



Application of the King IV™ principles for the year ended 30 June 2019

The Northam Platinum Limited (Northam or the company or the group) board of directors (board) endorses the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™), which plays a key role in benchmarking our corporate governance frameworks and policies.

The JSE Listings Requirements stipulate that certain principles of King IV™ are mandatory, whilst the balance should be adopted on an “apply and explain” basis”.

The board has opted to apply all 16 of the applicable King IV™ principles and the application status of each of these principles is noted in the table in this section:

Leadership, ethics and corporate citizenship

King IV™ principles	<p>Principle 1: The board should lead ethically and effectively.</p> <p>Principle 2: The board should govern the ethics of the company in a way that supports the establishment of an ethical culture.</p>
Status	Aligned
Our response	<p>The board holds that ethics and integrity are fundamental to an effective governance framework and the foundation for developing a culture that supports employee, customer and investor confidence.</p> <p>The board and the social, ethics, human resources and transformation (SEHR&T) committee monitors ethics and ethical behaviour throughout the group.</p> <p>Our code of ethics applies to both directors and employees and governs the interaction between the group and our supplies, partners and customers. It furthermore covers the use of group assets and confidential information, the group's approach to gender and racial diversity, freedom of association, bribery and corruption, compliance and insider trading.</p> <p>Ethics is monitored through various means, including an independent ethics and fraud hotline available on our website. Employees are encouraged to report any approach made to them or of which they are aware, by any person or entity, seeking favour or preference in terms of business dealings with the group.</p> <p>The independent ethics and fraud hotline is supported by strong investigative capabilities and rigorous disciplinary processes and sanctions.</p> <p><i>Read our SEHR&T committee report from page 118 in our integrated annual report 2019.</i></p> <p><i>A copy of our code of ethics can be found on our website at: www.northam.co.za/governance/policies-and-procedures</i></p>
King IV™ principle	<p>Principle 3: The board should ensure that the company is and is seen to be a responsible corporate citizen.</p>
Status	Aligned
Our response	<p>The board and the SEHR&T committee takes collective responsibility for ensuring that the group is a responsible corporate citizen, in compliance with the Constitution of South Africa, including the Bill of Rights, and has delegated to management the responsibility for proactive stakeholder engagement, community development and environmental stewardship. Management updates the board and the SEHR&T committee on a quarterly basis on Northam's performance against the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry (Mining Charter).</p> <p>The group is committed to making a positive contribution to the communities in which we operate and the environment.</p> <p>Our responsible business efforts are therefore focussed on employee welfare and homeownership, addressing the needs of the communities in which we operate, effectively and securing land for nature conservation.</p> <p><i>Read more about the Northam home ownership scheme, the Zondereinde and Booyensdal community trusts and the Buttonshope Conservancy trust from page 82 in our integrated annual report 2019.</i></p> <p><i>Read our SEHR&T committee report from page 118 in our integrated annual report 2019.</i></p>

Strategy, performance and reporting

King IV™ principle	<p>Principle 4: The board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>
Status	Aligned
Our response	<p>Strategy formulation The chief executive officer (CEO) and the management team are tasked with the formulation of the group strategy, business plan and four-year forecast, including key performance measures and targets.</p> <p>Strategy approval and monitoring The board approves the group strategy, ensuring that it is aligned with the purpose of Northam, the value drivers of our business and the interests and expectations of our stakeholders. The board also ensures that the group strategy takes cognisance of inherent risks and opportunities that our business faces and the need to achieve sustainable outcomes.</p> <p>The board actively monitors strategic performance against the targets to ensure outcomes result in value creation for the group and our stakeholders.</p> <p><i>Read more about our strategy from page 16 in our integrated annual report 2019.</i></p> <p><i>Read more about governance over strategy from page 101 in our integrated annual report 2019.</i></p> <p><i>Read more about our material issues and our risks from page 18 in our integrated annual report 2019.</i></p> <p><i>Read more about our business model from page 14 in our integrated annual report 2019</i></p>
King IV™ principle	<p>Principle 5: The board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects.</p>
Status	Aligned
Our response	<p>The board is committed to clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders. In line with the JSE Listings Requirements and the Companies Act No. 71 of 2008 (Companies Act), Northam reports to stakeholders on both its financial and non-financial performance twice a year.</p> <p>Information related to the required disclosures, as set out in King IV™, appears in our Integrated Reporting suite and on our company website. This includes information on our strategy, long-term goals, medium-to-long-term targets, historical performance, outlook and the group's position for value creation.</p> <p>All disclosed information is subject to review and approval by the external audit and assurance providers (see from page 160 of our Integrated Report 2019 for their approval statements), whose appointment is delegated to management by the board.</p> <p><i>See our results presentations and integrated reporting suite on www.northam.co.za</i></p>

