AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE
1. INTRODUCTION

The audit and risk committee is constituted in terms of the South African Companies Act No 71 of 2008, ("Companies Act"), JSE Listing Requirements and the risk element is regarded as good governance in terms of the Code of Governance Principles of South Africa ('King III').

The committee is constituted as a statutory committee of Royal Bafokeng Platinum (“RBP”) in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 and a sub-committee of the board of directors ('board') in respect of all other duties assigned to it by the board. The committee should assist the board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management and control processes and the preparation of financial statements in compliance with all applicable legislation and regulations, and the oversight of the external and internal audit appointments and function. The committee does not provide relief to board members for their joint and several responsibilities regarding their fiduciary duties and they must continue to exercise due care and judgement in accordance with their legal obligations.

This terms of reference ('tor') is subject to the provisions of the Companies Act, 71 of 2008, Memorandum of Incorporation ('MoI'), and any other applicable law or regulatory provision. Where this tor conflicts with legislation and/or rules of the Companies Act, and/or the MoI, the legislation and/or regulation takes precedence over the tor.

2. PURPOSE

The purpose of this tor is to outline the committee’s responsibilities. This includes meeting procedures and its composition. The terms of reference are to be periodically reviewed and modified to ensure that they are effective. The board must minute the approvals and ensure it is distributed to all senior management, external and internal auditors.

3. COMPOSITION

The audit and risk committee must be comprised of at least three non-executive board members who must be elected by shareholders on the recommendation of the remuneration and nomination committee. All members of the committee must be non-executive board members and meet all applicable independence requirements and be appropriately qualified.

The chairman of the board is not eligible to be chairman or a member of this sub-committee and the chairman of this sub-committee must be an independent, non-executive director.

Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately. Such qualifications and skills will include expertise and/or experience in the following fields; financial, legal, risk management, sustainability and reporting, internal financial control, external and internal audit processes, information technology ('IT') governance, corporate governance, ethics and integrated reporting. Members of the committee are required to ensure they are fully apprised of latest developments in the industry and in commerce generally.

Important attributes of the members are an independent and enquiring mindset, a reasonable understanding of the complexities involved and an appreciation of the business and industry.

The board must elect the chairman of this committee and any vacancy of this chairmanship must be filled within forty (40) business days of it arising.

4. ROLE OF THE AUDIT COMMITTEE

The role of this committee is an independent one with accountability to the board and to shareholders. It is also an overseer and makes recommendations to the board for final approval. The committee cannot assume the function of management which remains the responsibility of the executive directors, officers and senior management.
5. STATUTORY DUTIES

The audit committee must:

- Nominate for appointment an independent registered auditor who in the opinion of the audit committee is independent of the company.
- Determine the fees to be paid and the terms of engagement of the auditor.
- Ensure that the appointment of the auditor complies with the Companies Act and other relevant legislation.
- Determine the nature and extent of any non-audit services which the auditor may provide to the company, or that the auditor must not provide to the company, or a related company.
- Monitor and report on the independence of the external auditor in the financial statements, including defining a policy for non-audit services provided by the external auditor and pre-approving contracts for non-audit services bought by the Group.
- Pre-approve any proposed contract with the auditor for the provision of non-audit services to the company, in terms of the Non-Audit Services Policy.
- Prepare a report, to be included in the annual financial statements for that financial year – describing how the audit committee carried out its functions,
  - stating whether the audit committee is satisfied that the auditor was independent of the company
  - commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company
- Receive and deal appropriately with any concerns or complaints, whether from within our outside the company, or on its own initiative, relating to
  - the accounting practices and internal audit of the company
  - the content or auditing of the company’s financial statements
  - the internal financial controls of the company
  - any related matter
- Make submissions to the board on any matter concerning the company’s accounting policies, financial control, records and reporting.
- Perform such other oversight functions as may be determined by the board.

