

**Royal Bafokeng Holdings (Pty) Limited**  
(the "Company")

**Audit and Risk Management Committee:**  
Terms of Reference

**A. Constitution**

1. The audit and risk management committee ("Committee") of the board of directors of the Company (the "Board") is hereby constituted with the membership, resources responsibilities and authorities as set out in these terms of reference.
2. The primary responsibility of the Committee is to assist the Board in:
  - complying with the relevant requirements contained in the Companies Act 61 of 1973; and
  - fulfilling its oversight responsibilities as they relate to the Company's accounting, internal control, auditing, risk management and financial reporting practices.

**B. Composition**

1. The Committee shall comprise at least three members, each of whom shall be appointed by the Board.
2. The majority of members of the Committee shall be Non-Executive Directors, the majority of whom are financially literate and independent of management. It is expected that once an independent non-executive director is appointed to the Board, he will be nominated to sit on the Committee. The Chairman of the Board shall not be eligible for appointment as a member of the Committee.
3. The Board shall appoint the Committee chairman from amongst the members of the Committee who shall preferably be an independent non-executive director and the Board shall determine the period of office.
4. Members shall be appointed for terms of office for three years, at the expiration of which they may be re-elected or replaced by the Board.
5. The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
6. The Committee shall be entitled to nominate a secretary to the Committee.
7. Membership of the Committee will be disclosed in the Company's annual report.

**C. Meetings**

1. The Committee will meet formally at least twice a year.
2. Further meetings of the Committee may be called by any member of the Committee, the external auditors or by the Secretary.
3. A quorum will consist of a majority of Committee members.
4. Notice of each meeting of the Committee, confirming the venue, time and date, and enclosing an agenda of items to be discussed will, unless otherwise agreed by all concerned, be forwarded to each member of the Committee and any other person required to attend, not less than three working days prior to the date of the meeting.
5. The following representatives of executive management and the external auditor will attend and have the right to speak at Committee meeting in the official capacity:
  - Executive : Finance; and
  - The senior partner(s) of the external auditor.
6. Other parties may be called upon to attend by prior approval of the chairman of the Committee. All those listed above will have unrestricted access to the chairman or any other member of the Committee in relation to any matter falling within the mandate of the Committee.
7. No attendee will have a vote at meetings of the Committee.
8. In the absence of the Committee chairman or any appointed deputy, the members present will elect someone present to chair the meeting.
9. The Secretary will keep appropriate records of all meetings of the Committee as well as minutes of the proceedings and all decisions made.
10. The chairman of the Committee will not have a casting vote.

**D. Responsibilities and Duties**

1. In respect of **accounting and the financial statements:**
  - 1.1 Monitor that proper and adequate accounting records are maintained and that accurate and reliable financial information is provided to the Board and other users of the financial information;
  - 1.2 Examine and review the quality and content of the annual financial statements, the interim reports, the accompanying reports to the shareholder and any other announcement regarding the Company's results or other financial information to be made public, prior to submission to and approval by the Board;
  - 1.3 Review the annual report and accounts taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and prospects of the Company;
  - 1.4 Review the external auditor's proposed audit report;
  - 1.5 Consider the appropriateness of the accounting policies adopted and any changes thereto; the accounting treatment of significant unusual transactions or accounting judgments that could be contentious; and
  - 1.6 Consider any problems identified in the going concern statement.
2. In respect of **internal control:**
  - 2.1 review the effectiveness of the Company's systems of internal control, including internal financial control;
  - 2.2 review the Company's statement on internal control systems prior to endorsement by the Board and consider any problems identified in the statement on the effectiveness of internal controls;
3. In respect of **auditing and the external auditor:**
  - 3.1 evaluate the performance of the external auditors and request the external auditor to consider a rotation policy in respect of the audit partner;
  - 3.2 ensure that the external auditor receives a notice of every meeting of the Committee;

