



Reshaping our future

INTEGRATED REVIEW 2015

rbh 
royal bafokeng holdings

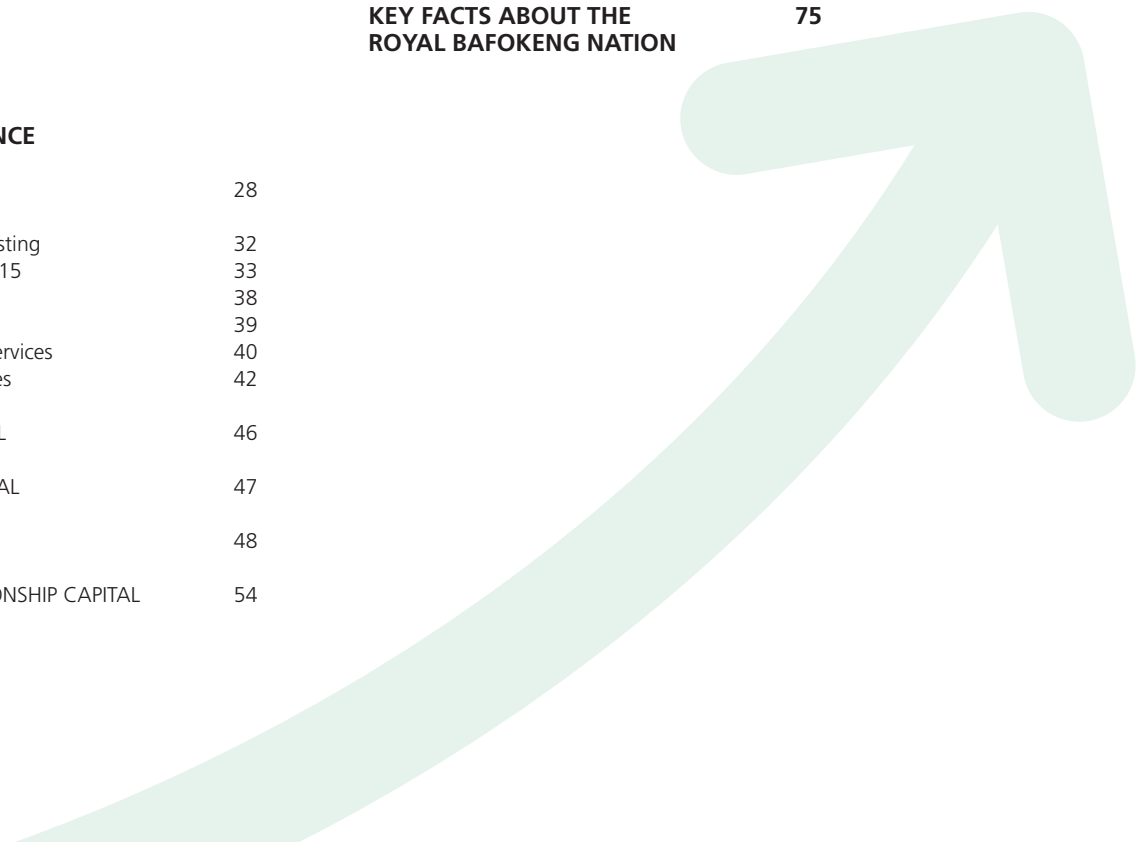
contents

The integrated review is a key element of RBH's engagement with its stakeholders. It presents an opportunity to provide stakeholders with a concise, transparent and balanced view of the most material issues facing RBH, the strategy it has in place to address these issues and how RBH has performed against this strategy. It is also an important reputation management tool.

THE COVER: We have featured Kgosi Mokgatle, who reigned from 1834 to 1891 on the cover of this integrated review because we wish to recognise that it was his vision of a better future for the Royal Bafokeng Nation (RBN) and the innovative action he took to achieve it that resulted in the Bafokeng community owning vast amounts of land. The current Kgosi Leruo Molotlegi's equally innovative approach to growing the nation's wealth resulted in the formation of Royal Bafokeng Holdings (RBH) and the unique role we play in funding the nation's development and reshaping its future.

| Section | PG |
|--|-----------|
| 01 | |
| ABOUT THIS REVIEW | 04 |
| 02 | |
| ORGANISATIONAL OVERVIEW | 06 |
| Our value statement | 06 |
| Vision | 06 |
| Values | 06 |
| Our purpose | 06 |
| About the Royal Bafokeng Nation (RBN) | 06 |
| The Royal Bafokeng Nation's asset management structure | 08 |
| Our structure | 09 |
| Our strategy and business model | 10 |
| Risk management | 12 |
| Material issues | 14 |
| Our stakeholders | 15 |

| Section | PG | Section | PG |
|------------------------------------|-----------|--|-----------|
| 03 | | 05 | |
| STRATEGIC REVIEW | 16 | TRANSPARENCY AND ACCOUNTABILITY | 62 |
| Message from Kgosi Leruo Molotlegi | 16 | | |
| Chairman's message | 20 | | |
| CEO's strategic review | 22 | | |
| Platinum review | 27 | | |
| 04 | | 06 | |
| OUR PERFORMANCE | | KEY FACTS ABOUT THE ROYAL BAFOKENG NATION | 75 |
| FINANCIAL CAPITAL | 28 | | |
| Our approach to investing | 32 | | |
| Investment review 2015 | 33 | | |
| RBH portfolio | 38 | | |
| MOGS | 39 | | |
| MOGS Oil and Gas Services | 40 | | |
| MOGS Mining Services | 42 | | |
| PRODUCTIVE CAPITAL | 46 | | |
| INTELLECTUAL CAPITAL | 47 | | |
| HUMAN CAPITAL | 48 | | |
| SOCIAL AND RELATIONSHIP CAPITAL | 54 | | |



01 about this review

Finding your way in our review



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



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



01 about this review

We choose to report in an integrated manner because we believe by doing so we can provide our stakeholders with a concise, transparent and balanced view of the most material issues facing Royal Bafokeng Holdings (RBH), the strategy we have in place to address these issues and how we have performed against our strategy.

This review conforms to the requirements of the South African Companies Act 2008. We have also applied King III.

Our audited financial statements are published separately and will be available on our website from June 2016.

Please give us your feedback

We would welcome your feedback on this review and any suggestions you have in terms of what you would like to see incorporated in our 2016 edition. To do so please contact:

communication@bafokengholdings.com
www.bafokengholdings.com

PricewaterhouseCoopers (PwC) conducted a limited assurance engagement on selected sustainability information. The assurance statement covering this engagement is available in our online integrated review at www.bafokengholdings.com

02 our value statement

Vision



To protect and manage the Royal Bafokeng community's wealth to provide reliable intergenerational income and capital growth

Values



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

Our purpose



To deliver sustainable income and growth to serve the intergenerational development needs of the Bafokeng community

We pride ourselves on being a community-based investment company whose growth uplifts and creates intergenerational wealth for the Royal Bafokeng Nation, a relevant and innovative traditional African community.

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

About the Royal Bafokeng Nation (RBN)

The RBN has a long history of envisioning a better future for its people and taking innovative action to achieve it, from the time of *Kgosi* Mokgatle, who reigned from 1834 to 1891. Steadfast to his vision for the nation, its members worked patiently together, pooled their resources and used them to buy back the land the Bafokeng had occupied and cultivated for centuries. *Kgosi* Mokgatle could never have imagined what the full impact of this innovative approach would be when the world's largest deposits of platinum group metals were discovered on this hard-earned land 33 years after his death. Once again, his successors had to call on all the resources available to them to ensure the nation would retain and benefit from these deposits. Their efforts to protect and gain access to the nation's hard-won wealth made it possible to foresee a future for the Bafokeng as a progressive, dynamic and thriving community, as described in Plan 35 (www.bafokeng.com/future/masterplan.html).



Kgosi Mokgatle

who reigned from 1834 to 1891 and was arguably the most influential king in Bafokeng history.

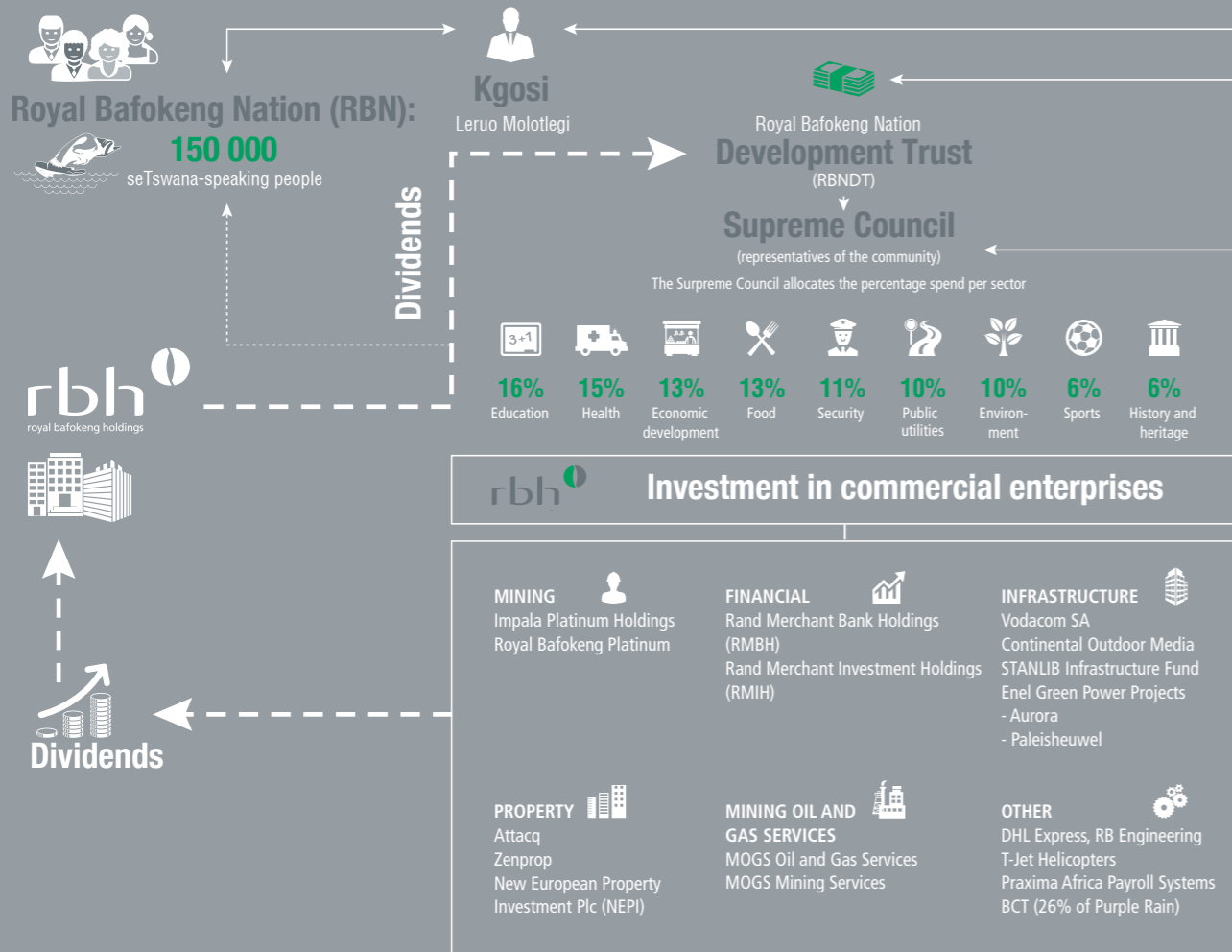
Kgosi Leruo Molotlegi

the 36th king of the Bafokeng and a direct descendent of *Kgosi* Mokgatle.

The nation's current leader, *Kgosi* Leruo Molotlegi, played an important role in securing the landmark royalties agreement with Impala Platinum and forming a joint venture with Anglo American Platinum, the Bafokeng Rasimone Platinum Mine (BRPM), the source of the nation's first income from its mineral wealth. He quickly realised that in order to secure the future of the nation it was important to diversify and grow its wealth by investing its excess capital in non-platinum assets. The innovative approach taken to address this challenge resulted in the formation of RBH to fulfil this mandate and the RBNDT, its sole shareholder, to assume the responsibility of using the dividend earned from these assets to fund the nation's development by investing in education, health, economic development, food security, public utilities, the security of its people, the environment, sport and the preservation of the nation's history and heritage; and, importantly, to ensure RBH protects and grows the nation's income and capital base.

A characteristic of the Bafokeng community has been its ability to reshape its future by adopting a strategic forward looking approach and taking action to protect it in circumstances that threaten its future sustainability. Current events dictate the necessity for the nation and the structures charged with preserving and growing its wealth to take action once again to fulfil their mandates. This review not only provides an overview of the action RBH took in 2015 to achieve its purpose, but also explains the decisions that have been taken to make it possible for us to do so in the years ahead.

