africa.
- By 2035, it is envisaged the area will:
  - offer a good standard of living to its citizens;
  - provide superior education to its children;
  - host stimulating cultural and sporting events; and
  - provide job opportunities through its growing economy.
- The Masterplan focuses on the development and improvement of:
  - commercial, industrial and residential areas;
  - recreation and tourism;
  - agriculture and infrastructure;
  - roads and transport;
  - environment;
  - education, health care and social services; and
  - sports and culture.
- It is expected that:
  - By 2025, the more diversified RBN economy will be thriving;
  - By 2035, there will be a vibrancy about the Bafokeng people and their environment that will be hard to match elsewhere in South Africa.

The RBN aims to be a thriving community, a model that can be replicated in other parts of South Africa



See [www.bafokengholdings.com/a/rbn\\_masterplan.php](http://www.bafokengholdings.com/a/rbn_masterplan.php).

# Corporate governance

The Board appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards shareholders and the company.

RBH has a reputation of honesty and integrity in its management practices and in all its business transactions. Adherence to best practice in corporate governance is the foundation for a sustainable business that creates long-term value for its shareholders. RBH is committed to upholding the highest standards of corporate governance and operates in compliance with international best practice and ensures that its subsidiaries and investee companies too are committed to maintaining sound corporate governance practices. The RBH Code of Ethics and Corporate Governance Policies can be found on its website at [www.bafokengholdings.com/cc/cc\\_i.php](http://www.bafokengholdings.com/cc/cc_i.php)

## Governance structures

RBH governance structures and the issue of RBH representation on the boards of investee companies are continually reviewed by the Board of directors and the executive committee. Alignment to changing legislation remains a focus and RBH adheres to the requirements of the public company requirements of the Companies Act, 71 of 2008; the King Report on Corporate Governance for South Africa, 2009 (King III) and is currently a Level 2 Contributor in accordance with the Department of Trade and Industry's Codes of Good Practice.

## Shareholder

Through its Memorandum of Incorporation, the shareholder is governed in its relationship with the company and has the power to remove directors. RBH's shareholder conducts its Annual General Meeting (AGM) during the third quarter of each year, where all matters required to be dealt with in accordance with the Companies Act, are addressed.

## Board of directors

### Role

The overall strategic direction of RBH to produce the desired performance and shareholder returns is the responsibility of the Board. Its role also includes ensuring sustainable development of healthy interaction with its stakeholders; the establishment, review and monitoring of strategic objectives; the approval of major acquisitions, disposals and capital expenditure; and overseeing RBH's systems of internal control, governance and risk management.

The execution of the strategy and the day-to-day management of RBH is the responsibility of the CEO, in collaboration with the executive committee.

### Composition

At year-end, the Board comprised seven non-executive directors, four of whom were independent, and three executive directors. All the directors meet the highest ethical standards to lead and maintain an ethical corporate culture.

In pursuit of best practice and in compliance with the recommendations of King III, Monhla Hlahla, an independent non-executive director, was appointed Chairman of the company during 2012.

### Meetings

The Board meets at least four times a year to conduct the business of the company in a manner prescribed by its Board Charter and the recommendations of King III. As and when required, additional Board meetings may be convened during the year.

## Board committees

Without relinquishing its responsibilities, the Board delegates certain responsibilities to two statutory committees: the audit and risk management committee and the human resources and nominations committee.



RBPlat is an independent, black controlled platinum producer listed on the JSE.



### Audit and risk management committee

In pursuit of best practice, RBH's audit and risk management committee membership is made up entirely of independent non-executive directors. At year-end, the committee consisted of two independent members. Appointments to this committee are made by the Board in consultation with the committee's chairman.

The audit and risk management committee's role is primarily to ensure the integrity of financial reporting and the audit process, and the maintenance of sound risk management, internal and information technology control systems.