6. RESPONSIBILITIES

The committee has the following responsibilities:

6.1 Reporting

In terms of good corporate governance and King III, companies must produce integrated reports, which the committee must oversee. This will include:

- Ascertaining all factors and risks that would impact on the accuracy of the integrated report and other external reporting such as interim results, this includes factors that may predispose management to present misleading information, a poor significant judgment, reporting and decisions, failure at enforcement, monitoring by regulatory bodies, forecast of financial information and question information that brings into doubt previously published information.
- Oversees the governance of the reporting processes and relevance of the related accounting policies for the integrated report, annual financial statements, preliminary results announcements, and interim reports. Ensure that financial statements are prepared in terms of International Financial Reporting Standards and other appropriate standards.
- Recommend to the board the engagement of external auditors or internal auditors, where applicable in so far as assurance of reports is concerned.
- To review significant findings and other matters arising through to completion of the annual financial statements and deal with any complaints relating to any external reporting.
- Recommend the annual report for approval by the board.
6.2 Internal Audit

The committee is responsible for overseeing the internal audit function and in so doing, it must do the following:

- Appoint or remove the head of internal audit and assess the performance of the head of internal audit and the internal audit function.
- Approve the internal audit plan, mandate and budget as well as any deviation thereto. Ensure that the internal audit function is independent and adequately qualified and resourced on a continuous basis and assess its performance.
- Review of the extent to which the internal audit function has co-ordinated with other internal and external assurance providers in providing proper coverage in terms of the combined assurance model.
- Review the internal audit results and significant audit findings together with the relative management comments and action plans.
- Consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit’s work or access to required information.

6.3 Combined Assurance

- The committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities to address all the significant risks facing the Group.
- Monitor the relationship between external assurance providers of the Group in conjunction with the Social and Ethics Committee which is to ensure a co-ordinated approach is used.

6.4 Financial director and Finance Function

The committee will ensure and assess the following:

- That the FD is suitably qualified and experienced on an annual basis, and must confirm this by reporting to shareholders in its annual report that the committee has executed this responsibility.
- That the finance department of the company has adequate resources and experience to manage the company’s financial function. This must be reported in the integrated report.

6.5 External Audit

The committee’s responsibilities in this regard are outlined in section 5 under Statutory duties.

6.6 Governance of Risk

With regard to the governance of risk, the committee should ensure that the company has an effective risk framework, policy and a plan for risk management in order to assist the company in achieving its strategic goals and that the disclosure and reporting of risk is complete, timely and relevant. The committee is an integral component of the risk management governance process and specifically the committee shall oversee:

- financial reporting risks
- internal financial controls
- fraud risks as it relates to financial reporting
- IT risks as it relates to financial reporting
- Operational risk reviews in conjunction with the Social & Ethics Committee as it relates to Safety, Health and Environmental risks and compliance.
This committee is also responsible to oversee the mitigation or optimisation plans within the Group with respect to all its significant risks. This includes responsibility to oversee and to:

- Ensure the highest level of ethical standards in business practices within the organisation and in external relationships.
- Ensure that effective systems of internal control are developed, implemented, monitored maintained and assessed, by management.
- Oversee the development, implementation and annual review of the Groups risk management framework, policy and plan for a system and process of risk management which is to be approved by the board.
- Make recommendations to the board concerning the levels of risk tolerance and appetite and ensure the monitoring and management of risks within the levels of risk tolerance and appetite as approved by the board.
- Ensure that compliance forms an integral part of the Group’s risk management process.
- Oversee the risk management assessments performed by management on a continuous basis.
- Ensure that there is an adequate framework and methodologies for the detection, and management of emerging risks.
- Ensure that management considers and implements appropriate risk responses to all significant risks.
- Review the risk register and ensure that it is adequately updated and is complete, timely and relevant.
- Express the committee’s formal opinion to the board on the effectiveness of the system and process of risk management in the Group.
- Review reporting concerning risk management that is to be included in the financial report ensuring it is timely, comprehensive and relevant.
- Review insurance cover to assess that adequate insurance cover remains in place.
- Oversee and monitor the adequacy of internal controls within the company specifically related to financial reporting risks and fraud risks (and any incidents of fraud).