02 the Royal Bafokeng Nation's asset management structure



02 our structure

Royal Bafokeng Nation Development Trust

100% shareholding in Royal Bafokeng Holdings

Board of Directors

which reports to RBNDT

Chief executive officer

Finance

Investments

Stakeholder relations

Company secretary

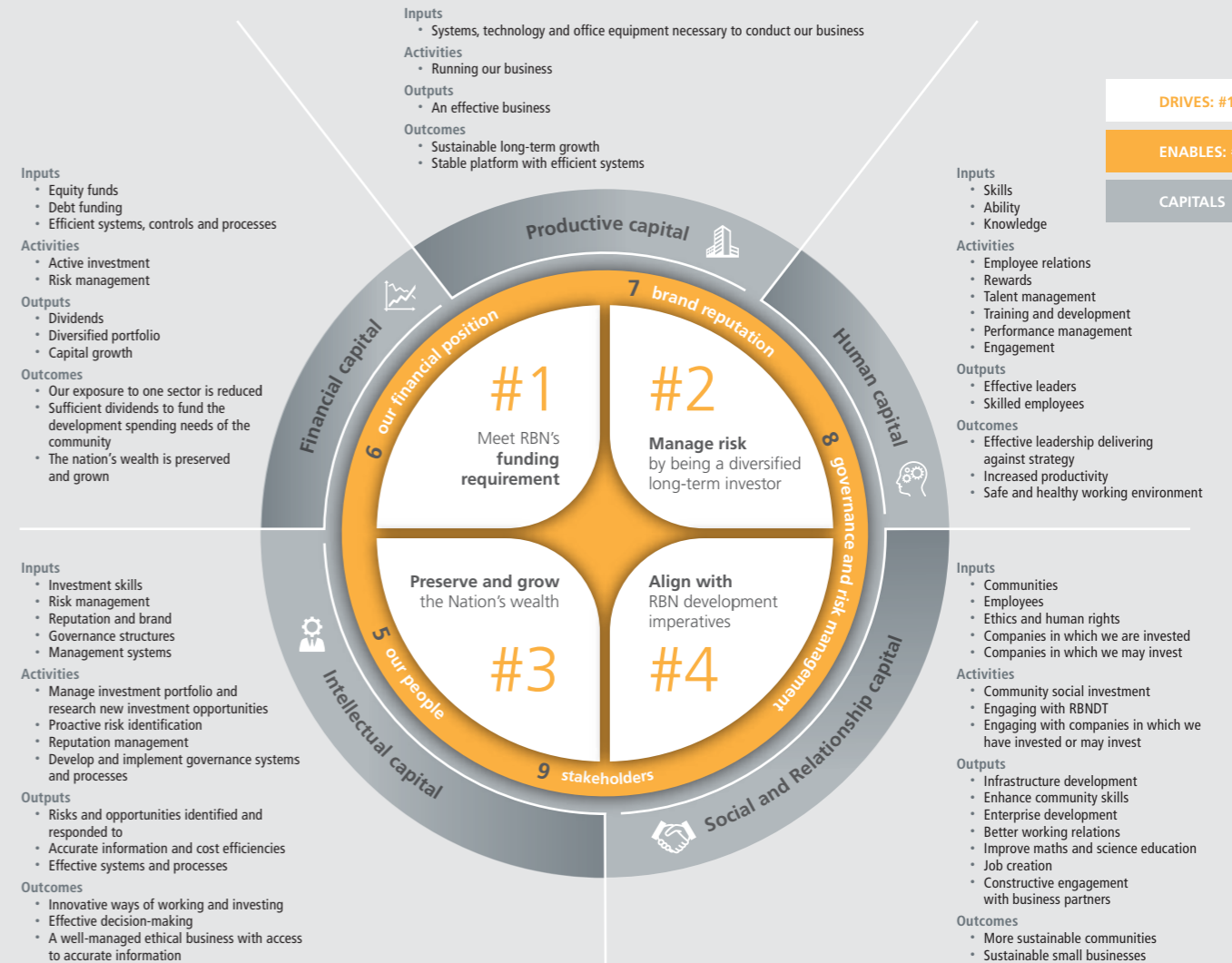
Human capital

02 our strategy and business model

What drives and enables our strategy?

DRIVES: #1 to 4

ENABLES: #5 to 9



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

02 risk management

OUR RISK MANAGEMENT JOURNEY

The RBH board has ultimate responsibility for risk management including the development of our risk appetite and the setting and monitoring of risk tolerances. King III recommends that the board determine the levels of risk tolerance and the risk levels that it has the ability to tolerate versus the risks that it is willing to take.

Both RBH's management and its board recognise the link between strong and accountable governance and the ability to manage risk and ensure optimal performance. In the prevailing uncertain economic climate it was essential that we established our risk appetite and risk tolerance.

Having strengthened our governance structures and processes in 2014 we focused on strengthening our risk management structures and processes in 2015. This included further developing and updating our risk philosophy, risk management policy and framework; establishing strategic and operational risk registers that include the RBH value drivers, risk philosophy, risk bearing capacity and, most importantly, our overall and individual risk appetite. We also established our risk universe, and key risk indicators (KRIs); and held an interactive strategic risk assessment workshop with our board during 2015. Each department now tracks its risks quarterly against these KRIs.

71

Our risk philosophy

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

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

RBH is focused on taking an acceptable level of risk based on a deep understanding of the industry, geographies and the asset itself with the objective of enhancing and protecting the wealth of the Royal Bafokeng Nation, to provide intergenerational income and wealth.

Our value drivers

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

| Core area | Value drivers |
|------------------------------|--------------------------|
| Governance | Governance structures |
| | Ethics |
| Stakeholder relations | Stakeholder expectations |
| | Collaborations |
| Finance | Brand reputation |
| | Funding and liquidity |
| Human capital | Financial reporting |
| | Talent and performance |
| Investments | Investment sourcing |
| | Investment performance |

02 material issues



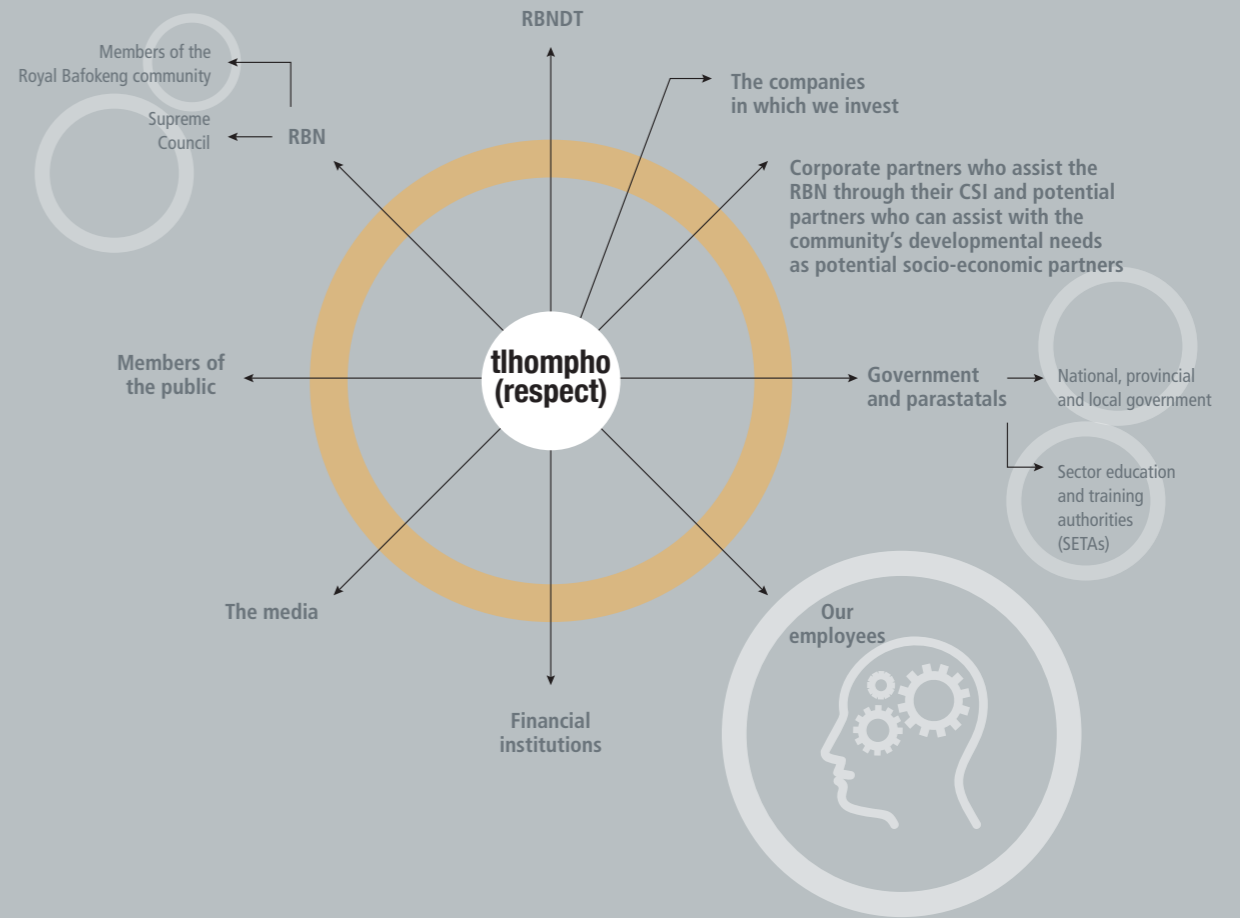
OUR MOST MATERIAL ISSUES

RBH identifies its most material issues through interaction with its key stakeholders, who have been identified in our stakeholder diagram alongside. The issues that we identified as being most material to RBH and its stakeholders in 2015 are the same issues we identified in 2014:

- Our ability to deliver on shareholder expectations 28
- Opportunities to grow through the diversification of both our portfolio and the geographic location of our investments 34
- Our commitment to long-term strategic partnerships 39
- Reputation management 60

We have reported on our progress against these five issues in this review.

OUR STAKEHOLDERS



03 strategic review

MESSAGE FROM
KGOSI LERUO MOLOTLEGI
OF THE ROYAL BAFOKENG
NATION

"...every generation of
Bafokeng has had an
opportunity to plant a seed,
leave a legacy, make a real
difference!"

[February 2012, Kgosi Leruo Molotlegi]



IT IS OUR TRADITION TO INNOVATE

The qualities listed in our Vision (*Ponelopele ya Morafe wa Bafokeng*) – relevant, innovative, traditional – have always guided us, even if they haven't always been articulated as a vision. Our tradition of innovation goes back to our use of drystone walling in ancient times, our models of inclusion around the chaotic and disruptive time of the *difaqane* and our partnership with missionaries to improve education and retain our land. We innovate both through hardships and in good times.

Time and again we have innovated, from antiquity to the present day where the innovative partnerships we have established with companies via Royal Bafokeng Holdings (RBH) provide us with the economic growth so vital to our sustainability. When we established RBH in 2006 to manage the nation's entire investment portfolio, our vision for it was to protect and manage the Royal Bafokeng community's commercial assets and ensure it could provide reliable intergenerational income and capital growth. Despite the tough financial conditions we are currently experiencing RBH reinstated its dividend payment to its shareholder, the RBNDT, this year in spite of the dividend break it experienced from its mining stocks. RBH continues to grow our portfolio in real terms, managing risk through the reduction of debt and by diversifying the portfolio in order to improve resilience against sectoral and cyclical pressures. That said, owing to severe financial pressures the sector faces, we do not expect dividends from mining assets in 2016.

You will read about the increased diversification of RBH's investments in this review. This includes growing our investments in industries such as oil and gas infrastructure and the property sector, which are both sound long-term investment routes and are aimed at continuing to build a robust portfolio of investments outside of the mining era.

This diversification also has the advantage of providing us with a wider geographic presence.

Our vision articulates why we do things, while our developmental Plan 35 provides the road map for how we do things. Its activities divide into three broad areas, which principally promote:

- **Individual development**
(in health, education and the supporting infrastructure)
- **Collective development**
(through our courts, our leadership, our heritage, arts promotion and the protection of our people and environment)
- **Long-term sustainability and economic growth**
(through resources stewardship and the creation of enabling environments for opportunity creation).

We have set targets for each of these areas for every year between 2016 and 2035.

In other words, we have a plan that takes its cue from our Vision. This plan goes all the way to the nuts and bolts of deadlines, budgets, cost projections and procurement details. These are to be reassessed after five years (in the year 2020).

We are living in an age where we are seeing disruptive innovation destroy whole industries but at the same time also creating opportunities. We need to actively engage in this space and that is why, in line with our commitment to innovation, we have committed 10% of our 2016 Administration budget to establishing research and development at the core of what we do.

Strategic review continued

In 2016 we will be prioritising sustainability. We must maintain financial credibility, not just as a nation of investors, but as a place for investment. RBH has a key role to play both in maintaining our credibility as an investor and in facilitating the achievement of our sustainability as a nation. At the same time, we want to see our own people and also investors from outside, invest their money into projects on Bafokeng land. In 2016 we will create an industrial policy for the nation, focusing on large-scale job creation, with those who share our values.

We must also ensure that our administration remains financially viable and protect our resources so that our children and the generations to come will also enjoy them. This means paying for the services we receive, and to this end our agencies have been mandated to implement cost recovery strategies. At the same time we face the challenge that currently our social picture is far from perfect. Entrenched poverty is rising with more people feeling vulnerable and seeking additional help from our programmes. The back page of this review has a fact sheet which gives further context on some of the challenges we continue to face. Traditional communities are built on social protection, participative governance and communal decision-making, accountable leadership, flexible customs, adaptable codes and, most importantly, the ability to innovate under evolving circumstances. Plan 35 is the next phase of our culture in which RBH has a very important part to play.

My late great, great, great grandfather *Kgosi* Mokgatle was a man of great vision; he planted the seed, left a legacy and made a real difference. It is our time to unite as we build our future, move forward and innovate – because that is who we are.

***Kgosi* Leruo Molotlegi**



03 chairman's message



This is the third year that I have been privileged to serve the Royal Bafokeng Nation (RBN), whose interests are represented by our shareholder the Royal Bafokeng Nation Development Trust (RBN DT), as chairman of Royal Bafokeng Holdings (RBH).

At RBH we are very aware that times are hard for the people of Phokeng, the home base of our 150 000 community members. The difficulties experienced by the platinum industry are affecting their welfare and that of the region as families who depend entirely on the sector have members who have lost their jobs. I was most privileged to be part of the RBN delegation led by *Kgosi* Leruo Molotlegi that met with the City Manager of Rustenburg and his team to discuss developing a new, resilient, diversified economy that will help the people of Rustenburg and Phokeng flourish and their communities become sustainable, despite the difficulties experienced by the mining industry on which they have depended for so long.

The work we do at RBH has a very important role to play in the lives of the Bafokeng community both today and tomorrow. While we need to make sure that we can provide a dividend to our shareholder every year so they can fund the nation's development imperatives, we also need to intensify the diversification of the portfolio we manage on their behalf. This diversification will not only ensure we can provide for the community's current development aspirations, but that we can continue to do so in the long term for the benefit of current and future generations.

As such, in March 2016 we concluded the process of reducing our portfolio exposure to platinum by reducing our shareholding in Implats. We remain committed to the sector and its outlook in the long term and this is demonstrated by our exposure in both RBPlat and Implats. I would refer you to the CEO's review and the platinum review on page 27 to read more on this.

27

Over and above managing the risk of concentration we also managed to finalise key investments that will see our portfolio expanding in the property and infrastructure development sectors including oil and gas infrastructure through MOGS. I believe that *Kgosi's* role in championing our oil and gas infrastructure development investment could play as important a part in the future of the Bafokeng as that of *Kgosi* Mokgatle when his vision resulted in the Bafokeng buying back the land that was to yield the world's largest deposits of platinum group metals. You can read about our oil and gas infrastructure investment on page 40 of this review.

40

This has been a very busy year at RBH during which we also secured long-term partnerships to fund some of the very exciting opportunities for MOGS. The board was also very pleased to find partners to share both the risk associated with this capital intensive business and the successes that will come from helping to solve the energy challenges that both our country and our continent are facing.