The committee is responsible for overseeing relations with external auditors, including approving 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. All 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's responsibility is to

- establish and develop RBH's general policy on remuneration for executive management and non-executive directors;
- approve packages for specific individuals on authority delegated to it by the Board;
- carry out the director nomination process and make recommendations to the Board regarding the appointment of new executive and non-executive directors;
- advise the Board on its composition and that of its committees;
- review and update the succession plan for directors and senior management; and
- review and update all statutory documents in order to comply with the requirements of the Companies Act.

The establishment of a social and ethics committee, as required by the Companies Act, is still being addressed and once a practical solution has been found, the committee will make a recommendation to the Board for consideration, and if deemed fit, for approval.

### Internal controls and risk management

In compliance with best practice, where possible, RBH seeks to have a sound system of internal control, based on its policies and guidelines in all of its subsidiaries, material associates and joint ventures. In those companies that are independently managed, as well as in joint

ventures, the directors who are representing RBH seek assurance that significant risks are being managed.

Sekela Xabiso Consultants, an independent service provider, was appointed to review RBH's internal controls and to make recommendation for improvements. A comprehensive risk assessment of the group has been carried out, and the various risks affecting the business have been rated and ranked. A risks register will be incorporated into audit plans and internal audit will monitor its management.

Through regular management reporting, the Board is kept apprised of the effectiveness of internal control mechanisms: the Executive: Finance reports quarterly on the financial and accounting control frameworks, and internal audit reports to the audit and risk management committee on risks and internal controls throughout RBH on a regular basis.

### Public disclosure of information

All relevant information is published on the company's website at [www.bafokengholdings.com](http://www.bafokengholdings.com) and all information is current in respect of:

- 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 structures. 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.
- Documents and policies. Those available are: the corporate governance policy; the Board Charter; the Board committees' terms of reference; a code of ethics; a sustainability strategy; a policy for sustainable responsible investment and portfolio management; and a corporate social investment policy.

### Accounting and auditing

The Board approves the terms of reference for the audit and risk management committee and its members.

The Annual Financial Statements for the year ended 31 December 2012 will be prepared in accordance with International Financial Reporting Standards, by the accounting staff of RBH, headed by Lucas Ndala, RBH's Chief Financial Officer.

The financial statements will be audited by the group's independent statutory auditors, PricewaterhouseCoopers, an internationally recognised accounting firm and a copy of their report will be available for inspection at the company's offices. The external auditors report to the audit and risk management committee and, in compliance with King III, the audit and risk management committee will ensure that the designated auditor does not hold office for more than five consecutive years.

# Corporate governance continued

## Compliance and enforcement

While ultimate responsibility for compliance by RBH with Board-approved policies vests with the Board, the Board has delegated certain responsibilities to management. Board-approved policies encourage ethical behaviour of each individual, separately and collectively as a management group, and it is the Board's obligation to ensure that its conduct and that of management are aligned with group values and is adhered to in all aspects of the business.

The CEO has overall management responsibility for ensuring that the company complies with applicable laws, the Board Charter, policies regarding corporate governance and the company's code of ethics and that any shortcomings and exceptions permitted by law are handled ethically.

The preparation for and the holding of Board meetings and the AGM is the responsibility of the company secretary.

It is the responsibility of every employee and director of RBH to observe and implement the company's governance policies. The approved 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, through the services of an external service provider, has established a risk-based internal audit function, which is informed by the company strategy. This function encompasses financial, operational and compliance matters and the internal auditors report to the audit and risk management committee, which is responsible for overseeing the internal audit function, at every committee meeting.

