

Royal Bafokeng Holdings (Proprietary) Limited Corporate Governance Policy

Royal Bafokeng Holdings ("RBH" or the "Company") is a private company wholly owned by the Royal Bafokeng Nation ("RBN"). RBH is a holding company for its direct and indirect subsidiaries that are themselves used to make investments (together with RBH, the "RBH Group").

The Board of Directors of RBH (the "Board") appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards the shareholders and the company.

The Board believes that the observance of generally accepted corporate governance standards provides a company with legitimacy, reduces its vulnerability to a financial crisis, and broadens and deepens its access to capital.

The Board believes that RBH should adopt the highest corporate governance standards it can for its stage of development - both to enhance its reputation as a leading community-based investment company and to facilitate any future changes in its ownership and capital structure (e.g., public listing or private equity or debt offering).

This corporate governance policy (the "Policy") describes the current governance processes and structures of the RBH Group and identifies and explains material deviations from the Code of Corporate Practices and Conduct as contained in the King II Report on Corporate Governance for South Africa (the "King II Code").¹ The Board endorses the seven characteristics of good corporate governance described in the King II Code.²

Where appropriate, the Policy outlines elements of a 5 year work plan which will introduce governance best practices such that:

- By end 2008, RBH will become compliant in all material respects with the King II Code; and
- By end 2011, RBH will become fully compliant with the JSE's listings requirements.

¹ In South Africa, there are at present few legislative requirements relating to corporate governance, other than those establishing certain minimum standards. In 1994, under the auspices of the SA Institute of Directors, the first King Report on corporate governance was issued. This was revised in 2002 and the King II Code replaced the 1994 Code. The King II Code is not prescriptive, but rather recommends certain principles and practices that build on the minimum standards required by legislation. There is increasing pressure on business (from shareholders and other interest groups) to comply with the principles of the King II Code. The JSE, for instance, requires listed companies to disclose the extent to which they comply with the recommendations of the King II Code.

² The King II report describes these 7 characteristics as: Discipline, Transparency, Independence, Accountability, Responsibility, Fairness, and Social Responsibility.

Overview of the RBH Group

A diagrammatic representation of the RBH Group is available on the RBH website.

RBH is the top level holding company. At the next level down, RBH holds 4 sector-focused intermediate holding companies ("IHCs") called RBH Resources Holdings, RBH Industrial Holdings, RBH Service Holdings, and RBH Financial Holdings and an operating subsidiary (leases, contracts for employment, goods and services) called Royal Bafokeng Management Services.

At the next level down, each of the IHCs holds a number of special purpose companies (SPVs) which itself holds an individual investment or participates in an individual joint venture.

All the members of the RBH Group are private companies registered in South Africa. RBH shares are owned by the RBNDT, thus its shareholders are the named trustees of the RBNDT, acting in their capacity as trustees for the ultimate beneficiaries of the RBNDT. The beneficiaries of the RBNDT are the members of the RBN.

The shares in RBH were recently donated by the RBN (as *universitas personarum*) to the RBNDT. Up until this donation of shares, the shareholder of RBH was the RBN. Shareholder rights were exercised by the Supreme Council of the RBN under delegated powers. The Supreme Council in turn delegated certain powers to *Kgosi*. *Kgosi* exercised these delegated powers to elect directors, appoint senior management and approve external auditors. With the donation of shares to the RBNDT, it will be the trustees of RBNDT, acting in concert, which will exercise the rights of shareholders, including the delegation of powers.

An annual general meeting (AGM) of the shareholders of RBH will take place in the third quarter of each calendar year. At this AGM, the shareholders will be asked to elect the members of the Board of Directors and approve the selection of external auditors.

The memorandum and articles of association of RBH are compliant with all applicable legislation. Normal shareholder rights are preserved. These documents are available for inspection at its registered office.

Other than Fraser Alexander Holdings and Royal Bafokeng Sport Holdings, the other companies in the RBH Group are passive investment holding companies. In order to protect the rights of the RBH shareholders, the corporate documents of the IHCs and the SPVs (except for the companies already mentioned) have been amended such that any material corporate activity by the company requires approval by the RBH Board of Directors. Each of the IHCs and SPVs has its own board of directors and AGM but none of these companies has any management. Moreover, the powers of these boards and AGMs are materially circumscribed.