The board is very aware of its responsibility in terms of risk management and the risk workshop we held with management during 2015 was helpful in assisting us with assessing the global and South African risk context and establishing RBH's risk appetite and risk tolerance. Establishing our risk appetite and tolerance has provided us with a clear guide as to when the likelihood of a risk affecting us is increasing so we can monitor it closely and if necessary take action to protect RBH. It has also given us the necessary perspective and awareness to be able to identify when a risk is realising and our risk appetite has been exceeded so that we can take urgent and immediate action. The board's management of risk in RBH includes assessing the quality of the management of risk in our subsidiaries.

Reducing our debt remains a priority for RBH. We have substantially reduced it this year both to mitigate risk and to improve the resilience

of the portfolio's ability to pay a dividend. Managing debt is a balancing act for an investment business like ours. In order to invest in MOGS we also had to take on new debt.

Our focus on engagement

Our relationship with our shareholder and its understanding of our approach to business is benefiting from regular engagement. (See the Chief executive officer's Review and the Social and relationship capital section for details of our stakeholder engagement.)

I was very pleased to see that RBH's engagement with the community is increasing the understanding of our role. We have also been able to arrange for internships for young people from the Bafokeng community in companies in which we are invested. RBH is also supporting the Royal Bafokeng Administration (RBA) in its drive for operational efficiency and its efforts to optimise the use of the RBN's assets by marketing them and making them work more effectively for the community.

In conclusion

I am not sure that the management team at RBH realise how much they have achieved in the past year. Your hard work in 2015 achieved a number of partnerships, which will position MOGS as a game changer in the future. Not only are we able to share the risk of investing in the very capital intensive provision of infrastructure for the oil and gas industry, we were also able to start work on a number of these infrastructure projects in 2015.

My thanks also go to my fellow board members for their invaluable contribution to our deliberations in a challenging year during which we achieved a great deal and set a new course for RBH. Just like our own *Kgosi* Mokgatle who was known for 'responding to each situation according to the circumstances' we will continue to reshape our future in the tough economic climate in which we find ourselves.

Monhla Hlahla

03 ceo's strategic review



The 2015 financial year presented the most challenging economic climate for our portfolio since the formation of Royal Bafokeng Holdings (RBH) over a decade ago.

While we have made progress towards achieving our objective of diversifying our portfolio the following factors had a negative impact on our business: the significantly lower commodity prices, especially, in the second half of the year; the worsening economic outlook, particularly for the commodity-driven emerging markets, with the resultant impact on mining companies and banks; and lastly, factors specific to South Africa, such as the changes that led to leadership uncertainty in the National Treasury during December 2015.

Although we have made progress in executing our diversification strategy, the negative economic environment and the need to better align with the portfolio objectives set by our shareholder, the Royal Bafokeng Nation Development Trust (RBNDT), further reinforced the need for us to do so at a more rapid pace. The significant underperformance by our platinum holdings, resulted in our net asset value (NAV) decreasing by 22.8% in absolute terms as at 31 December 2015. While we remain positive about the outlook of the platinum sector in the long term, in order to hedge our risk we have had to make some tough decisions, which resulted in us reducing our exposure in one of our endowment holdings, Impala Platinum (Implats).

The move to reduce our stake from 11.3% (13.1% prior to the rights issue) to 6.3% was a necessary commercial decision taken to achieve a significant reduction in our debt as a risk management measure in an environment of high volatility and increasing interest rates. This is part of a series of initiatives by RBH intended to provide us with sufficient balance sheet flexibility to accelerate the implementation of our diversification strategy. The execution of our hedging strategy in relation to Implats was completed on 31 March 2016.

RBH remains committed to the platinum sector and as I said previously we believe in the long term fundamentals of this commodity.

Our commitment is demonstrated by our position as one of the largest investors in the South African PGM sector through maintaining our controlling interest in Royal Bafokeng Platinum (RBPlat) and our residual shareholding in Implats. Through our ongoing involvement with the boards of both companies and engagement with various stakeholders, we remain committed to finding long-term solutions, which include advocating collaboration in the interests of the long-term sustainability of the sector.

As an intergenerational fund, we are mandated by the RBNDT to protect and grow the Royal Bafokeng Nation's (RBN) commercial assets. Simply put, the objective is for each successive generation of Bafokeng to endow the next generation with a portfolio of assets that is in a similar or, better still, improved state compared to the portfolio with which they were originally endowed. This objective is further underpinned by three key investment priorities: our ability to minimise the risk of permanent loss of capital; achieving long-term positive real returns and, lastly, the ability to ensure a sustainable and growing dividend to the Bafokeng community in order to fund their socio-economic development initiatives.

We remain resolute in pursuing these investment objectives, despite the prevailing market challenges. I am therefore proud that during the period under review, we were able to achieve a number of our objectives:

- The reinstatement of the dividend to the RBNDT, which demonstrates the degree of diversification we have achieved to date. An interim dividend of R200 million was paid to the shareholder in 2015 and a final dividend of R130 million will be paid in April 2016. We have also committed to a dividend policy that provides for stable and growing future dividend payments.
- We made significant progress in the reduction of our debt through the partial disposal of our shareholding in Implats, which we have held since 2006, and our exit from Merafe and Metair. We have been long-term investors in both these companies. Our partnership with JSE-listed Merafe Resources, a ferrochrome producer, dated back to 2002 when we acquired a 34.9% shareholding in SA Chrome as it was originally known; and we invested in automotive components manufacturer, Metair, which is also listed on the JSE, in 2007.
- Our partnership with JCDecaux was finalised in 2015, allowing us to acquire a 30% stake in Continental Outdoor Media, the leader in outdoor advertising in Africa.
- In line with progressing our diversification strategy we also invested in two property companies, Zenprop UK and New Europe Property Investments (NEPI), which provide our portfolio with geographic diversification.
- As reported in the 2014 integrated review, the implementation of oil and gas infrastructure projects under our subsidiary MOGS is a key strategic initiative for RBH. MOGS has positioned itself at the forefront of the evolution of oil and gas infrastructure as an asset class on the African continent.

CEO's strategic review

continued

Some of the achievements in MOGS during this period include:

- Financial close on Sunrise Energy (Sunrise), the LPG importation terminal in Saldanha, Western Cape. Construction is now under way with the terminal expected to be operational in the second half of 2017.
- Obtaining all statutory approvals for our crude oil blending and storage terminal facility, also located in Saldanha, and the initial development phase of the 13.2 million barrel secure facility is expected to be completed in the fourth quarter of 2017.
- MOGS and its partners, the IDC, DBSA, PIC and Oiltanking, committing to capital expenditure of approximately R4 billion on these two projects over the next 24 months.

While the implementation of the oil and gas infrastructure strategy presents RBH with attractive investment opportunities, it remains a long-term and capital intensive initiative.

We are pleased with the progress made in identifying potential long-term funding partners across the capital structure and look forward to reporting more on this during 2016.

Over and above the expected returns, these two projects will increase the security of supply of liquid petroleum gas (LPG) in the region and create a unique crude storage facility for the continent. In the current challenging economic environment we are especially proud that these projects will create an estimated 5 000 job opportunities downstream and will offer support for small and medium enterprises (SMEs).

Portfolio performance

As I have already mentioned, in the current subdued environment, our NAV for the year declined by 22.8% to R25 billion (2014: R32 billion). This was, however, significantly ameliorated by the robust performance of commodities in the first quarter of 2016 with the portfolio at a NAV of R29 billion as at 31 March 2016.

In addition to the issues related to our platinum holdings, our financial services holdings, especially Rand Merchant Bank Holdings (RMBH), were significantly impacted by the events of December 2015 relating to the change in leadership at National Treasury. The shares of FirstRand, the underlying investment in RMBH, similar to other banks in the country was negatively impacted at the time. While the impact on RMBH has largely been reversed the sector continues to face headwinds due to the deteriorating economic outlook and the potential downgrade of South Africa's country rating. While we are concerned about these headwinds we also have confidence in the ability of both RMBH and RMIH to remain resilient in the current tough economic environment.

Governance structures

This year we further improved our governance structures when we strengthened our risk management structures and processes and established our risk appetite and risk tolerances. This is essential in these uncertain economic times. As I have already highlighted that key risks in our environment include the need to address concentration within the portfolio and keep debt at acceptable levels. The need to protect the integrity of our governance structures right across the business is also a key risk in our environment. I would refer you to the risk management section of this review on page 12 for further details.

12

Our people

It is with great regret that I report that during the year under review Brett Nagle stepped down as Head of Investments. Brett joined RBH in July 2013 and his knowledge and expertise were immensely valuable to RBH. David Wilson was appointed Acting Head of Investments. David leads a capable team with a wealth of knowledge across various sectors and together they continue to drive the diversification strategy of RBH.

Our team has continued to perform very well this year in terms of delivering against our strategic objectives across the business. I would refer you to the Human, Intellectual, Financial and Social and Relationship capital sections of this review for more information on what was achieved in 2015.

Given the nature of our business, our team includes those in the companies we invest in. We were sad to learn of the fatalities that took place at both RBPlat and Implats during the 2015 financial year and would like to extend our condolences to the affected colleagues as well as their families. We will continue to engage with both entities in their efforts to achieve zero harm.

Stakeholder engagement

We continue to pursue relationships based on mutual trust at all levels of engagement. Our relationship with our shareholder continues to grow as we engage in depth on key issues that affect our investments and community. We have also continued to ensure that we highlight the face of our investments to our shareholder, which this year included a visit to our platinum investment, Royal Bafokeng Platinum's Styldrift I Mine and their housing development, during which they gained an insight into the company and its future potential.

We understand that building solid relationships based on mutual trust takes a long time and are committed to the process, while ensuring we engage in proactive reputation management. We have also been working with our shareholder to support the Bafokeng Nation's efforts to communicate with its key stakeholders and facilitate investment in key community socio-economic development projects. For more details of our stakeholder engagement see the Relationship capital section of this review on page 60.

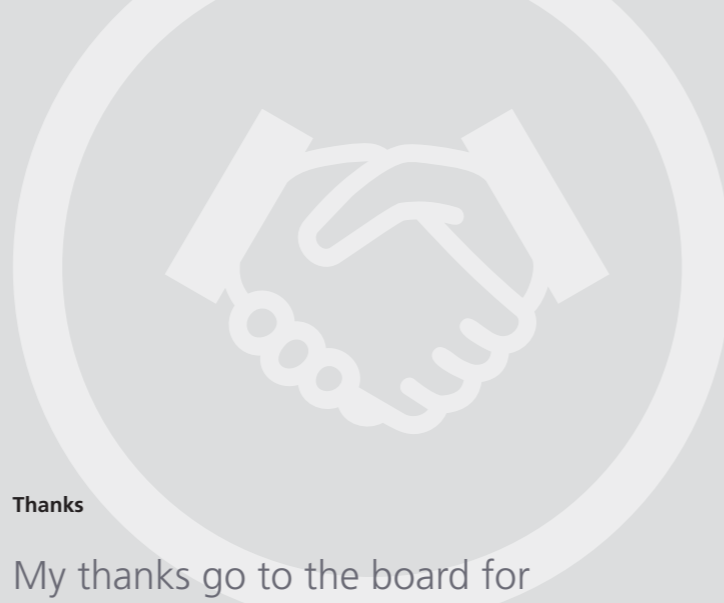
60

CEO's strategic review continued

Contribution to future sustainability

While the past year was a year of significant changes to our portfolio, we need to continue to drive these changes if we are to reshape our future and secure a sustainable future for the Bafokeng people.

Platinum has been at the heart of the RBH portfolio since its inception. It has been the foundation for the rest of our portfolio and will continue to play an important role in generating income for the Bafokeng community, both through their employment in the industry and their investment in it. The challenges faced by the sector (see the PGM review on page 27) remain an area of concern for both the RBN community and RBH, however, we are equally committed to finding long term solutions to resolving these. Addressing these concerns calls for the sort of innovative approach *Kgosi* August Mokgatle took when he had the vision to buy the land which today belongs to the Bafokeng community. The chairman has already discussed the visionary approach our *Kgosi* is taking to future proofing the nation by investigating the introduction of new and diverse industries and businesses to the region that will not only create jobs for our people, but will also drive the local economy.



Thanks

My thanks go to the board for its leadership and support in challenging times during which we have had to make some of the toughest, but yet necessary, decisions we have ever had to make. I would like to acknowledge and thank both my executive team and every RBH employee for making it possible for RBH to deliver against its strategic objectives in 2015. I look forward to working with both the board and the RBH team on the exciting challenge of continuing to reshape the future of both RBH and the Bafokeng community in 2016.

Albertinah Kekana



THE PLATINUM GROUP METALS (PGM) SECTOR

The global commodities markets have, for some time now, been facing significant headwinds. The slowing Chinese economy, dollar strength and the coming on stream of large expansion projects, initiated in response to the commodities boom, have driven down commodity prices to an extent not foreseen by many commodities players. In some commodities, these factors are exacerbated by lower cost producers asserting market dominance at the expense of higher cost producers.

The platinum sector is no exception. The continued dollar strength and negative sentiment towards commodities in general negatively impacted dollar-denominated PGM prices over the past year. The average dollar platinum price for 2015 of US\$1 053 per ounce was 24% lower than the comparable price the previous year of US\$1 384. The impact of this fall was ameliorated to some extent by an 18% on average depreciation of the South African rand against the dollar over the same period.

The platinum price has been falling consistently since 2011, reflecting an emerging surplus metals market, driven to some extent by increased supply from secondary sources, including recycling and a build-up of inventories. The platinum producers are beginning to respond to market conditions by scaling back capital investment and production. All three major producers announced significant cuts to capital spend and, in some cases, further shaft closures. In addition, RBPlat delayed the ramp-up of their Styldrift I project until market conditions improve. Together with the gradual depletion of above-ground stock, this emerging supply side discipline should provide some price support going forward.

Despite the current price weakness and poor market sentiment, the underlying market fundamentals remain sound, reflecting reasonably positive demand trends. Automotive demand rose by 4% to a seven-year high of 3.42Moz, largely due to higher diesel car output and tighter European Union emissions limits. Jewellery demand, on the other hand, fell 5% as Chinese demand was impacted by the slowing Chinese economy and government austerity measures. Strong demand in the Indian jewellery market partly offset the weak Chinese market and is showing potential of becoming a major participant in the platinum jewellery market.

Automotive demand sales are likely to remain robust on the back of the continued adoption of stricter emission legislation globally. Notwithstanding the recent VW diesel scandal, which negatively impacted PGM pricing support and sentiment, we remain convinced that the diesel engine will continue to account for a significant share of the total European fleet.

Despite short-term challenges and price weakness, we remain positive on the longer-term fundamentals for platinum driven, in the main, by increased demand from tightening emissions legislation. The platinum market is expected to be close to balance in 2016. In the medium to longer term increasing demand, flat to falling primary supply, and lower recycling growth resulting in a sustained market deficit, should provide welcome pricing support to the sector, particularly for those producers who are well-positioned on the cost curve and have strong balance sheets.