## Meeting attendance

The directors of the company for 2012 were as follows:

Name of director	Date appointed	Date resigned
TA Boardman	20 January 2011	
NDJ Carroll	1 October 2007	27 March 2012
F du Plessis	1 June 2012	
MW Hlahla	1 March 2011	
A Kekana	1 November 2012	
TV Mokgatla	24 July 2006	27 March 2012
Kgosi LT Molotlegi	24 July 2006	28 November 2012
LM Ndala	1 January 2010	
MPP Nyama	1 October 2007	
O Phetwe	27 March 2012	
DS Phiri	24 July 2006	
KP Shongwe	26 June 2008	31 January 2013

## Board meeting attendance for 2012

Name	27 March Special Board meeting	1 June Board meeting	29 August Special Board meeting	20 September Board meeting	28 November Board meeting	Total
MW Hlahla (Chairman)	✓	✓	✓	✓	✓	5
TA Boardman	✓	✓	✓	✓	✓	5
NDJ Carroll	✓	–	–	–	–	1
F du Plessis	–	–	✓	✓	✓	3
A Kekana	–	–	–	–	✓	1
TV Mokgatla	✓	–	–	–	–	1
Kgosi LT Molotlegi	✓	✓	✓	✓	✓	5
LM Ndala	✓	✓	✗	✓	✓	4
MPP Nyama	✓	✓	✓	✓	✓	5
O Phetwe	–	✓	✓	✓	✓	4
DS Phiri	✓	✓	✓	✓	✓	5
KP Shongwe	✓	✓	✗	✓	✗	3

✓ Present

✗ Apology

– Not yet appointed/already resigned

Human resources and nominations committee attendance for 2012

Name	6 March	26 March	17 September	30 October	20 November	Total
MPP Nyama (chairman)	✓	✓	✓	✓	✓	5
TA Boardman	✓	✓	✓	x	✓	4
NDJ Carroll	✓	✓	–	–	–	2
MW Hlahla	✓	✓	✓	✓	✓	5
A Kekana	–	–	–	–	✓	1
Kgosi LT Molotlegi	✓	✓	✓	x	✓	4
LM Ndala*	–	–	✓	✓	–	2
KP Shongwe	✓	✓	✓	x	x	3

✓ Present

x Apology

– Not yet appointed/already resigned

\* LM Ndala attended meetings in his role as acting CEO until the appointment of A Kekana on 1 November 2012

Audit and risk management committee attendance for 2012

Name	6 March	29 March	19 September	20 November	Total
TA Boardman (chairman)	✓	✓	✓	✓	4
NDJ Carroll	✓	–	–	–	1
F du Plessis	–	–	✓	✓	2
MW Hlahla	✓	✓	–	–	2
A Kekana	–	–	–	✓	1
TV Mokgatlha	✓	–	–	–	1
LM Ndala	✓	✓	✓	✓	4

✓ Present

x Apology

– Not yet appointed/already resigned



Fraser Alexander's major sustainability concerns are focused on minimising its environmental impacts.



# Corporate governance continued

## Human resources

As at 31 December 2012, the total number of permanent employees at RBH was 28. In addition, the Class of 2012 programme that places graduates in investee companies and other RBN entities consisted of 13 candidates, two of whom were placed at RBH.