In order for RBH to attract and retain employees, advisers and non-executive directors, RBH has established a trust which holds limited right preference shares in the portfolio investments of the RBH Group and allows eligible participants to share equitably in the value added by them to the RBN asset base.

Workplan:

The Company shall ensure that all of its subsidiaries (whether direct or indirect, wholly or majority owned) adapt their governance practices to those of RBH.

1. Governance Structures

Shareholders

Shareholders have the ultimate power to remove directors and are governed in their relationship with the company through the articles of association. The shareholders of RBH will hold an AGM in the third quarter of every year.

Role of the Board of Directors

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

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

The RBH Board Charter is posted on the RBH website.

A schedule of matters reserved for the Board's decision details key aspects of the Company's affairs that the Board does not delegate (including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital).

Composition of the Board of Directors

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board, and to progressively refresh its composition over time. As a private company, there is no legislative requirement regarding board size or composition other than the requirement to have at least one 1 director.

The RBH Board will have at all times a minimum of 3 directors, a majority of whom must be non-executive. The chairman of the Board is responsible for leading the Board and for its effectiveness and will at all times be a non-executive director.

The Board currently comprises, in addition to the non-executive chairman, 2 executive directors and 2 non-executive directors. None of the non-executive members of the RBH Board are independent according to the definition contained in Annex 1 to this Policy.

Biographical details for each director are given in the Annual Review and on the RBH website.

The Board will review the composition of the Board on an annual basis and determine the optimum number of directors, subject to the maximum limit of 15 members imposed by the Board Charter.

The Board will have an appropriate balance of independent, non-executive and executive directors for the Board to discharge its function and responsibility. This balance will take account of the nature of the Company's shareholding and its stage of corporate development.

The Board will apply formal and transparent procedures for the selection of new non-executive directors to fill vacancies on the Board or as an addition to the Board.

The policy and process by which the Board selects new non-executive directors will be described and set out in a policy to be prepared by the Human Resources and Nomination Committee Charter.

Workplan:

- The Company will nominate 1 independent non-executive director for election to the Board by end 2007 and another by end 2008.
- The Company will build up a strong independent element to its Board over time, such that by end 2008, a majority of the non-executive directors on the Board will be independent.

Verification of Director Independence

The Company is committed to building up the independence of the Board. The independence of directors must be evaluated on a regular basis.

Workplan:

Once the first independent director has been appointed to the Board, the Board will thereafter make an assessment of the independence of its directors upon appointment

and in December of each year. The Board will also review its assessment of such director's independence when a disclosure of a new interest or conflict is made.

Meetings of the Board of Directors

Number of Meetings

The Board of RBH meets four times a year. Additional Board meetings may be convened as a special meeting during the year when required. The number of meetings of the boards of IHCs and SPVs will comply with statutory requirements.

Proceedings of Meetings

The Chairman or any two directors may at any time, and the Secretary must on the request of the Board Chair or any two directors, call a Board meeting.

An agenda for the meeting is prepared and distributed to Board members 7 days in advance of Board meetings, together with supporting documentation.

A quorum for the Board meeting is three directors.

Minutes of Board meetings are taken and the Board's deliberation and decisions are recorded in the minutes. After approval by the Board at the subsequent Board meeting, the minutes are signed by the Chairman at the next meeting as true and correct records.

Questions arising are decided by the majority vote of directors present. Each director has one vote. The Chairman will not have a casting vote.

If a director or a person attending the meeting has a material personal interest in a matter before the Board, the director or person must not be present during the Board discussion of this matter.

Fiduciary Duties of the Directors

In exercising their fiduciary duties, Board members are accountable to the Company as a separate legal person but have a responsibility (which is a lesser standard than accountability) to the shareholders.

Commitment of Directors

Directors should devote the necessary time and attention to assist the Board in carrying out its responsibilities.

Each director will be required to confirm annually to the Board and to the next Board meeting after they have been appointed as a director to another non group company, that the director is able to devote sufficient time and attention to the Board for the coming year.

Director Development

The Board will ensure that appropriate induction programmes are in place for new directors and will review the effectiveness of the induction programme every two years. New directors will be provided with an RBH directors' manual.³

The Board believes that all Directors of RBH (directors of the RBH Board as well as RBH appointees to the boards of investee companies) should receive periodic training on the role and responsibilities of Board members.