04 our performance financial capital

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

Financial capital consists of an organisation's assets that exist in the form of currency, shares and bonds. Traditionally, it is the primary measure of business performance and success in terms of reporting performance to shareholders, investors, regulator and government.

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

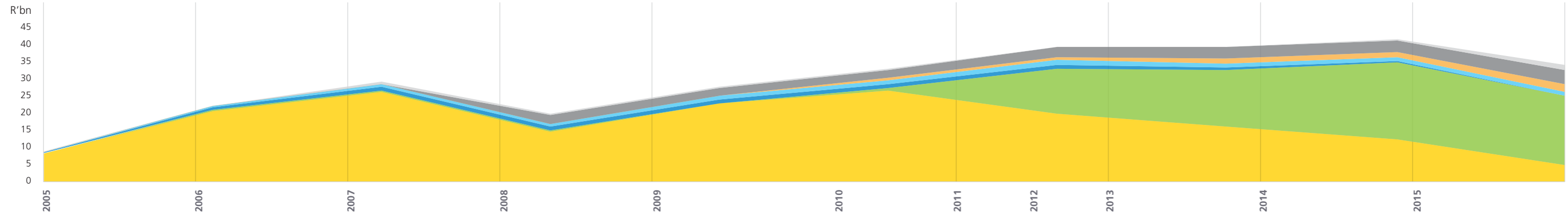
PROTECTING THE HERITAGE AND SAFEGUARDING THE FUTURE OF THE ROYAL BAFOKENG NATION

RBH has its roots in Royal Bafokeng Resources (RBR), which was established in 2002 to oversee the mining interests of the nation. This followed the signing of a landmark agreement between the RBN and Impala Platinum (Implats), which resulted in the nation receiving royalties from the metals mined in the Impala Lease Area. In the same year RBR negotiated a joint venture with Anglo American Platinum (Amplats), which resulted in the formation of the Bafokeng Rasimone Platinum Mine (BRPM) Joint Venture, developed and operated by Amplats, and also invested in a shareholding in what was then SA Chrome and today is Merafe Resources. Kgosi Leruo Molotlegi had the foresight to realise that while its mineral resources had provided the nation with a wonderful financial legacy, it needed to diversify its investments to ensure it could continue to offer intergenerational wealth and long-term sustainability. To initiate this process Royal Bafokeng Finance (RBF) was formed in 2004. The graphic on page 30 depicts the progress RBN has made in diversifying from a nation whose wealth was entirely invested in the mining industry to today, where only 15% of RBH's investment portfolio is in mining assets.

30



Financial capital continued



| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | | | | | |
|--|------|--|------|------|---|------|------|---|--|------|--|---|--|--|--|
| First stage of diversification of assets begins | | RBH is formed | | | Diversification grows as excess capital invested in non-platinum assets | | | | Diversification strategy confirmed in terms of Compact signed with RBNDT | | Roll out of diversification strategy continues | | | | |
| <p>RBF formed with the aim of diversifying and increasing the nation's sustainability by ensuring it is not totally reliant on its income from the mining sector and the platinum industry in particular</p> | | <ul style="list-style-type: none"> RBR and RBF merged to form RBH which will manage the nation's entire investment portfolio RBN exchanges its royalties for a 12% shareholding in Implats, which is listed on the JSE RBH acquires 100% of Fraser Alexander, 26% of joint venture Metuba Engineering and Construction, a 51% equity interest in Hard Rock Mining through Royal Bafokeng Capital, a 25.1% stake in Pasco Risk Management RBH participates in the Libstar formation | | | <ul style="list-style-type: none"> RBH purchases: <ul style="list-style-type: none"> shareholding in Zaptronix (providers of risk management services in the energy and mobile logistics field) 30% stake in Praxima (outsourced payroll and human resources services providers) 26% interest in MB Technologies (later increased to 55%) stake in logistics company DHL 12.5% interest in Metair (listed automotive component manufacturer) 25.1% interest in M-Tech (primarily provides services and solutions in the energy sector) RBH sells half of its interest in Libstar RBH increases its shareholding in the BRPM JV to 67% | | | <ul style="list-style-type: none"> RBH's shareholding in Zurich Insurance South Africa increased to 25.1% RBH and Thebe Holdings jointly acquire 5% in Vodacom SA, adding an interest in telecommunications to its portfolio RBplat is formed, takes over management of BRPM JV and lists on the JSE (RBH's interest in listed entity is 52.8%) RBH further increases diversification through acquisition of: <ul style="list-style-type: none"> 10.5% shareholding in Atterbury Investment Holdings (an unlisted property fund) 5% interest in restructured RMB Holdings (RMBH) and 4.9% interest in Rand Merchant Insurance Holdings (RMIH) RBH raises debt to further diversify and increase its investments in RMBH and RMIH to 15% in 2011 Zurich Insurance South Africa sold | | | | <ul style="list-style-type: none"> Property investment Atterbury Investment Holdings lists on JSE as Attacq RBH increases its investment in Attacq RBH increases its shareholding in M-Tech to 50.1% RBH sells its investment in Astrapak and MB Technologies | | <ul style="list-style-type: none"> RBH acquires: <ul style="list-style-type: none"> 16.7% interest in STANLIB infrastructure fund created to focus on renewable energy projects and infrastructure opportunities across Africa RBH follows its rights in the RBplat rights issue RBH acquires: <ul style="list-style-type: none"> an investment of R500m in New Europe Property Investments (NEPI) 30% interest in Continental Outdoor Media RBH invests in two renewable energy projects in round III REIPP programme RBH enters into a Joint Venture with Zenprop UK, to explore property opportunities in the UK RBH completes its exit of Metair, disposes of its shareholding in Merafe Resources and reduces its shareholding in Attacq | |

Financial capital continued

OUR APPROACH TO INVESTING

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

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

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

Our investment strategy commits us to long-term investment in like-minded companies with established track records, strong management teams and a competitive advantage. Paying a fair price for a top asset is part of our investment philosophy,

rather than purchasing a lesser quality asset at an attractively low price. Our need to be prudent means we strive to protect and grow capital and do not invest in start-ups.

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

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

Increasing our diversification into infrastructure through our long-term investment in MOGS also increases our investment in the energy sector, which has considerable potential for growth in both South Africa and the rest of Africa (see the section on MOGS on pages 39 to 45 of this review for information on how well-positioned it is both in South Africa and the rest of Africa in terms of providing oil and gas infrastructure). A strategic partnership, which was concluded in April 2016, positions both MOGS' mining services and oil and gas services well to capitalise on MOGS' attractive opportunities that South Africa and the rest of Africa present.

MOGS Mining Services (MMS) also has considerable potential to expand its delivery of mining services globally, through its subsidiaries that deliver services across the entire mining value chain (see page 42 of this review for more information).

62

42

INVESTMENT REVIEW 2015

In 2006, when RBH was first formed, the gross asset value of our portfolio was R22.4 billion and we received R124 million in dividends. When the global financial markets crashed in 2008 the value of our portfolio was reduced from R28.7 billion to R17.8 billion. Our efforts to increase the resilience of our portfolio through diversification saw the gross asset value of our portfolio increase to R41.2 billion as at 31 December 2014. Disappointingly, the gross asset value of our portfolio as at 31 December 2015 fell 20.5% year-on-year, however, we were able to make good progress with our diversification strategy, which should start bearing fruit in 2016.

The performance of our assets was affected to varying degrees by:

- global commodity prices falling on the back of slowing growth in China
- the first interest rate increase by the US Federal Reserve in nine years, which resulted in a significant outflow of foreign capital from emerging markets, including South Africa
- limited Eurozone support for South African exports
- the negative impact of the drought in South Africa on GDP growth
- the impact of higher interest rates, rising inflation and moderating levels of income growth on household consumption
- reduced growth in government spending to stabilise public sector debt and protect the country's sovereign credit rating from the increased risk of a downgrade.

Outperforming the All Share Index (ALSI)

The graph on page 35, which compares the cumulative total return performance of the RBH portfolio with the ALSI, shows that our portfolio of assets has outperformed the index since its inception in 2006.

We were delighted that, despite the challenging economic and business environment, we were able to meet our dividend commitments to our shareholder this year and we believe that our commitment to diversification will allow us to continue to do so.

During 2015 our investments in the platinum sector were badly affected by falling platinum group metal (PGM) prices and weak demand growth. Implats was most severely affected as it was also challenged by the increasing costs associated with deep level mining (see the table on page 27 for the performance of the platinum sector).

RBPlat's prudent approach resulted in the business preserving cash and maintaining a strong balance sheet. To achieve this, it scaled down activities at its organic growth project, Styldrift I. The company will continue to develop Styldrift I, but at a slower pace than previously intended, with Styldrift I expected to make a steadily increasing contribution to production during 2016. While RBPlat now aims to achieve ramp-up to full production at Styldrift I in 2020 its plans depend on market conditions not deteriorating any further.

35

27

Financial capital continued

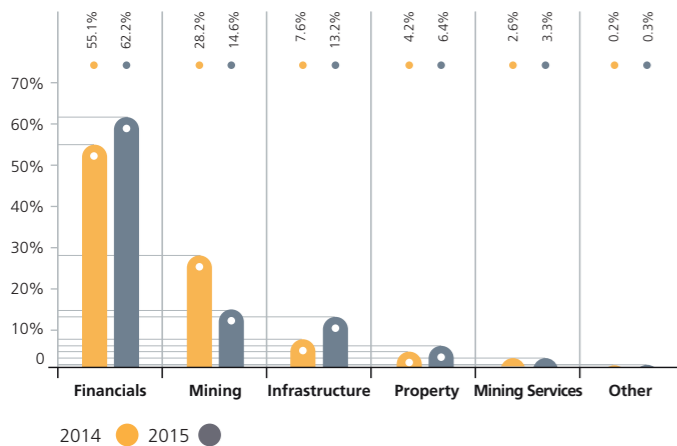
Our investments in the financial services sector continued to perform well with Rand Merchant Bank Holdings (RMBH) increasing its normalised earnings by 9% to R3.6 billion (2014: R3.3 billion). The RMBH interim dividend increased by 16% to 142.0 (2014: 122.0) cents per share.

Rand Merchant Investment Holdings (RMIH) indicated to the market during its year-end results in September 2015 that it expected 2016 to be challenging in view of the current difficult economic and business environment and its continued investment in strategic growth initiatives across its portfolio. RMIH delivered a 4% increase in normalised earnings for the six months ended 31 December 2015.

38

Our infrastructure investments in Vodacom SA and the STANLIB infrastructure fund both performed well. (See page 38 of this review for details of the performance of our portfolio.)

RBH portfolio diversification



Transactions

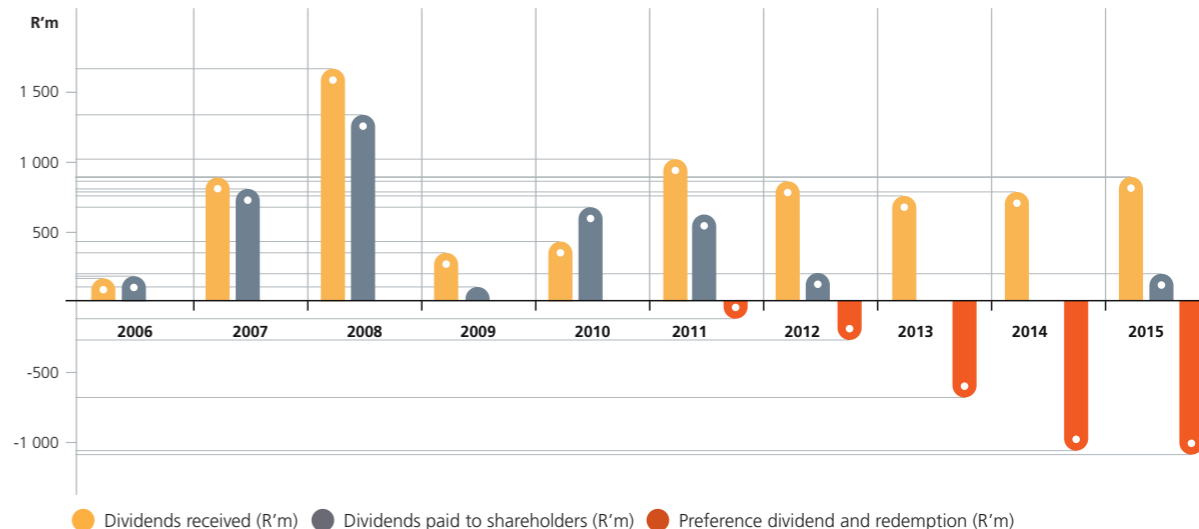
During 2015 we disposed of 2.2% of our holding in Attacq, our South African property investment. The proceeds from this sale funded our purchase of an interest in Zenprop, which has the additional advantage of increasing our geographic diversification. The proceeds from our disposal of our investments in Merafe Resources and Metair were used to fund a portion of our investment in NEPI and to reduce debt.

The 30% interest we acquired in Continental Outdoor Media during 2015 also increased our infrastructure portfolio. With operations throughout Africa this investment also adds to the geographic diversification of our portfolio. Our investment in two renewable energy projects in round III of the Renewable Energy Independent Power Producer Procurement programme (REIPPP) also contributed to the growth of our infrastructure portfolio.

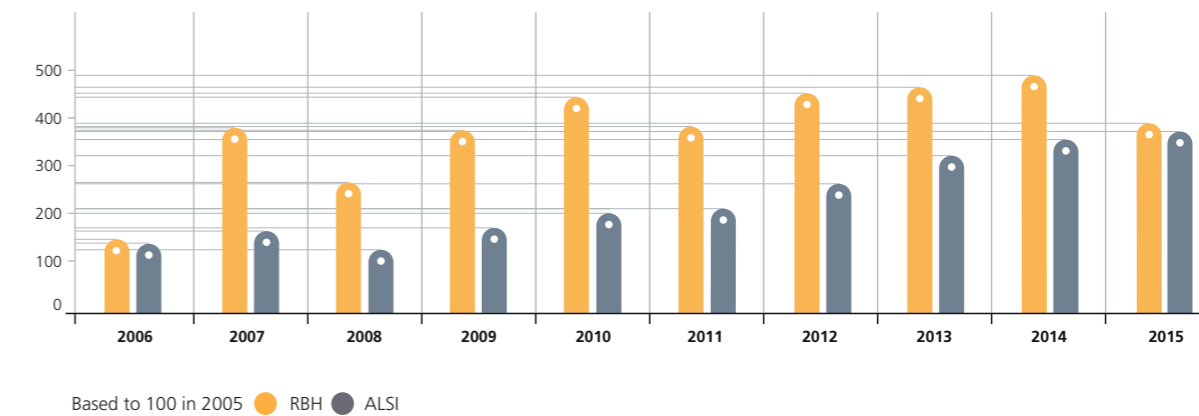
We continue to seek out and align ourselves with partners for our MOGS business who share the same vision of investing in long term infrastructure developments.