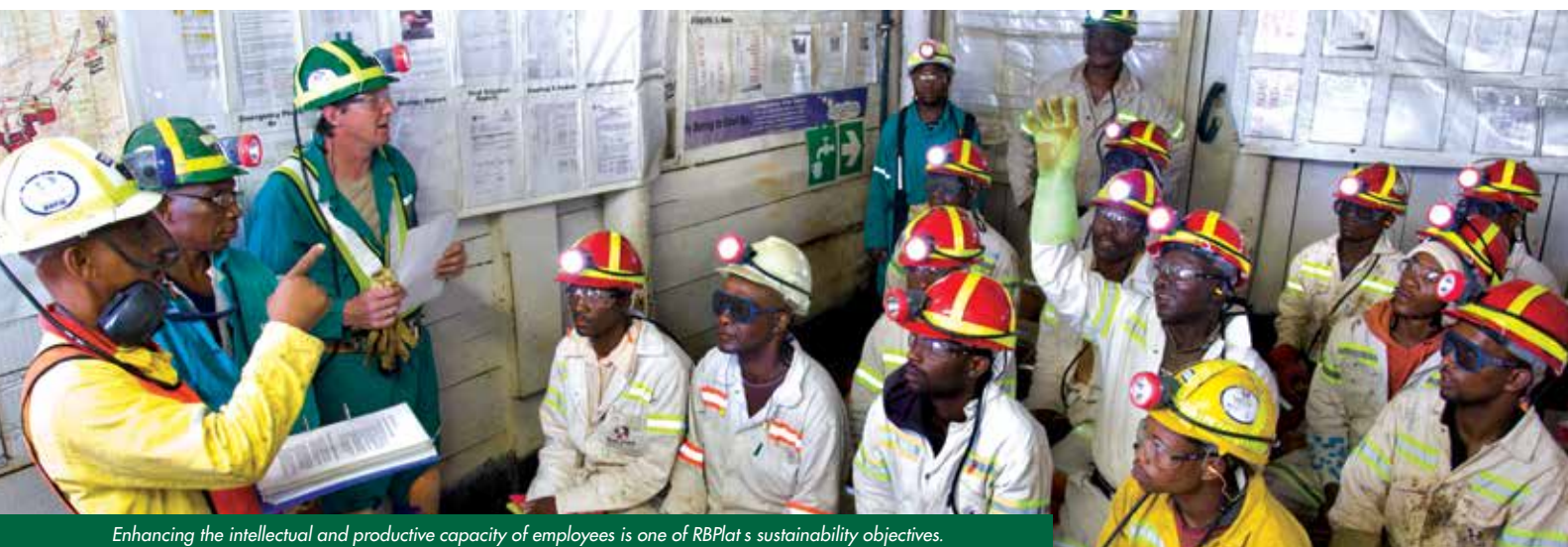
	Male	Female	Black	White	Bafokeng
Administration	0	4	4	0	0
Contractors (including cleaners)	0	4	4	0	0
Supervisory	2	4	6	0	2
Management	4	6	8	2	1
Executive	2	2	4	0	1
<b>Total</b>	<b>8</b>	<b>20</b>	<b>26</b>	<b>2</b>	<b>4</b>

Class of 2012	Male	Female	Black	White	Bafokeng
Candidates	5	12	17	0	17

## Turnover (%)

Employee turnover is shown below:

	All employees	
	2012 %	2011 %
Administration	3.57	3.57
Contractors (including cleaners)	3.57	0
Supervisory	0	0
Management	7.14	3.57
Executive	7.14	0
<b>Total</b>	<b>21.42</b>	<b>7.14</b>



Enhancing the intellectual and productive capacity of employees is one of RBPlat's sustainability objectives.

## Training and development

RBH's training master plan has been compiled based on training needs identified during a performance contracting and 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, including post-tertiary qualifications, is ongoing and supported by the study assistance policy.

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

### 'Class of' programme

The Class of 2012 placed 17 candidates on a 12-month programme with RBH, RBN entities and RBH investee companies. Hosting companies included Implats, Fraser Alexander, RBPlat, Lebone II, RBS, RBED and DHL Express. Of the 17 candidates, seven have been offered permanent employment, three contracts have been extended and seven were unsuccessful.

### Executive development programme

The Wits Business School runs the customised RBH executive development programme (EDP), which is attended by RBH, RBN and RBH partner company executives. Participants of the 2012 EDP, which was completed at the end of October 2012, have stated that the programme has provided them with the opportunity to grow, both personally and professionally. Each of the participants is enthusiastic about implementing their learning in their respective workplaces.

### Employee wellness

The purpose of this initiative is to emphasise the importance of a healthy and productive workforce.

An annual wellness programme is conducted through Discovery Health and their partners, with feedback being provided to all employees. In addition, RBH registers with the JP Morgan Challenge to encourage high fitness levels among employees, while marathon and ultra marathon running is encouraged and supported in the company.