The Board or the Human Resources and Nominations Committee will develop plans for identifying, assessing and enhancing the skills, expertise, experience and competencies of the directors which will be reviewed and revised (if required) on an ongoing basis.

Evaluation of Board Effectiveness

A formal evaluation of the performance of the Board, its committees and individual directors will be carried out every two years by means of detailed questionnaires and interviews. The aim is to ensure continuous improvement in the functioning of the Board. It is the Board's current intention to engage an external reviewer for this process.

Workplan:

- Formal evaluation of RBH Board by end 2008

Committees of the RBH Board

General

Subject to those matters reserved for its decision, the Board delegates certain responsibilities to a number of standing committees – Human Resources & Nominations

³ The manual for directors will include:

- Appointment letter for director
- Standard form of Declaration of Interests to be filled in by director
- Induction document for director
- Guidelines to directors on disclosure duties
- Note on Indemnity and liability cover provided by RBH
- Director training and development plan, once available
- Forms for appraisal of directors

Committee and the Audit & Risk Committee. The terms of reference for each of these two committees are published on the RBH website.

Workplan:

- It is likely (and this will be confirmed by the external evaluation of the RBH Board in 2008) that the Board will recommend the establishment of 2 new committees: the Safety & Sustainable Development Committee and the Governance and Conflicts Committee.

The S&SD Committee will be responsible for developing framework policies and guidelines for the management of sustainable development issues, including safety, health and sustainable development matters, and ensuring their progressive implementation throughout the RBH Group.

The Governance and Conflicts Committee will be responsible for evaluating the effectiveness of existing governance policies and developing new policies. It will also evaluate the effectiveness of existing compliance and control mechanisms and make recommendations to the Board on whether and how these should be upgraded. The committee will also provide directors and managers with high level guidance on conflicts of interest.

Human Resources & Nominations Committee

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

The Committee has a minimum of 3 members, the Chairman must be non-executive and the majority of the members must be non-executive.

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

The Human Resources & Nominations Committee will regularly review and update the succession plans of directors and senior managers.

Work Plan:

- By end 2008, the Board will review the arguments for and against the continued multiple functions and roles of this Human Resources & Nominations Committee. It is possible that the functional areas of nominations, human resources and remuneration will eventually be dealt with through separate committees of the Board.

- By end 2008, the majority of the members and the chairman of the committee will be independent non-executive directors
- By end 2011, all the members of the committee will be independent non-executive directors.

Audit & Risk Committee

The Audit & Risk Committee consists of a minimum of 3 members. The Board, in consultation with the audit committee chairman, makes appointments to the Committee. The Board determines that the Committee members have the skills and experience necessary to contribute meaningfully to the Committee's deliberations. In addition, the chairman has requisite experience in accounting and financial management.

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

In pursuing these objectives, the Audit & Risk Committee will oversee relations with the external auditors. In 2007, it will approve the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality.

The Audit & Risk Committee will also monitor developments in corporate governance to ensure that RBH continues to apply high and appropriate standards. The Audit & Risk Committee's recommendations will be submitted to the Board for approval.

Work Plan:

- By end 2008, develop a policy for Board approval on risk management and internal control mechanisms
- By end 2008, the majority of the members of the committee will be independent non-executive directors.
- As an internal audit function is established, amend the terms of reference for the committee to include oversight of that function.

2. Internal Controls and Risk Management

The Board is responsible for the total process of risk management, while Management is accountable for designing, implementing and monitoring the process of risk management.

The Board policy on risk management develops from the identification of all significant business risks to the members of the RBH Group which could undermine the achievement of the RBH Group's business objectives. These risks include:

- physical and operating risks,
- human resource risks,
- technology risks,
- business continuity and disaster recovery,
- financial, credit and market risk,
- compliance risk

The Board policy will define acceptable risk tolerance levels and identify continuous monitoring of risk and control processes, across business-specific risk areas, that will provide the basis for regular and exception reporting to business management and boards, the Executive Committee and the Board.