As our CEO has already advised, the negative economic environment and the need to better align with the portfolio objectives set by our shareholder, the RBNDT, further reinforced the need for us to diversify at a more rapid pace. In addition, in order to manage our risk and significantly reduce our debt in an environment of high volatility and increasing interest rates we have had to make some tough decisions, which included reducing our exposure in Implats to 6.3%, completed after year-end.

Dividend flow



Cumulative total return performance (Indexed to 100 in 2005)








Financial capital continued

Our portfolio as at 31 December 2015

| MINING | | 14.6% of gross assets |
|---|---|--|
|  | www.implats.co.za Actual interest 11.3% | Implats produces approximately 75% of the world's PGM supply. It mines, refines and markets PGMs, nickel, copper and cobalt. In 2015 it produced 1 276 000 ounces. |
|  | www.bafokengplatinum.co.za Actual interest 52.5% | Royal Bafokeng Platinum (RBPlat), a shallow depth platinum miner of Merensky and UG2 reefs, is an independent black-controlled company listed on the JSE (RBP), which operates the Bafokeng Rasimone Platinum Mine (BRPM), the BRPM JV concentrator and is constructing the Styldrift I project. |
| FINANCIAL SERVICES | | 62.2% of gross assets |
|  | www.rmbh.co.za Actual interest 15.0% | A focused investment company with a 33.9% stake in leading banking group FirstRand, which includes the following financial services franchises: Rand Merchant Bank, WesBank, Ashburton Investments and First National Bank. |
|  | www.rmih.co.za Actual interest 15.0% | RMI Holdings is a separately listed investment holding company. It holds a diversified portfolio of strategic investments in some of South Africa's premier insurance brands. Its investments include MMI Holdings (Momentum and Metropolitan), Discovery, OUTsurance and RMB Structured Insurance. |
| INFRASTRUCTURE | | 13.2% of gross assets |
|  | Vodacom SA (unlisted subsidiary of Vodacom) www.vodacom.co.za Actual interest 2.0% | A leading mobile telecommunications company providing voice, messaging, data and converged solutions. In South Africa Vodacom SA reported having 32.1 million active customers in 2015. |
|  | STANLIB Infrastructure Fund Actual interest 16.7% | The key focus of the STANLIB infrastructure 10-year close-ended fund will be renewable energy, as well as opportunities in water, power, transport, telecommunications and oil and gas infrastructure projects. The bulk of the fund will be channelled into South African infrastructure projects under development, with the remainder to be invested across sub-Saharan Africa. |
|  | Aurora and Paleisheuvel projects Actual interest 30.0% | RBH is invested in two Enel-sponsored solar PV renewable energy projects, Adams Solar PV Project Two (Pty) Ltd (Aurora) and Electra Capital (Pty) Ltd (Paleisheuvel). The projects are currently under construction and will reach commercial operation date in December 2016. |
|  | www.continentaloutdoor.com Actual interest 30.0% | Continental is a leader in outdoor advertising in Africa and its footprint spreads across fourteen countries in the African continent. |

Our portfolio as at 31 December 2015

| PROPERTY | | 6.4% of gross assets |
|---|--|---|
|  | www.attacq.co.za Actual interest 9.2% | Attacq is a leading South African capital growth fund in the real estate sector, which holds property assets in South Africa, the rest of Africa and Europe. It focuses on sustainable capital appreciation through the development and ownership of a balanced portfolio of properties with contractual income streams. Capital appreciation is supplemented by development and redevelopment profits made within the company. |
|  | www.zenprop.co.uk Actual interest 50.0% | RBH has established an exclusive partnership with Zenprop UK, a leading real estate advisory, development and management business with investments in niche property classes across the UK and continental Europe. RBH has made an initial equity investment commitment of £26 million to this partnership. |
|  | www.nepinvest.com Actual interest 1.2% | NEPI plc is a commercial property investor and developer listed on the main board of the Johannesburg Stock Exchange Limited (JSE), the regulated market of the Bucharest Stock Exchange (BVB) and the Alternative Investment Market (AIM) of the London Stock Exchange (LSE). RBH has invested R500 million through a capital raise on 5 October 2015. |
| MINING OIL AND GAS SERVICES | | 3.3% of gross assets |
|  | www.mogs.co.za Actual interest 51.0% | Mogs is a South African-based company created by RBH in 2007 to invest in oil and gas services businesses in Africa and the Middle East. |
|  | www.mogs.co.za Actual interest 51.0% | The Mogs Mining Services group is invested in eight businesses, which together offer an integrated mining services platform. |
| OTHER | | 0.3% of gross assets |

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

Financial capital


continued


| RBH portfolio (R million) | 2015 | YOY% change | 2014 | YOY% change | 2013 | YOY% change | 2012 | YOY% change | 2011 |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| Market value of listed investments | 27 024 | -27 | 36 969 | 6 | 34 847 | 1 | 34 352 | 16 | 29 505 |
| Impala Platinum | 2 081 | -67 | 6 298 | -38 | 10 223 | -27 | 13 938 | 0 | 13 909 |
| Royal Bafokeng Platinum | 2 701 | -49 | 5 341 | -3 | 5 526 | 3 | 5 385 | 5 | 5 151 |
| RMB Holdings | 11 776 | -14 | 13 624 | 33 | 10 238 | 19 | 8 618 | 49 | 5 781 |
| RMI Holdings | 8 627 | -5 | 9 106 | 49 | 6 117 | 33 | 4 586 | 54 | 2 986 |
| Attacq* | 1 180 | -32 | 1 733 | 24 | 1 402 | 96 | 714 | 11 | 643 |
| New Europe Property Investments | 659 | nm | - | - | - | - | - | - | - |
| Merafe Resources (disposed) | - | - | 677 | 15 | 591 | 19 | 497 | -25 | 663 |
| Metair (disposed) | - | - | 190 | nm | 750 | 22 | 613 | 65 | 372 |
| Directors' valuation of unlisted investments | 5 765 | 35 | 4 263 | -6 | 4 521 | 13 | 5 201 | -5 | 5 456 |
| Vodacom SA | 3 537 | 17 | 3 013 | -8 | 3 261 | 4 | 3 134 | 23 | 2 550 |
| MOGS | 1 080 | 2 | 1 060 | -13 | 1 218 | -22 | 1 559 | 2 | 1 530 |
| Continental Outdoor Media | 568 | - | - | - | - | - | - | - | - |
| Zenprop | 276 | nm | - | - | - | - | - | - | - |
| STANLIB Infrastructure Fund | 195 | 91 | 102 | - | - | - | - | - | - |
| Enel Green Power RSA (two projects) | 16 | nm | - | - | - | - | - | - | - |
| Other | 93 | 6 | 88 | 108 | 42 | -92 | 508 | -63 | 1 376 |
| Gross asset value | 32 789 | -20 | 41 232 | 5 | 39 368 | 0 | 39 553 | 13 | 34 960 |
| Cash and cash equivalents | 1 486 | nm | 243 | - | - | - | - | - | - |
| Less: Liabilities | 9 293 | 2 | 9 103 | -3 | 9 385 | -6 | 9 986 | -3 | 10 251 |
| Preference shares | 7 576 | 5 | 7 191 | -7 | 7 751 | -2 | 7 884 | 4 | 7 609 |
| Non-recourse debt | 1 717 | -10 | 1 911 | 17 | 1 634 | -22 | 2 102 | -20 | 2 642 |
| Net asset value | 24 982 | -23 | 32 373 | 8 | 29 983 | 1 | 29 567 | 20 | 24 709 |

*RBH reduced its stake from 11.2% to 9.2% in 2015
nm=not meaningful

MOGS

MOGS Oil and Gas Services was created by RBH in 2007 to diversify its investment portfolio through investing in mining services and oil and gas infrastructure. MOGS comprises two strategically important divisions:

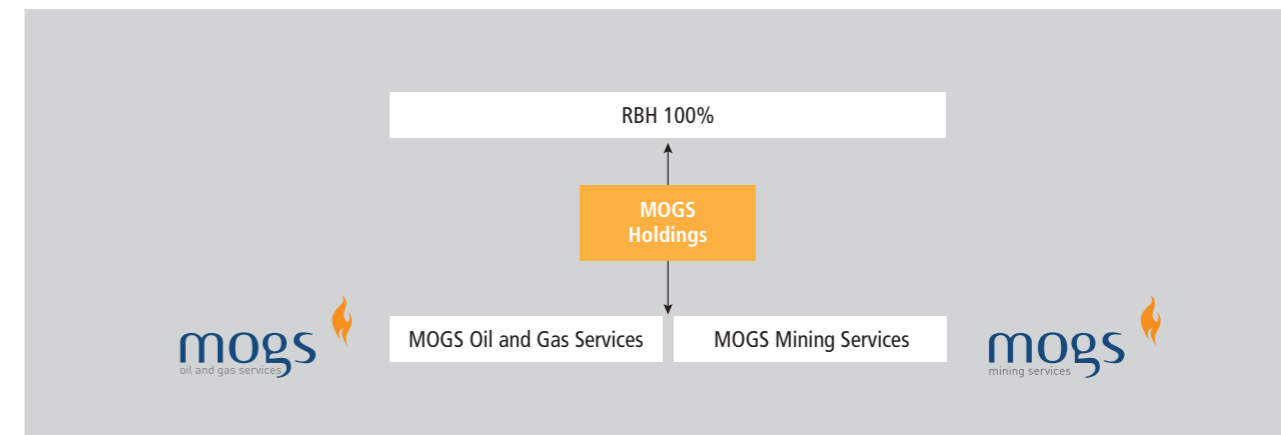
 which provides services to the oil and gas industry; and

 which provides services and products across the mining value chain

Both of these businesses also provide opportunities to diversify geographically.

Partnering for growth

The majority of MOGS' businesses require patient capital, and in particular the infrastructure projects of MOGS Oil and Gas Services. As a result, they require an equity partner with a strong balance sheet, who shares the same vision of investing in long-term infrastructure that will provide its investors with a moderate yield long-term asset.



Financial capital continued



POSITIONED FOR GROWTH

Our objective is to provide and operate oil and gas infrastructure addressing fuel security and the efficient handling of the fuels, rather than owning the product.

Oil and gas infrastructure

In our 2014 review we advised that MOGS Oil and Gas had acquired a 60% shareholding in the Sunrise Energy (Sunrise) liquefied petroleum gas (LPG) open access import terminal, which can be used by any gas importer, distributor or downstream user for the importing of LPG.

Sunrise has been awarded all the necessary licences from the National Energy Regulator of South Africa (NERSA), which include a construction and operating licence, and NERSA has also approved its pipeline and storage tariffs. This project will alleviate the severe gas shortages experienced in the Western Cape region, providing a source of low cost energy for heating

and cooking to those without access to electricity and a secure source of gas to industry in the region.

Construction of the terminal in the port of Saldanha commenced in 2015 with both the offshore and onshore segments contracted. It is scheduled to be operational in the second quarter of 2017. Not only is the port of Saldanha ideally located on the transit route for all major shipments of oil and gas from South America and West Africa, but it is one of the few natural deep ports on the continent, making it ideal for handling large vessels.

The Sunrise Energy facilities include a multi-buoy mooring (MBM) system located in Big Bay, Saldanha, for the offshore mooring of the LPG vessels. The vessels will be offloaded via a subsea and overland pipeline to the onshore terminal where the product will be blended and odourised to specification before being despatched. Offshore loading through the MBM is the most efficient way to bring ships in and out of ports as it avoids queuing to enter the harbour and it also avoids the dangers of offloading gas at a quayside point in a mixed use port.

Phase 1 of the terminal includes 5 500 tonnes of storage in pressurised vessels. The five pressurised vessels to be used to store the LPG for Phase 1 of the project, known as bullets, are being manufactured in South Africa. At 7 metres in diameter and 67 metres in length, they are the largest bullets ever produced in the southern hemisphere. The terminal's modular design allows for its capacity to expand to 16 500 tonnes of LPG.



The second infrastructure project in which MOGS Oil and Gas Services is a shareholder is Oiltanking Mogs (OTMS), which will be constructing a crude oil storage and blending facility, also in the port of Saldanha. MOGS has a 50% shareholding with Oiltanking, a German-based company that is one of the biggest providers of tankage services globally. The skills and expertise of Oiltanking and MOGS complement each other. The joint venture already has environmental approval for a crude oil storage facility in Saldanha Bay, a NERSA construction licence and tariff, and ownership of the land on which the facility will be constructed. Some of the biggest oil traders and oil majors globally have already signed up to have their crude oil stored and blended by OTMS.

MOGS is pursuing a third project in Mozambique, through its subsidiary Consolidated Oil Gas (COGS), a local Mozambican company. The project, in northern Mozambique, includes supplying infrastructure and services to the companies drilling offshore for gas, as well as providing services and product into Palma and Pemba once the LNG project is completed. COGS has also conducted a feasibility study into the possibility of building a fuel pipeline to service certain SADC countries.

The fourth project is a partnership between MOGS and Black Rhino, an infrastructure development company acquired by global asset management firm, Blackstone, with the view to build a fuel pipeline that will supply the rapidly growing Ethiopia with much-needed fuel. The next phase of this project will be to complete the bankable feasibility study and make investment decisions.

We are also in the pre-feasibility phase on our fifth project, a potential infrastructure project in Ghana, which is similar to the Sunrise project. We are very excited about the partnership in Ghana and aim to over time invest time and funds into that region.

MOGS is very proud of the impact its projects will have on the region from a fuel security point of view and the positive impact these projects will have on the communities in which they are positioned.

Oil and gas pipeline rehabilitation

MOGS completed pipeline rehabilitation work in Qatar during 2015 and is now starting to contract services into Iran, where we are opening a MOGS office aimed at providing services to the oil and gas fields and their mining industry.