At its wellness day held in September 2012, RBH employees underwent various medical tests, including blood pressure, vision, weight and glucose levels and those employees who were diagnosed with any health risks were encouraged to seek relevant medical care.

### Performance dialogue and management

The performance of all staff at RBH is reviewed twice each year. The performance reviews inform employee development and performance-based bonus payments.

### Occupational health and safety

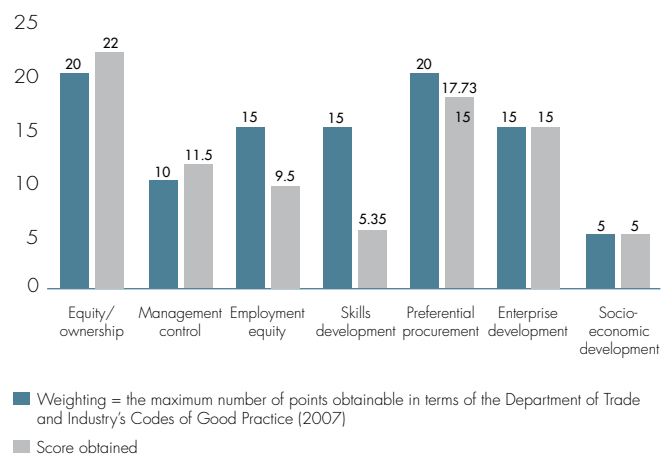
During 2012, 0 safety incidents occurred at RBH.

### Employment equity and transformation

RBH subscribes to the requirements of the Employment Equity Act and all equity matters are addressed through RBH's established employment equity committee that meets on a quarterly basis.

Compliance with the Department of Trade and Industry's Codes of Good Practice (2007) remained consistent or improved in 2012, in all but the two areas of employment equity and skills development. These areas will be given close attention in 2013.

RBH transformation scorecard 2012



# Glossary of terms and acronyms

AGM	Annual general meeting	King III	King Code on Corporate Governance 2009
AIDS	Acquired immuno-deficiency syndrome	KPI	Key performance indicator
ALSI	All Share Index of the JSE	LTIFR	Lost-time injury frequency rate
ANC	African National Congress	MDG	Millennium Development Goals
ART	Antiretroviral therapy	MOGS	Mining, oil and gas services
BEE	Black economic empowerment	NGO	Non-governmental organisation
Boer	Dutch and Afrikaans word for 'farmer', which came to denote the descendants of the Dutch-speaking settlers in southern Africa from the 18th century onwards	NSSD	National Strategy for Sustainable Development
CBO	Community-based organisation	OHSAS 18001	A UK Standard for occupational health and safety management systems
CDP	Carbon Disclosure Project	OVC	Orphans and vulnerable children
CEO	Chief Executive Officer	PGM	Platinum group metal
CSI	Corporate social investment	RBA	Royal Bafokeng Administration
EMS	Environmental management system	RBED	Royal Bafokeng Enterprise Development
ERIS	Eris Property Group	RBH	Royal Bafokeng Holdings
ESG	Environment, society and governance	HSDS	Health and Social Development Services
GRI	Global Reporting Initiative	RBI	Royal Bafokeng Institute
HDSA	Historically disadvantaged South African	RBN	Royal Bafokeng Nation
HIV	Human immunodeficiency virus	RBNDT	Royal Bafokeng Nation Development Trust
ICMM	International Council on Mining and Metals	RBPlat	Royal Bafokeng Platinum
IDC	Industrial Development Corporation	RBS	Royal Bafokeng Sports
IFRS	International Financial Reporting Standards	RESI	Resource Index of the JSE
Implats	Impala Platinum	RMB Holdings	Rand Merchant Bank Holdings
IRR	Internal rate of return	RMI Holdings	Rand Merchant Insurance Holdings
ISO 9001	Quality Management System Standard created by the International Standards Organisation (ISO)	UNGC	United Nations Global Compact
ISO 14001	International Standard created by the International Standards Organisation (ISO) for formal and certified environmental management systems	UNPRI	United Nations Principles for Responsible Investment
IT	Information technology	VCT	Voluntary counselling and testing
JSE	Johannesburg Stock Exchange	ZICSA	Zurich Insurance Company South Africa
Kgosi	Title for a hereditary leader of a Batswana tribe; a Setswana term for 'king' or 'chief'		