For example, financial and investment risks are currently addressed as follows:

Approval framework for investments or other material transactions:

- Formal Treasury policy in place
- Due diligence process requires clear identification of risks
- External financial or legal expertise is sought where appropriate
- Assessment of risk is outsourced to specialists where appropriate
- Detailed documentation of investment case and recommendation by management to RBH Board
- Decision by RBH Board
- RBN investment committee (no RBH executives are members) approval
- Approval by RBN Council of any capital drawdown required for investment, informed by recommendation of the advisory RBN Investment Committee
- Mitigation of risk through structuring, negotiation of legal documents, representations and warranties, indemnities, covenants and negative undertakings, insurance policies, legal opinions.

Ongoing monitoring of financial risks and investments risks:

- Portfolio tracker, monthly update to be fed into MIS
- Quarterly portfolio performance update to Board
- Monthly financial accounts to be fed into MIS
- Quarterly financial performance update to Board

- Treasury update (within terms of Treasury policy) to be provided monthly to Management and quarterly report to the Board
- Legal compliance: identification of material legal compliance risks needs to be completed and documented and a process of quarterly review needs to be implemented.

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

Workplan:

- By end 2008, the Audit & Risk Committee to develop a policy for Board approval on risk management.

Effectiveness of internal controls and risk management

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

- Regular management reporting,
- Certain Board committees focus on specific risks such as Human Resources and provide assurance to the Board on those matters.
- The Executive: Finance provides quarterly confirmation that financial and accounting control frameworks have operated satisfactorily.
- The Board also receives assurance from the Audit & Risk Committee, which derives its information, in part, from regular audit reports on risk and internal control throughout RBH.

Workplan:

- The Board will conduct an annual review of the effectiveness of risk management by considering the key findings from the ongoing monitoring and reporting processes, management assertions and any independent reports.
- Each year, the Board will take account of material changes and trends in the risk profile and consider whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives.
- The RBH Board will consider the need for the establishment of an internal audit function (see below), which would be responsible for providing independent assurance to the Executive Committee and the Board on the effectiveness of the risk management process throughout RBH.

3. Internal Audit

The King II Code recommends that where the Board of a company decides not to establish an internal audit function, it needs to disclose its reasons. *RBH does not currently have an internal audit function.*

Internal audit is an independent objective activity to add value to a company's operations by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit activities are performed either by teams of appropriate, qualified and experienced employees, or through the engagement of external practitioners upon specified and agreed terms.

An effective internal audit function should provide:

- Assurance that the management processes are adequate to identify and monitor significant risks,
- Confirmation of the effective operation of the established internal control systems,
- Credible processes for feedback on risk management and assurance; and
- Objective confirmation that the Board receives the right quality of assurance and information from management and that this information is reliable.

A summary of audit results and risk management information must be presented to the Audit & Risk Committee at regular intervals throughout the year. The Audit & Risk Committee will review the effectiveness of the internal audit function. Moreover, independent external auditors will have to review the internal audit system periodically.

Workplan:

- Develop an internal audit function by end 2008.
- The Audit & Risk Committee will work closely with the internal audit function to draw up the internal audit plan.

4. Relations with Stakeholders and Integrated Sustainability Reporting

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

The Board is committed to the objective of sustainable development, which is a broader term than the principle of "Social Responsibility" referred in the King II Code.

Sustainable development is a concept that applies to the Company itself and to its shareholders.

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

The Board is committed to developing a sustainable development policy, based on the results of stakeholder consultation.

Workplan:

- 2008 stakeholder mapping exercise and consultation process around RBH's potential impact on sustainable development, including environmental, social and economic impact
- Development of RBH Policy on Sustainable Development
- Development of RBH's sustainable development strategy and programmes and targets
- Adoption of GRI principles on reporting in RBH annual review

Public Disclosure of Information

The Company will publish on its website (as and when it becomes available) and keep current the following information:

Ownership: a diagram of the RBH Group structure setting out the important shareholdings, holding companies, affiliates and subsidiaries of the company, indicating ultimate beneficial ownership and percentages of shares held by each.

Governance structure: a chart setting out the governance structure of the RBH Group indicating the principal organs of the company's governance and to whom each reports (including the RBH Shareholders Meetings, the RBH Board of Directors, the RBH Board committees, the Executive Committee).

Major transactions and material events: a timeline of major transactions and material events for the past five years (in particular, corporate acquisitions, mergers, restructurings and sales or purchases of major assets, etc.).

The Board of RBH will consider whether to disclose either its AFS or summary financial information.