Financial capital
continuedPROVIDING MINING SERVICES
AND PRODUCTS

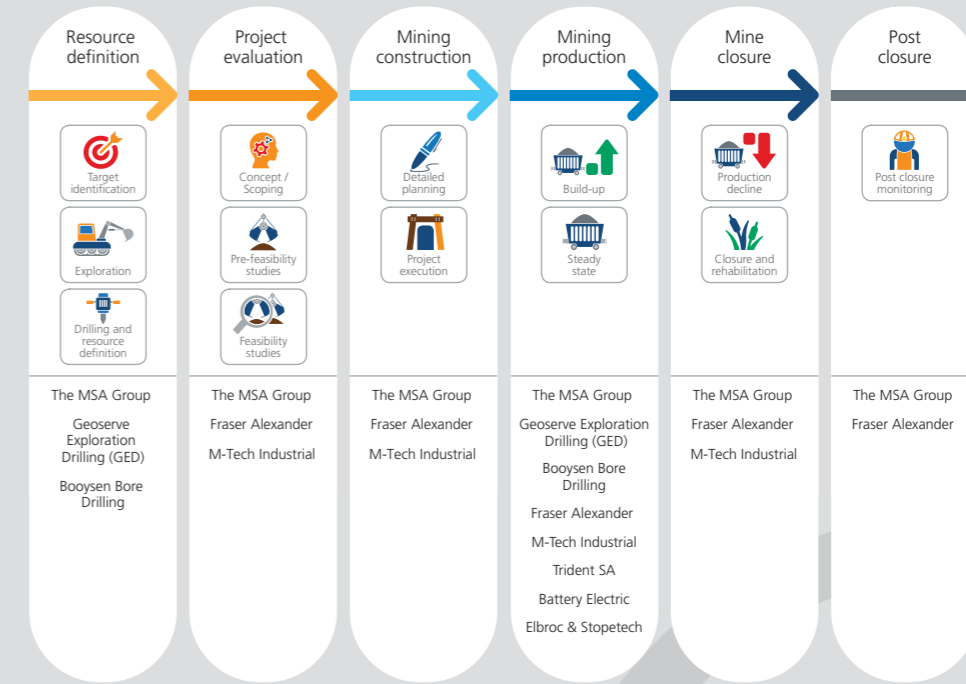
MOGS Mining Services (MMS) services the entire mining value chain from consulting and contracting to exploration, feasibility and operations to rehabilitation and mine closure. MOGS Mining Services employs over 5 000 people, and operates in 40 countries on five continents and throughout Africa. The graphic alongside illustrates how our companies serve the mining value chain.

The companies that make up MOGS Mining Services are all profitable and performing well, which is an achievement considering the poor state of the mining industry globally. MOGS Mining Services believes that this is due to the excellent people in these businesses and the proactive, dynamic and innovative approach of our businesses to ensuring their mix of services is relevant to the market. We invest in businesses based on the entrepreneurial nature of the people who run them and having invested in them, we support their growth and development. Not only did all our businesses make a profit in 2015 but they have also budgeted for further growth in 2016, despite the gloomy outlook for growth in the industry they serve.

Our growth markets in 2015 were Africa overall, the Middle East and South America. In addition to growing our business in these markets MOGS Mining Services will also be focusing its business development initiatives in Africa, Europe, Eastern Europe and Russia during 2016, where the style of mining suits a number of our products and services.

The MOGS Mining Services family of companies covers the entire mining lifecycle from exploration to production to post closure activities. We are working to increase the synergies between our businesses to ensure that they leverage off each other as much as possible. These synergies allow us to offer our clients an integrated suite of services that is more cost effective for them and also allows for one point of accountability, if required. Our clients have responded well to this approach.

Wholly owned subsidiary Fraser Alexander, which operates in over 15 countries and makes up 60% of MOGS Mining Services' revenue, went through a period of consolidation in 2015 under the leadership of experienced mining engineer CEO Velile Nhlapo. This included rationalising the regional and head office structures of its four divisions and adopting a centralised shared services model for human resource and financial functions.



An important change, which supports the MOGS Mining Services strategy to leverage off synergies in our group companies, of which Fraser Alexander's growth and collaboration strategy is a key element, is the consolidation of Fraser Alexander's group business development and marketing functions under an Executive Head: Group Business Development. The four operating divisions (tailings, construction, bulk mechanisation and minerals processing), which retain their autonomy with regard to their operational service offerings and their own business development activities, have been consolidated under two operational executive heads.

Financial capital continued



www.fraseralexander.co.za

The consolidation in Fraser Alexander is intended to achieve increased focus and cost savings, and to deliver on the MOGS Mining Services objectives of leveraging off synergies to provide our clients with cost effective, integrated suites of products.

To support the considerable change that has taken place at Fraser Alexander it has embarked on a transformation and culture change journey: *Siyathuthuka* (We are prospering), which is aimed at aligning the organisation's behaviour and values with its new operating model,

the goal of creating 'ONE Fraser Alexander' and embedding a common language and behaviour around diversity and inclusion. Another key objective of this process is establishing a corporate culture that can respond efficiently to market changes, and attract and retain talent and new business opportunities.

MOGS Mining Services remains competitive globally, both in terms of quality and price. This is a testament to the competitiveness of South Africa's human capital and its industries. Ensuring we have the skills we need is always a challenge, so we will continue to work hard to ensure that we care for the people who work for us, provide them with a good and safe working environment, incentivise them well and invest in their development.



04 our performance productive capital

Productive capital includes the material goods and infrastructure owned, leased or controlled by an organisation that contribute to production or service provision, but do not become part of its output. It is important to the sustainability of an organisation. The efficient use of productive capital allows an organisation to be flexible and innovative, and to increase the speed of its delivery.

As set out in RBH's business model the productive capital RBH particularly relies on is the systems and technology it requires to run its business and the office infrastructure it requires to conduct its business. Its expenditure on productive capital and its efficient management of its investment in productive capital allows it to run an effective and efficient business and contributes to its ability to achieve sustainable long-term growth for its shareholders.

04 our performance intellectual capital

We recognise that intellectual capital is a real business asset, however, measuring it can be difficult. We see it as stemming from:

Intellectual property

The knowledge and expertise that resides in the way things are done in a business, which includes its use of systems, procedures and protocols.

The key elements of our intellectual capital are:

- Our ability to establish successful relationships with our stakeholders (refer to page 60 of this report for details of our achievements in this regard)
- The skills and experience of our investment team and support functions
- Our ability to adapt to a changing business environment, reinvent ourselves, achieve cost efficiencies and the courage to make tough decisions.

04 our performance human capital

'mabogo dinku a thebana' –
together we can

Human capital incorporates the health, knowledge, skills, intellectual outputs, motivation and capacity for relationships of an organisation's employees. Organisations need a healthy, motivated, skilled and happy workforce in order to function.

We, the people of RBH, believe in and share the vision of a sustainable, innovative community as part of the Bafokeng community's journey towards sustainability. We understand that all our efforts contribute to the attaining of this vision.

OUR APPROACH TO MANAGING OUR PEOPLE

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

Our approach to managing our people is based on international best practice, upholding the United Nations (UN) Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Our philosophy when attracting talent is that the employee must fit in with the culture of the organisation and have the right kind of motivation.

OUR EMPLOYEE VALUE PROPOSITION

We strive to create an employment experience that is based on values with which our employees can identify. Our focus is on retaining and attracting employees by ensuring we understand their needs and work preferences.

We believe in creating a culture that nurtures talent while ensuring that our rewards are linked to performance. RBH is committed to rewarding its employees fairly and incentivising performance through medium- and long-term incentives. We regularly benchmark our remuneration to ensure it is market-related. Our reward philosophy is transparent and employees are aware that rewards are linked to performance. While our employees' performance is managed and tracked through bi-annual formal performance reviews, ongoing informal conversations between managers and their teams throughout the year are encouraged.



DIVERSITY

We acknowledge and respect that our employees are different ages and that they come from different cultural backgrounds. We take this into account when designing the benefits and culture we would like to create. Over and above a pleasant working environment we offer our employees fringe benefits, medical aid, retirement benefits as well as group life and disability cover and flexible working hours.

Our employees are the key determinant of our success. The aim of our ongoing engagement with our employees is to ensure we all share the same vision, values and culture and are committed to delivering in terms of our Compact with our shareholder.

TALENT MANAGEMENT

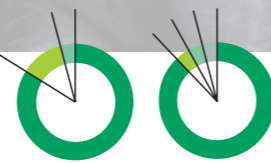
Gender breakdown of our employees as at 31 December 2015



2014
67% female
33% male

2015
51% female
49% male

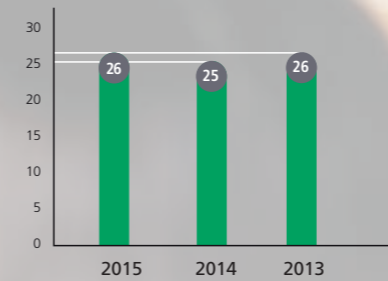
Racial breakdown of our employees as at 31 December 2015



2014
84% african
12% white
4% coloured

2015
91% african
3% white
3% coloured
3% indian

Employee statistics



2015 figure is as at 31 December 2015

Racial and gender breakdown of our employees as at 31 December 2015

| Occupation level | Number | Gender | | Race | | | |
|---|--------|--------|--------|---------|-------|----------|--------|
| | | Male | Female | African | White | Coloured | Indian |
| Top management | 2 | 1 | 1 | 1 | | 1 | |
| Senior management | 5 | 1 | 4 | 4 | 1 | | |
| Professionally qualified and experienced specialists and middle management | 6 | 4 | 2 | 5 | | | 1 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 9 | 4 | 5 | 9 | | | |
| Semi-skilled and discretionary decision-making | 1 | | 1 | 1 | | | |
| Unskilled and defined decision-making | 3 | | 3 | 3 | | | |

BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSFORMATION

RBH is committed to remaining a transformative Black Economic Empowerment (BEE) partner of choice, adding both material and strategic value to our various partners. To maintain our position of offering real transformation we have a strategy and implementation plan that ensure that there is real transformation in our communities. This strategy is mostly driven through our sole shareholder, the RBNDT, who ensures that there are clear plans for sustainable social programmes at grassroots level. Our aim is to create long-term sustainable initiatives touching the hearts of our community while remaining compliant with the B-BBEE Codes of Good Practice.

Human capital continued

RBH also invests in the transformation of our community with the aim of making it independent and able to stand on its own.

The 'Class of' programme

The 'Class of' is a 12-month internship programme, which was officially launched in 2010. It affords graduates an opportunity to gain workplace experience. Some of the graduates who participated in the programme were able to secure permanent employment with their host companies and others informed us that although they did not secure employment they had gained experience from being on the programme and were better equipped for the workplace.

We would like to acknowledge and thank the companies in which we are invested and RBN entities for affording these learners an opportunity to be trained and mentored by them and in some cases obtain permanent positions.

Since the programme started 126 graduates have enjoyed various internships. In 2015 we were able to secure internships for 37 Bafokeng graduates.

The *Thutopele* learnership programme

Thutopele, which means education first, was first launched in September 2014. It is a learnership programme, which offers matriculants the opportunity to obtain an accounting-related qualification. RBH enrolled

20 learners in the Institute of Certified Bookkeepers (ICB) learning course, which was an NQF level 3 qualification. RBH then reviewed the programme after eight months, which included looking at how the programme was designed in terms of its theoretical and practical components, and how the learners coped with it. RBH decided to change the programme to an Association of Accounting Technicians (AAT) qualification offered by Oxbridge Training.

In 2016, in the second year of the learnership, the learners will be enrolled for the level 4 NQF qualification, a far more advanced qualification. The course is structured in such a way that the learners will be fully prepared for the practical world of work and to become young professional bookkeepers.

We hope that at the end of this two-year programme our learners will also become full AATs and become members of AAT (MAAT) which will give them MAAT technician status. The AAT is sponsored by the Association of Chartered Certified Accountants (ACCA) and a number of other accounting bodies. We would like to thank Oxbridge Training for providing the training, which has given these learners such a wonderful opportunity. We would also like to thank the Royal Bafokeng Institute's engineering school for accommodating the *Thutopele* learners. In seTswana we say '*mabogo dinku a thebana*' – together we can.

We believe these initiatives are helping to build the future of the Bafokeng community.

EMPLOYEE WELLNESS

A wellness programme has been designed for RBH by ASI. Our employees' health is assessed by ASI and a range of wellness interventions is available to them.

RBH recognises that healthy employees are an advantage to our business because it means that our employees are fit to work at their full potential and absences due to sickness are reduced. Our wellness initiatives are aimed at encouraging our employees to maintain a healthy lifestyle, which will reduce absenteeism, and increase productivity and performance. They are also aimed at enhancing the quality of life of our employees by providing them with information that will enable them to make the best possible life choices and lifestyle changes.

As part of our ongoing commitment to the health and wellness of our employees, RBH, in partnership with Discovery Health, also conducts a wellness day annually during which Discovery's health professionals provide our employees with basic health screening and advice on nutrition, etc. Discovery also advises employees which medical aid plan is best suited to their needs.

04 our performance social and relationship capital

*'Bana ba motho ba kgaogana
tlhogwana ya tsie'*

(With the little that we have,
we have to share among each other)

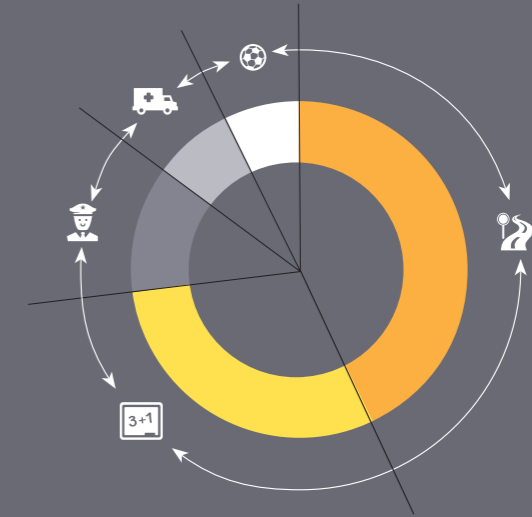
Social and relationship capital is defined in the IIRC's <IR> Framework as the ability to share information and to enhance individual and collective well-being. RBH's key commitment is to uplifting and creating the intergenerational wealth that will reshape the future of the Bafokeng Nation as a relevant and innovative traditional community, both in terms of our role as an investment company and our corporate social investment (CSI) role. To ensure we can achieve our CSI commitment we need to be innovative in finding ways to increase our ability to have a positive impact on the socio-economic development of the Bafokeng community. This includes our efforts to establish partnerships with companies in which we are invested and other like-minded businesses to grow CSI investment that will drive a positive change in our communities through job creation, infrastructure development, access to quality education as well as women and youth empowerment.

The RBNDT spends an estimated R600 million annually to address the socio-development needs of Morafe (community). This spend is in line with the nation's priorities, as per the Tswana idiom *'Bana ba motho ba kgaogana tlhogwana ya tsie'* (With the little that we have, we have to share among each other).