6.7 Compliance with Laws and Regulations

- Review the effectiveness of the system for monitoring the Group’s compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- Obtain regular updates from management and/or the Group’s legal counsel regarding compliance matters.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

6.8 Compliance with the Group’s Code of Conduct

- Ensure that the code of conduct is in writing and that arrangements are made for all employees to be aware of it.
- Review the process for monitoring compliance with the code of conduct and consider any matters that may have an effect on the financial report.
- Obtain regular updates from management regarding compliance.

6.9 Reporting Responsibilities of the Committee

- Regularly report internally to the board on its statutory duties and duties assigned to it by the board and make appropriate recommendations.
• Ensure the board is aware of matters which may significantly impact the financial condition or affairs of the business.
• Weaknesses in internal financial controls that are considered to be material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors, should be reported to the board and stakeholders.
• Recommend annual and interim financial reports for approval by the board.
• As a minimum, the committee should provide the information as required by the Companies Act 71 of 2008 in the financial statements within the annual report, as the Committees Report to shareholders.

6.10 Other Responsibilities

Perform other adhoc oversight functions as requested by the board.
- Review any other reports the Group issues that relate to committee responsibilities.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- The committee shall have direct and unobstructed lines of communication to the board, external and internal auditors.
- The committee shall have the right of access to records containing information needed to properly perform its duties and execute its powers.

In fulfilling its duties, it may call upon the chairpersons of other board committees, any executive directors, company officers, company secretary, assurance providers or any other professional or person to provide it with information.

It also should have reasonable access to the company’s records, facilities, employees and any other resources that may be necessary to discharge its duties and responsibilities. It also has a right to obtain independent external professional advice in executing its duties if deemed appropriate.

7. MEETINGS AND PROCEDURES

The chairman has the right to exclude any items to be discussed while attendees are present where a conflict of interest becomes evident.

Special meetings may be called by any member of the audit and risk committee (including at the request of the external or internal auditors or legal advisors) or at the instance of the board where such further meeting is considered necessary.

7.1 Frequency

At least four meetings must be held per annum, however, the committee and management may agree on appropriate scheduled meetings. At least once a year the committee must meet with the internal and external auditors without the presence of management.

The CEO, FD, other members of senior management or external auditor or internal auditor may however, with the approval of the chairperson, request a meeting or attendance at the meetings, which may not be unreasonably withheld.

Reasonable notice of meetings confirming the venue, time and date; together with an agenda of items to be discussed, shall be forwarded timeously to each member of the committee, and any other person required to attend the meeting.

7.2 Attendance

The committee may invite the CEO, FD, other senior management representatives, external auditors, internal auditors, other assurance providers, professional adviser and board members to attend its meetings should it so require. These parties have no voting power.
Committee members must attend all scheduled meetings including ad hoc ones unless prior apology with reasons has been submitted to the chairperson or company secretary. If the nominated chairperson is unavailable, members may elect one of the members present to act as chairperson. The company secretary is the secretary of this committee unless he or she is unavailable, in which case the committee may appoint a person to perform such function.

The finance director, head of internal audit and external auditor shall have unrestricted access to the chairman or any other member of the committee as is required in relation to any matter falling within the remit of the committee.

7.3 Agenda and Minutes

The committee should establish an annual plan that will ensure that all relevant matters are covered on its agendas of planned meetings. This plan must cover all auditor functions and responsibilities. The agenda must be pre-circulated ideally at least three days before each meeting and members should ensure that they are adequately prepared for the matters to be discussed.

Minutes of the meeting should be circulated in good time for members to review and must be formally approved at each following meeting.