- 3.3 discuss and review, with the external auditors before the audit commences, the auditor's engagement letter, the terms, nature and scope of the audit function and audit fees that should be paid;
  - 3.4 review the scope and results of the external audit, including the external auditor's management letter and the response from management thereto;
  - 3.5 identify key matters arising from all reports submitted by the external auditors and satisfy itself that these are being properly followed up;
  - 3.6 discuss problems and reservations arising from the audit, and any matters that the auditors may wish to discuss at their request in the absence of executive directors and invitees;
  - 3.7 review significant difficulties in the completion of the audit, including any restrictions on the scope of work or access to required information; and
  - 3.8 obtain assurance from the external auditors that adequate records are being maintained, that the accounting policies and practices are appropriate and that the financial disclosure practices are clear.
4. In respect of **risk management and compliance**:
- 4.1 review the processes and procedures for risk identification, analysis and quantification;
  - 4.2 review the processes implemented to monitor the ongoing management of risks, including, but not limited to the safeguarding of the Company's assets;
  - 4.3 ensure that a generally recognized risk framework is applied as part of the risk management process;
  - 4.4 receive and review reports on the risk management process from management;
  - 4.5 ensure that a risk awareness culture is established within the Company; and
5. In respect of **organisational integrity/ethics**:
- 5.1 review any statements on ethical standards or requirements for the Company and the procedures or review system implemented to promote and enforce compliance;

- 5.2 recommend to the Board for approval the Code of Ethics of the Company;
- 5.3 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees of the Company; and
- 5.4 where requested by the Board, make recommendations on any material potential conflict of interest or questionable situations.

**6. In general:**

- 6.1 encourage communication between members of the Board, executive management and the external auditors;
- 6.2 safeguard all information supplied to it as required by law; and
- 6.3 give due consideration in fulfilling its mandate to the principles of good governance and the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002.

**E. Reporting and Accountability**

- 1. The chairman of the Committee will account to the Board for its activities and make recommendations to the Board concerning the adoption of the annual financial statements and any other matters arising from the above responsibilities.
- 2. The Committee will report on the effectiveness of internal controls and comment on its evaluation of the financial statements in the annual report of the Company.
- 3. Approved copies of the minutes of all Committee meetings will be submitted to the Board at the following Board meeting and the chairman of the Committee will use this opportunity to report on any matters of importance, if necessary.
- 4. The chairman (or an alternate member) of the Committee shall attend the bi-annual Kgotha Kgothe to answer any shareholder questions concerning matters falling within the ambit of the Committee.
- 5. In addition to all of the above, the Committee will deal with any other matters formally delegated by the Board to the Committee from time to time.
- 6. The activities and effectiveness of the Committee will be assessed and reviewed by the Board from time to time.

**F. Authority**

- 1. The Committee is authorised by the Board to investigate any activity within its terms of reference or required any employee of the Company to attend

meetings of the Committee, or part thereof, and the Committee will have free and unrestricted access to all information required to by it to carry out its duties in terms hereof.

2. The Committee may consult with and seek any information it requires from any employee and all employees shall be required to co-operate with any request made by the Committee in the course of its duties.
3. The Committee will at least once a year meet with the external auditors without any executive member of the Board or management in attendance to ensure that there are no unresolved issues of concern. Any Executive Director that is also a member of the Committee will recuse himself from such annual meeting with the external auditors.
4. The Committee is authorised by the Board, in carrying out its duties under these terms of reference, to obtain any outside or other independent professional advice as it considers necessary.
5. The Committee will be provided with the necessary resources reasonably required to carry out its duties under these terms of reference.

#### **G. Remuneration of Committee Members**

Members of the Committee will remunerated at the rate determined by the Board from time to time.

#### **H. General**

These terms of reference may be amended, as required, subject to the approval of the Board.

As approved by the Board of Directors of Royal Bafokeng Holdings (Pty) Limited at its meeting held on 20 November 2006.

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***Kgosi Leruo Molotlegi***  
**Chairman of the Board**