RBH, as one of the RBNDT's commercial entities, also has a role to play in enhancing the budget spend of the Trust, and mostly in unlocking partnership funding.

RBNDT spend in 2015

- 43% infrastructure
- 30% education
- 12% security
- 8% health and social development
- 7% sport



RBH's CSI spend in 2015 enhanced the RBNDT programmes

Health and Social

- **R2 000 000:** Godisanang OVC afterschool care and feeding scheme
- **R2 000 000:** Phokeng Trauma Centre – Crisis debriefing, victim protection and empowerment

Education

- **2015**
- **R1 000 000:** Funded 3 teachers for impacting 320 learners
- **R1 005 530:** Career Guidance that impacts 14 teachers, 294 learners
- **R200 000:** ECD 42 centres, 1 826 children, 159 staff, improved teaching aid and nutrition
- **R387 000:** T-System funded 10 learners studying electrical engineering for two years
- **2016**
- **R600 000:** Extra maths and science classes
- **R800 000:** Career guidance
- **R410 000:** Samsung post matric support

Enterprise development

- **R176 303:** Siyabonga Africa bakery projects – enterprise development support

Sport

- **R800 000:** Soccer clinics
- **R984 960:** Community fitness programmes
- **R161 090:** 240 children empowered with lifeskills during soccer clinics

RBH's corporate social investment spend of R7 032 457.39 was assured by PricewaterhouseCoopers. The main priority areas of RBPlat's corporate social investment are defined as: poverty alleviation, education, health and income generation.

Social and relationship capital continued

As such, in 2015 RBH's role in building a stock of Social capital for the Bafokeng nation became three-fold:

- Our central role of protecting and managing the Royal Bafokeng community's wealth to provide reliable intergenerational income and capital growth
- Supporting the community's efforts in finding sustainable partnerships and funds by engaging with potential partners who share the same aspirations to meet the community's developmental needs, establishing mutually beneficial partnerships and also helping to raise funding for these causes
- The contribution we make to enhance the socio-economic development of the Bafokeng community through our corporate social investment (CSI) programme.



28

Our performance in terms of building a stock of Social capital through our investment strategy is addressed under Financial capital.

The contribution made by our CSI programme to enhance the Trust's spend

During 2015 we followed the three strategic priorities we had established through consultation, research and the need to meet our commitments in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Code of Good Practice (the Codes).

These are:

1. education
2. enterprise development
3. sport.

Education

During the year our investment in education was expanded to include early childhood development, which will allow us to contribute holistically to the education and development of members of our community.

58

During 2015 we focused on informal crèches in the community. We provided training for the women running them; where required we upgraded toilet facilities and ensured the facilities were safe. Our employee volunteer programme has played an important role in assisting with the support of these early childhood development centres. Our volunteers focused on assisting with a centre in Rustenburg, previously a government-run institution no longer run or funded by government. We repaired and upgraded the infrastructure, which was badly in need of attention, provided furniture and storage and trained the personnel running the centre. With the assistance of the Department: Agriculture we started a vegetable garden, taught the centre how to maintain the garden and use the vegetables they grow to feed the children and earn revenue for the centre. The aim is for them to use the revenue from the sale of vegetables to help the centre become more sustainable. We recognise that if a project is to become sustainable it needs constant monitoring and support until it has achieved sustainability, which our employee volunteers continue to provide.

Our partnership with the Department: Education and Royal Bafokeng Platinum (RBPlat), who funded the salary of a maths and science teacher at Charora High School, a government school, and provided a new science lab and maths classroom, has begun to achieve not only an improvement in the number of learners studying maths and science but also a substantial improvement in the maths and science marks of the learners. The school of 1 000 learners had only 22 maths learners in 2012, which has increased to 216 in 2015. The school also achieved its first distinction for mathematics in matric during 2015. RBPlat also contributes to the salary of the Chief Operating Officer (COO) of the Royal Bafokeng Institute (RBI), which is responsible for education in the Bafokeng community, as well as supporting the management and teachers at Charora High School. The COO is also focusing on the four RBI primary schools in the community, where 81 teachers currently teach 3 631 learners. The COO has identified the need to address the educational challenge Grade 4 learners face. Learners are taught in their mother tongue until Grade 4 when they have to start learning in English. This has resulted in a major setback, nationally, to the performance of Grade 4 learners and their maths performance in particular is affected. To support these learners the project is addressing their language skills.



Social and relationship capital

continued

These schools also need assistance with school management and governance. Sixteen heads of departments and five principals are receiving continuous development and support, while 54 school governing body members are also receiving ongoing training.

We are encouraged by the difference this project has made. While RBPlat has had to considerably reduce its social and labour plan (SLP) spend this year, it has committed to continue funding its involvement in Charora High School throughout the five years of its new SLP.

Impala Platinum (Implats) has also invested in a school support programme as part of its social and labour plan. The aim of this programme is to improve numeracy and literacy teaching at four primary and four high schools in the Implats mining lease area around Rustenburg. The programme uses experienced retired educators to provide constructive advice and guidance and material support to the teachers in these schools.

Implats, in partnership with the Impala Bafokeng Trust (IBT) and the North West provincial government, invested R40 million in the construction of the Sunrise View primary and high schools. In total the project cost R86 million. (The IBT was created in 2007 by the RBN and Implats to augment the CSI commitments of both parties between 2007 and 2016. Each party contributed R170 million to the trust, whose board members comprise four Implats members and four RBN members.)

An important element of our education efforts is the career fairs we hold every year and in which our employees, as part of our employee volunteer programme, participated. This year we did not only focus on our own communities. We held a career fair in Phokeng, and participated in another two; one in Hammanskraal and the other in Limpopo. The fairs gave us the opportunity to share career information

with other communities and the fairs also gave us an opportunity to educate them about RBH.

Enterprise development

The focus of our enterprise development programme has been on youth enterprise development training and mentoring. In partnership with Royal Bafokeng Enterprise Development (RBED) we ran a workshop on fundraising for local entrepreneurs.

We also supported the Siyabonga Africa bakery project, which is a cooperative in which eight women, two men and five youths participate. We renovated the building, installed equipment and trained the members of the cooperative.

RBH also supported RBED with programmes to develop 100% black owned beneficiaries. Forty-four businesses were assessed as possible participants, of whom 16 were selected to participate in the incubation programme. The process of incubating the selected businesses is already well advanced. The programme participants took part in the My Business expo, a one day expo that incorporated the Business start-up expo, the Access to Finance Indaba, My Business Seminars and the world famous Buzz Party. They also attended More to Life workshops, SMEAsy training for SMMEs and model training for cooperatives and marketing workshops during 2015. The RBED's sponsorship of 10 SMMEs made it possible for them to exhibit at the Rustenburg show where they showcased their products and had access to potential clients.

Businesses who participated in the show received requests for quotes. Also, as part of the programme 11 entrepreneurs were exposed to procurement opportunities at a Smart procurement workshop and a further 14 SMMEs attended the Business Opportunities and Franchise

Entrepreneurs (BOFE) expo in September 2015. Seven of the SMMEs were also able to showcase their mining-related products and service to mining houses at the Rustenburg Mining and Technical Expo (Minex).

The RBED has also embarked on a project to assist youth-owned business. The RBED hopes to use this project to provide free Wi-Fi to communities. The pilot phase of the project, which will create 21 jobs, went live in February 2016. To facilitate the pilot RBED funded 21 Wi-Fi units.

Fundraising and partnership collaboration

We worked with the Royal Bafokeng Administration (RBA) to establish fundraising objectives, review key fundraising challenges and solutions and identify potential funders. The current economic climate has increased the challenge of fundraising. We also have the challenge of overcoming the incorrect impression many potential partners have that the RBN has sufficient financial resources to meet its developmental needs and therefore does not need assistance.

While we are making slow progress in this area a number of possible learnership opportunities for young people from the community were discussed. These include learnerships in aviation. We are also negotiating places for Phokeng entrepreneurs on entrepreneurship courses and mentoring programmes.

Our partnership with the Services SETA resulted in 15 unemployed graduates from the community being included in the SETA's internship programme in June 2015. We were able to pilot a training programme for teachers in two early childhood development centres and 400 learners participated in a 'learn to save' initiative with Ubank through its Star saver programme.

The company the RBN commissioned to profile some of its most important projects had, as part of its contract, to train young community members to conduct interviews, gather information and write it up. Having gained these skills these young people will in future prepare these profiles. They are also equipped to gain employment from local mining operations requiring these skills.

Social and relationship capital continued

RELATIONSHIP CAPITAL

At RBH we see our stakeholder engagement role as not only addressing RBH's relationships with its stakeholders and building relations based on mutual trust. We are also cognisant of the role we need to play in supporting our community by proactively telling our story and the lessons we continue to learn as we reshape our future. While reputation management will always be a key objective of our stakeholder engagement strategy, we are mostly proactive in building trust, raising awareness about our story and identifying and aligning with those who share the same values.

Through the transformation, social and ethics board subcommittee, we have spent time establishing the key concerns and interests of our stakeholders. We also conduct a media perception audit biannually.

We have made good progress with achieving the objectives of our communication strategy during 2015, which includes:

- building relations with our key stakeholders through tactical proactive campaigns
- focusing on proactive strategic reputation management projects
- proactively protecting RBH's reputation through regular engagement and education around RBH's diversification strategy and key positioning messages
- protecting RBH's reputation as the empowerment partner of choice
- improving our communication and engagement with the companies in which we are invested.

Our interaction with external stakeholders

The **members** of the public and **media** are interested in learning about our story and understanding how our investment narrative and philosophy helps the wider RBN community. To do this we embarked on a targeted engagement campaigns and found innovative ways to relay our story. Part of telling our story is also being proactive in addressing shortcomings around coverage of RBH's deals and the RBN's social development achievements and challenges. To improve the media's knowledge and understanding regarding RBN we also arranged media visits to Phokeng.

We also assisted **RBN's service delivery entities** to engage with various funders, government and the SETAs to support the RBN's efforts to establish mutually beneficial partnerships and possible collaboration in connection with education, infrastructure development and skills development. Information on what has been achieved through these engagements is to be found in Social capital: Interaction with the investment community.

Promoting understanding

Ensuring that the companies in which we are invested, as well as the companies with which we wish to collaborate, but in whom we are not invested, have a clear understanding of the RBN, its history and its current development needs and goals is an important objective of our stakeholder engagement strategy.

To this end we held events to formally introduce the RBA to companies from both these stakeholder groups with the aim of giving them a better understanding of the RBN and Phokeng, exploring possible collaboration and synergies, creating engagement platforms, seeking

57

to develop opportunities for these companies to fundraise on our behalf and to give back to the Bafokeng communities and to dispel rumours that the Bafokeng's developmental needs are already fully met. Attendees were introduced to the Bafokeng story, a young person from the community was the programme director and a community project was visited.

Internal stakeholders

Our board and management team regularly engage with and report to our shareholder. RBH organised a site visit to RBPlat's Stylrift I project and its employee homeownership scheme for the board of trustees of our shareholder, RBNDT.

We have also engaged with the various RBN entities to establish a better understanding of their needs and how we can support them and to provide them with information on RBH.

The RBH employee volunteer programme has also been helpful in facilitating engagement between the Bafokeng community and RBH. To keep our employees informed, in addition to publishing an employee newsletter, our CEO regularly engages with all our employees and provides them with feedback on resolutions taken by the board.



05 transparency and accountability

We believe that good corporate governance not only protects, but also adds value to RBH and its stakeholders.

OUR APPROACH TO CORPORATE GOVERNANCE

Our board ensures that the company's policies and procedures support effective governance and that RBH continues to take steps to enhance our governance structures, policies, processes and procedures and ensure they are aligned with the King Code of Governance Principles (King III) and that they meet the requirements of the Companies Act.

The Compact signed between RBH and RBNDT, the holder of all RBH's issued share capital, covers RBH's undertakings in terms of:

- financial matters
- general governance matters
- how we report to the RBNDT
- RBH's attendance at RBNDT and RBN meetings
- an investment policy statement approved by the RBH board of directors
- a conflict of interest policy, which provides guidelines for both directors and employees
- our investing code of conduct
- our code of ethics.

Our governance is aligned with King III which includes our board charter and its committees' terms of reference, our memorandum of incorporation and our long-term performance-related incentive scheme.

Royal Bafokeng Nation Development Trust

Royal Bafokeng Holdings Board of Directors

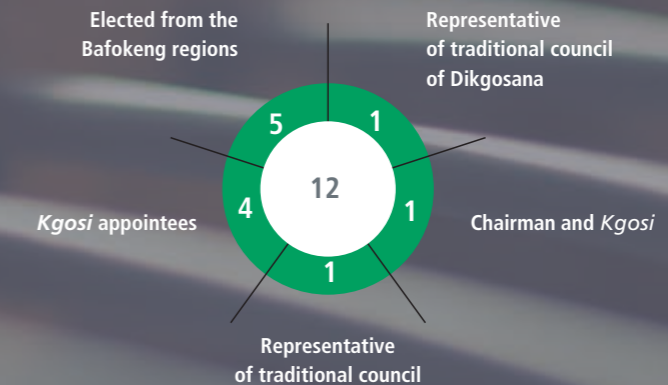
Board committees

Audit

Remuneration

Social and ethics

The RBNDT structure





From top left to right:

Monhla Hlahla
Tom Boardman
Fran du Plessis
Tshidi Nyama
Obakeng Phetwe
Steve Phiri
Albertinah Kekana
Brian Harvey



OUR BOARD

Independent non-executive directors

Monhla Hlahla (53)

Chairman

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

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

Tom Boardman (67)

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

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

Fran du Plessis (62)

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

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

Tshidi Nyama (55)

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

Tshidi was appointed to the RBH board on 1 October 2007. She is a partner at Makhup Business Services and Coaching 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. Tshidi is the chairman of both the remuneration and social and ethics committees and a member of the audit and risk committee.

Non-executive directors

Obakeng Phetwe (38)

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

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

Steve Phiri (60)

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

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

Executive directors

Albertinah Kekana (43)

Chief executive officer

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

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

Brian Harvey (41)

Finance director

BCom (Hons), University of Johannesburg; Chartered Accountant (SA); BTech Mechanical Engineering, University of Johannesburg

Brian, who completed his articles as a chartered accountant at Ernst and Young, was appointed Finance Director of RBH effective 1 September 2014. He has gained extensive experience in various financial roles, including as Financial Director of Lake International Technologies, a division of AECl, and Senior Operations Finance Manager for Atlatsa Resources and Anglo American.