Once approved, these minutes should be distributed to all the members of the board for information purposes.

7.4 Quorum

Two members shall form a quorum. Invited participants are not part of the quorum and do not vote.

8. REMUNERATION

Having regard to the functions performed by the members of the committee in addition to their functions as directors and in relation to the activities of the committee and pursuant to the specific power conferred upon the board by the memorandum of incorporation of the company, members of the committee shall be paid such special remuneration in respect of their appointment as shall be determined by the board and approved by Shareholders.

The chairman of the committee shall, in addition to his/her remuneration as a member, receive a further sum as determined by the board.

Such special remuneration in terms hereof shall be in addition to the annual fees payable to directors.

9. EVALUATION

The board must perform an evaluation of the effectiveness of this committee every year. The committee should, on an annual basis, review its own performance and that of its members, constitution and terms of reference to ensure it is operating at maximum effectiveness.

10. APPROVAL OF THESE TERMS OF REFERENCE

These terms of reference must be approved by the board or together the chairman of the board and the chairman of this committee and should be reviewed periodically to ensure compliance with the latest corporate governance best practice.
ANNEXURE 1

ANNUAL MEETING PLAN AND PROPOSED STANDARD AGENDA ITEMS:

<table>
<thead>
<tr>
<th>A</th>
<th>ITEMS FOR QUARTERLY CONSIDERATION</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>MANDATE</th>
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<tr>
<td><strong>STANDARD QUARTERLY AGENDA ITEMS</strong></td>
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<tr>
<td>1.</td>
<td>Review of the consolidated quarterly financial performance for the group including the BRPM JV and subsidiary companies.</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Review &amp; report</td>
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<td>2.</td>
<td>Review of Internal Audit work undertaken for the quarter including all significant findings and recommendation with regard thereto as well as follow up audit review findings. Track audit work against annual plan, including fees.</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Review &amp; report</td>
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<td>3.</td>
<td>Progress reports relating to all significant projects underway such as the ITC, Supply Chain and Companies Act implementation projects.</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Review &amp; report</td>
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<td>4.</td>
<td>Minutes of the previous meeting as well as matters arising for action from those previous meetings.</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Review &amp; approve</td>
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**BI-ANNUAL AGENDA ITEMS**

| 5. | Financial statements (interim and annual financial statements) for the financial interim and final year-end as well as any other information to be released to investors/shareholders relating to the interim and year end performance. Endorse for Board approval. The review would include findings on internal financial controls. | x | x | | | Review & recommend |
| 6. | Risk management reports including significant fraud risks, legal & regulatory compliance risks, IT and financial risks which may have arisen or are being investigated. | x | x | | | Review & report |
| 7. | Independence and performance of assurance providers | x | | | | Review & report |
| 8. | Review significance of non-audit services and fees and annual audit fees for the year. | x | x | x | x | |

**ANNUAL AGENDA ITEMS**

<p>| 8. | Integrated Annual report and more specifically: - all external assurance reports and findings; - the Corporate Governance report; - the Audit Committee report; - the Directors’ Report and Notice to Shareholders; - The Risk Management Report; - The results leaflet to be distributed to shareholders which largely informs the JSE SENS announcement as well; - Significant account policies and regulatory compliance; | x | | | | Review &amp; recommend |</p>
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<th>Terms of reference</th>
<th>x</th>
<th>Review &amp; recommend</th>
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<td>10.</td>
<td>Committee evaluation results which would in itself be a review of the Committees’ composition, the role and mandate of the Committee, the performance of the Committee as an entity and individual members contributions and performance including the Chairman of the Committee.</td>
<td>x</td>
<td>x</td>
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<td>11.</td>
<td>The finance function and performance of the FD.</td>
<td>x</td>
<td>Review &amp; recommend</td>
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<td>12.</td>
<td>Review of Legal &amp; Regulatory environment and any significant changed which may be impacting the Company/Group.</td>
<td>x</td>
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