RBH Policies

- RBH Corporate Governance Policy
- Board Charter
- Audit & Risk Committee terms of reference
- Human Resources & Nominations Committee terms of reference
- RBH Code of Ethics
- RBH Disclosure of Information Policy
- RBH Policy on HIV AIDS
- RBH Policy on Sustainable Development (environmental and social)

Corporate events calendar. Board approved 2007 annual calendar of corporate events, including Shareholders Meetings and meetings of the Board of Directors.

5. Accounting and Auditing

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

Annual financial statements (AFS) will be prepared in accordance with IFRS standards and audited in accordance with Generally Accepted Accounting Principles standards. These standards are the highest standards that apply to South African companies. It is expected that the 2006 audited financial statements will be presented to the AGM of shareholders during the third quarter of 2007.

Although they are prepared to the highest standard, the GAAP compliant AFS do not necessarily represent a meaningful and useful picture of the RBH Group activities. Shareholders are interested primarily in whether net asset value has been added or destroyed. Thus RBH will produce substantial supplementary information in order to illustrate movements in NAV.

RBH has appointed PriceWaterhouseCoopers, an internationally recognized accounting firm, as its independent external auditors for the year ended 31 December 2006. The external auditors report to the Audit & Risk Committee and RBH expects that it will rotate the external auditors regularly.

Workplan:

- By end 2008, the Audit & Risk Committee will evaluate the performance of PWC and draw up criteria for future selection and rotation (e.g., separate firms to provide tax advisory and auditing services)

RBH will make audited AFS or summary financial information available on the RBH website

6. Compliance and Enforcement

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

The Board has approved the creation of an executive position (Executive: Corporate) with primary responsibility for the implementation and monitoring of governance policies and procedures. The Board has also approved the appointment of a Corporate Secretary (reporting to the Executive: Corporate) responsible for the preparation and execution (including taking of minutes) of the RBH Board of Directors meetings and the RBH Annual General Meeting of Shareholders.

The Board believes that it is the responsibility of every employee and director of RBH to observe and implement the Company's governance policies. The Company's Code of Ethics (also available on the RBH website) applies to every individual in the Company and establishes the general culture of governance and compliance with rules and policies.

The approval framework, delegation of authority and internal guidelines of RBH will establish responsibility for compliance at every level of the Company. In particular, internal control processes are used to ensure compliance at various levels of the Company. These internal controls will be assessed by external parties and their effectiveness reported to the Board.

As mentioned above, the Board will address any shortfalls in compliance identified by the external audit process, recommend any changes and annually review the need for a standing committee on governance.

Compliance can also be monitored by external parties. This Corporate Governance Policy is made available on the RBH website. It includes comments on the extent to which RBH complies with the King II Code and provides explanations for any divergences from compliance. The Board will update this Policy every year, and provide a separate statement of changes noting specific changes in compliance.

Annex 1 - Independent Director Definition

The purpose of identifying and appointing independent directors is to ensure that the board includes directors who can effectively exercise their best judgment for the exclusive benefit of the relevant company (the "Company"), judgment that is not clouded by real or perceived conflicts of interest. In each case where a director is identified as "independent" the board of directors will affirmatively determine that such director meets the requirements established by the board and is otherwise free of material relations with the Company's management, shareholders or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company.

"*Independent Director*" means a director who is a person who:

1. has not been employed by the Company or its Related Parties in the past five years;
2. is not, and is not affiliated with a company that is, an advisor or consultant to the Company or its Related Parties;
3. is not affiliated with a significant customer or supplier of the Company or its Related Parties;
4. has no personal service contracts with the Company, its Related Parties, or its senior management;
5. is not affiliated with a non-profit organization that receives significant funding from the Company or its Related Parties;
6. is not employed as an executive of another company where any of the Company's executives serve on that company's board of directors;
7. is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the Company or its Related Parties as an executive officer;
8. is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the Company or of a Related Party; or
9. is not a controlling person of the Company (or member of a group of individuals and/or entities that collectively exercise effective control over the Company) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any Person described in this sub-paragraph who is deceased or legally incompetent,

and for the purposes of this definition, a person shall be deemed to be "affiliated" with a party if such person (i) has a direct or indirect ownership interest in; or (ii) is employed by such party; and "Related Party" shall mean, with respect to the Company, any person or entity that controls, is controlled by or is under common control with the Company.