Our management team

Albertinah Kekana
Chief executive officer
(See Board of directors for CV)

Brian Harvey
Finance director
(See Board of directors for CV)

David Wilson
Acting head of investments
CA(SA)

Siza Majola
Senior manager: Stakeholder relations
BSc Geology, University of Fort Hare; BSc GIS (Hons), Stellenbosch University; MBA, Sheffield Business School (UK)

Buyi Mlangeni
Company secretary
BTech, Durban University of Technology; National Diploma, Natal Technikon; Executive Development Programme University of the Witwatersrand Business School

Ditiro Kwele
Human capital manager
BTech, University of Johannesburg; Management Advancement Programme Certificate, University of the Witwatersrand Business School; Higher Certificate in Management Foundation for Professional Development



From top left to right:

Albertinah Kekana
Brian Harvey
David Wilson
Siza Majola
Buyi Mlangeni
Ditiro Kwele



Our board

Our board charter, which is closely aligned with the recommendations of King III, details the responsibilities of the board. The board and its committees oversee all significant aspects and transactions of both RBH and its subsidiaries.

Its committees operate under board-approved terms of reference, which are updated when necessary to ensure they remain aligned with current best practice. The terms of reference of the audit and remuneration committees were reviewed in 2013 and those of the social and ethics committee were approved by the board in 2014. The audit committee's terms of reference include responsibility for oversight of risk management in RBH (refer to page 12 of the review for information on our risk management process).

Both the audit and social and ethics committees are statutory committees in terms of the Companies Act and as recommended by King III.

Each board committee is chaired by an independent non-executive director and the membership of the audit committee is made up entirely of independent non-executive directors. Appointments to the committees are made by the board in consultation with the committee chairmen.

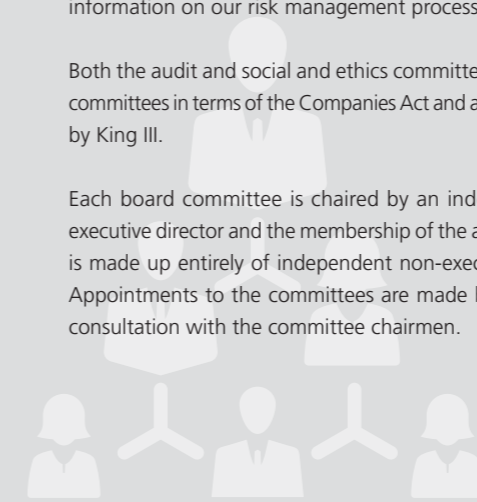
Role of the chairman

The chairman is responsible for ensuring:

- the overall effectiveness of the board and its committees
- that the board provides effective leadership, maintains ethical standards and is responsible, accountable, fair and transparent
- that strategies are developed and implemented with the objective of achieving sustainable economic, social and environmental performance
- and fostering a culture of openness and constructive challenge that allows for the expression of a diversity of views and effective debate.

The chairman makes herself available to our shareholder for discussions on corporate governance matters and other matters of interest or concern to the RNBDT. She also makes herself available to any of our stakeholders who may wish to meet with her in connection with RBH.

12



Our board continued

The roles and responsibilities of the board

Our board is not only accountable to our shareholder, it also owes a duty of care and diligence to RBH. Our memorandum of Incorporation addresses certain of the directors' responsibilities and powers.

Our board achieves effective leadership through:

- its participation in strategic decision-making
- monitoring the execution of strategy
- performing its duties within RBH's approved risk appetite
- a framework of policies and controls that includes our memorandum of incorporation, board charter and the Compact signed between RBH and its shareholder
- setting ethical standards of conduct
- overseeing all significant aspects and transactions of RBH's subsidiaries, which are governed by the limits of authority set by the RBH board
- a formal schedule of matters reserved for its consideration and decision
- delegating certain matters to its committees, which are described in each committee's terms of reference.

The culture of openness and constructive challenge fostered by our chairman results in our board members participating in rigorous and effective debate and discussion.

The board annually assesses the performance of the company secretary. It also performs an annual self-assessment of both its performance and that of its members and its subcommittees.

Roles and responsibilities of the audit and risk committee

The committee:

- reviews RBH's financial statements and integrated reporting
- oversees the governance of risk and the system of internal controls in conjunction with the social and ethics committee
- refers to the findings of the internal and external auditors
- obtains assurance on the financial statements, internal controls and sustainability information included in RBH's integrated review
- carries out its statutory duties set out in section 90 of the Companies Act, 2008
- satisfies itself as to the expertise and experience of the finance director and the finance function.

All the recommendations made by the committee are submitted to the board for approval.

The audit and risk committee met its responsibilities in terms of the Companies Act, 2008 during the 2015 financial year.

Roles and responsibilities of the remuneration committee

In line with the King III recommendations the committee's membership is made up of three independent non-executive directors, all of whom are suitably qualified to carry out their duties.

The chief executive officer, finance director and human capital manager are invited to attend all the committee's meetings, except when their own remuneration is under consideration. Other members of senior management attend meetings as and when their presence is required.

The committee's responsibilities include:

- approving, guiding and contributing to the RBH's general remuneration policy for both executive management and non-executive directors
- approving packages for specific individuals in terms of the authority delegated to it by the board
- making recommendations to the board regarding the appointment of new executives and non-executive directors
- advising the board on its composition and that of its committees
- reviewing and updating RBH's succession plan for both its directors and senior management
- ensuring that the requirements of the Companies Act with regards to all statutory documents are met.

Roles and responsibilities of the social and ethics committee

The primary role of the committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social, ethics and sustainable development related matters which include:

- ethics management
- corporate social responsibility
- human resource development
- employment equity and transformation
- legislative compliance
- stakeholder engagement
- protection of company assets.

The committee is also responsible for carrying out its duties in accordance with the Companies Act, 2008, and for reporting the discharge of its duties in this regard to the RBH board and its shareholder.



Our board

continued

Membership and attendance at board and committee meetings

| Name of director | Date of appointment to the board | Board and strategy session attendance and membership | Audit and risk committee attendance and membership | Remuneration committee attendance and membership | Social and ethics committee attendance and membership |
|---|----------------------------------|--|--|--|---|
| Independent non-executive directors | | | | | |
| Monhla Hlahla (Chairman) | 1 March 2011 | 9/9 | | 4/5 | 3/3 |
| Tom Boardman (Chairman of audit and risk committee) | 1 January 2011 | 9/9 | 4/4 | 5/5 | |
| Fran du Plessis | 1 June 2012 | 8/9 | 4/4 | | |
| Tshidi Nyama (Chairman of remuneration and social and ethics committee) | 1 October 2007 | 8/9 | 4/4 | 5/5 | 3/3 |
| Non-executive directors | | | | | |
| Obakeng Phetwe | 27 March 2012 | 9/9 | 4/4 | 5/5 | 3/3 |
| Steve Phiri | 24 July 2006 | 9/9 | | | 2/3 |
| Executive directors | | | | | |
| Albertinah Kekana** | 1 November 2012 | 9/9 | 3/4 | 5/5 | 3/3 |
| Brian Harvey* | 1 September 2014 | 9/9 | 4/4 | | |

* *ex officio* members of the audit committee

+ *ex officio* members of the social and ethics committee

Our investment decision-making process

Screening

Negative screening in terms of our responsible investment policy

Due diligence

Undertake due diligence to identify ESG risks and liabilities

Decision

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

Agreement

Active ownerships, improvements adherence to policies and guidelines

Monitoring

Monitoring of identified performance indicators and reporting

Company secretary

Our company secretary, Buyi Mlangeni, was appointed on 14 August 2012. She is responsible for administering the proceedings and affairs of the directorate and the company in accordance with all relevant laws and regulations. She makes herself available to all our directors who may require advice on their responsibilities, professional development and any other relevant assistance. She keeps the board abreast of any relevant changes in legislation and governance best practice and guides its members in the discharge of their duties. As secretary of the board's committees she is responsible for the preparation for and the holding of board meetings and the annual general meeting.

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

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

Board level of independence



2014
50% Non-executive directors
25% Executive directors
25% Independent non-executive directors

Racial composition



2014
75% Historically disadvantaged South Africans (HDSAs)
25% White South Africans

Board gender composition



2014
50% Female
50% Male

HOW WE MEET OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

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

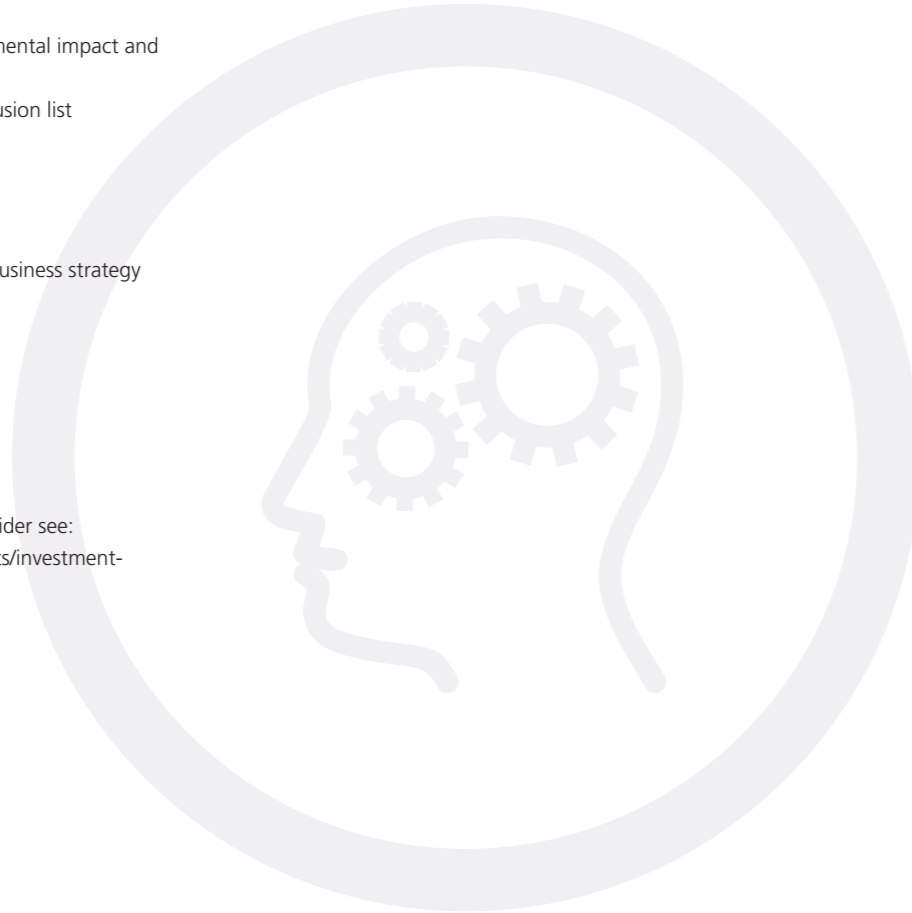
Transparency and accountability continued

Our ESG investment and management criteria

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



For the type of investments we will not consider see: www.bafokengholdings.com/our-investments/investment-mandate-and-strategy



INTERNAL CONTROLS AND RISK MANAGEMENT

Wherever possible RBH applies best practice in its system of internal controls. It also seeks to have a sound system of internal controls in all of its subsidiaries, material associates and joint ventures, which are based on its policies and guidelines. In those companies that are independently managed, as well as in our joint ventures, the directors representing RBH seek assurance that any significant risks are being well managed.



In March 2015 our new risk management policy was approved by the board (for more information see pages 12 of this review).



We further embedded our risk management processes during 2015 and would refer you to page 12 of this review for details. We have also conducted a comprehensive risk assessment of the group and the various risks affecting our business have been rated and ranked. We have incorporated a risk register into our audit plans and internal audit monitors its management.

Regular management reporting keeps the board apprised of the effectiveness of internal control mechanisms. The finance director reports quarterly to the board on our financial and accounting framework and internal audit reports regularly to the audit and risk management committee on risk and internal controls throughout RBH.

PUBLIC DISCLOSURE OF INFORMATION

We publicly disclose relevant information on our company website, www.bafokengholdings.com and endeavour to ensure that all information in respect of ownership, documents and policies is current. Our corporate governance policy, board charter, board committees' terms of reference, code of ethics, sustainability strategy, policy for sustainable responsible investment and portfolio management, and our corporate social investment policy are available on our website.



ACCOUNTING AND AUDITING

RBH's annual financial statements for the year ended 31 December 2015 will be prepared in accordance with international financial reporting standards by the accounting staff of RBH, headed up by finance director, Brian Harvey.

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

Transparency and accountability continued

COMPLIANCE AND ENFORCEMENT

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

Our CEO has overall management responsibility for ensuring that the company complies with all applicable laws, the board charter, policies regarding corporate governance and the company's code of ethics. She ensures that any shortcomings and exceptions permitted by law are handled ethically.

RBH has established a risk-based internal audit function, which has been outsourced to an external service provider. Our internal audit process, which is informed by company strategy, includes financial, operational and compliance matters. The internal auditors report to the audit and risk management committee, which is responsible for overseeing the internal audit function, at every committee meeting.

06 key facts about the Royal Bafokeng Nation*

- The RBN owns 1 200 km² of land in the North West province of South Africa
- The Bafokeng community numbers approximately 150 000¹ people in 48 000 households
- 97.6% of the Bafokeng households have running water
- 100% are connected to an electricity supply
- Youths make up 35.1% of the population
- Women make up 43.44% of the Bafokeng community
- Approximately 48% of the community are employed
- Approximately 34% are unemployed²



Education in the RBN (as at 2015)

- 39 public schools:
 - 29 primary schools
 - 10 secondary schools
- 2 independent schools
- 3 085 learners in the early childhood development programme
- 1 064 learners wrote matric exams in 2015
- 83.5% of matric learners in the RBN passed matric in 2015
- 17% bachelor degree pass rate in 2015
- 40% diploma pass rate in 2015



58%
of matriculants
achieved university
entrance
in 2015



Healthcare in the RBN

- 7 clinics
- HIV infection rate of 24.3%



Job creation in the RBN

- 812 SMMEs are registered with Royal Bafokeng Enterprise Development (RBED)
- 1 225 entrepreneurs are registered with the RBED
- 400 SMMEs are actively trading
- Approximately 250 youths have some form of ownership in these businesses and 300 women have some form of ownership in them.
- 4 500 jobs have been created by the 400 active SMMEs



48%
of community
employed



34%
of community
unemployed

¹ This includes the population of both formal and informal villages.

² People between the ages of 18-65 who are actively searching for employment but unable to find it.

* All statistics, except those specifically stated as being recorded in 2015, were last updated in 2011 (Pula survey).

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**Senior manager:
Stakeholder
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