# Assurance report

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

We have been engaged by the directors of Royal Bafokeng Holdings (Pty) Limited ("RBH" or the "Company") to perform an assurance engagement in respect of Selected Identified Sustainability Information reported in RBH's Integrated Review for the year ended 31 December 2012 (the "Review"). This report is produced in accordance with the terms of our contract with the Company dated 19 March 2013.

### Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

### Scope and subject matter

The subject matter of our engagement and the related levels of assurance that we are required to provide are as follows:

### Limited assurance

The following identified sustainable development information in the Review was selected for an expression of limited assurance:

- corporate social investment (CSI) spend (page 32);
- management's disclosure of implementation against the United Nations Global Compact (UNGC) principles (page 1);
- management's disclosure of implementation against the Principles for Responsible Investment (UNPRI) principles (page 1); and
- management's disclosure of implementation against the AA1000 principles of materiality, stakeholder inclusivity and responsiveness in preparing the 2012 Review (page 1).

We refer to information described above as the Selected Identified Sustainability Information.

We have not carried out any work on data reported for prior reporting periods except for data that was included in the prior year's assurance scope, 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 Selected Identified Sustainability Information.

## Respective responsibilities of the directors and PricewaterhouseCoopers Inc

The directors of RBH are responsible for selection, preparation and presentation of the Selected Identified Sustainability Information in accordance with the following, collectively referred to as the reporting criteria:

- RBH's internal corporate reporting policies and procedures (page 46);
- the AA1000APS (2008) regarding the Review's alignment with the AA1000APS (2008) three principles of inclusivity, materiality and responsiveness; and
- the Principles for Responsible Investment (UNPRI) and the United Nations Global Compact (UNGC).

The directors of RBH are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Selected Identified Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Identified Sustainable Development Information has not been prepared, in all material respects, in accordance with the reporting criteria.

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainability performance and activities. We permit the disclosure of this report within the Review for the year ended 31 December 2012, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Review. 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.

### Assurance work performed

We conduct assurance engagements in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). This standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain limited assurance on the Selected Identified Sustainability Information as per the terms of our engagement.

# Assurance report continued

Our work included examination, on a test basis, of evidence relevant to the Selected Identified Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Identified Sustainability Information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Identified Sustainability Information.

Our work consisted of:

- reviewing processes that RBH have in place for determining the Identified Sustainability Information included in the Review;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainability Information;
- conducting interviews with management at the sampled operations and at head office;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing control walkthroughs;
- 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 compared with prior years and to obtain explanations for deviations in performance trends; and
- reviewing the consistency between the Identified Sustainability Information and related statements in RBH's Review.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Identified Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Identified Sustainability Information in order to design procedures that are appropriate in the circumstances.

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

## Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques, which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Review in the context of the reporting criteria referred to where Selected Identified Sustainability Information appears in the Review.

## Conclusions

### Limited assurance

Based on the results of our procedures nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for limited assurance for the year ended 31 December 2012, has not been prepared, in all material respects, in accordance with the reporting criteria.

### Other matters

The maintenance and integrity of the RBH's website is the responsibility of RBH's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Review or our independent assurance report that may have occurred since the initial date of presentation on the RBH website.



**PricewaterhouseCoopers Inc**

Director: Wessie van der Westhuizen

Registered Auditor

Johannesburg

19 April 2013

# Contact details and administration



*RBH's investee companies provide support to the RBN: Itireleng Poultry in the village of Luka.*

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