Governing structures and delegation

King IV™ principle	<p>Primary role and responsibilities of the board</p> <p>Principle 6: The board should serve as the focal point and custodian of corporate governance in the company.</p>
Status	Aligned
Our response	<p>The board is ultimately accountable for the performance and the reputation of the group and ensuring that it continues to operate responsibly, ethically and sustainably.</p> <p>The board operates in terms of a board charter, which defines its functions and responsibilities.</p> <p>Apart from the requirements of statute and common law, the board collectively acknowledges that its key deliverables involve providing the group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management and facilitating an effective governance environment.</p> <p>The board displays adequate alignment with the King IV™ objective in terms of its oversight functions and monitoring, as well its the roles and responsibilities.</p> <p>Board and board committee charters have been reviewed and are aligned with King IV™ and the board and committees' areas of responsibility, respectively.</p> <p>Current audit and risk committee oversight functions and disclosures have also been reviewed against King IV™ recommended practices and disclosure requirements for audit committees.</p> <p><i>Read our board charter on www.northam.co.za/governance/policies-and-procedures</i></p> <p><i>Read more about the board's responsibilities from page 160 in our integrated annual report 2019 on www.northam.co.za/investors-and-media/publications</i></p> <p><i>Read our board committee reports from page 116 in our integrated annual report 2019 on www.northam.co.za/investors-and-media/publications</i></p> <p><i>See our board attendance register at www.northam.co.za/governance/board-attendance-register</i></p>

King IV™ principle	<p>Composition of the board</p> <p>Principle 7: The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>
Status	<p style="text-align: center;">Aligned</p>
Our response	<p>We recognise and embrace the benefits of having a diverse board and have approved and implemented a board diversity policy, which includes race and gender diversity targets.</p> <p>The board currently has Historically Disadvantaged Persons (HDP) representation of 62% and 31% of our board members are women. (Northam’s target for HDP and female representation on the board is 50% and 20% respectively).</p> <p>77% of our board are independent non-executive directors.</p> <p>Six of the 13 board members, including the CEO and the lead independent director, have extensive exposure and experience as CEOs. Other board members have relevant experience in corporate finance, mergers and acquisitions and other associated disciplines.</p> <p>In order to ensure our directors are not overcommitted, we limit the number of listed directorships our directors may hold to five.</p> <p>We believe that board refreshment and succession planning is imperative and that it should be done in a systematic and gradual manner, in order to maintain a balance of new insight, depth of experience, continuity and diversity of the board.</p> <p>This mix is reflected in the board tenure spread, with three of the directors having tenures in excess of 9 years, balanced with four new board appointments in the last 2 years.</p> <p>We will continue to facilitate the transfer of knowledge from long-serving directors to the newer members on the board, to ensure the board comprises an appropriate balance of institutional knowledge going forward.</p> <p>The board composition is aligned with the requirements of King IV™ regarding the number of executive versus non-executive directors. Skills, experience and tenure of board members are monitored.</p> <p><i>Read more about our board composition and our directors’ experience, skills, tenure and other listed board representation from page 106 in our integrated annual report 2019</i></p>

King IV[™] principle	<p>Effective board structures and delegation of authority</p> <p>Principle 8: The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>
Status	<p style="text-align: center;">Aligned</p>
Our response	<p>The board has a coherent and comprehensive committee structure with clear and specific committee charters for each committee. The committee structure and the relevant charters are reviewed to ensure effective decision-making, discharge of duties and independent judgement, taking into consideration the changing environment within which the group and the board is operating.</p> <p>The composition of membership of the committees and the allocation of roles across committees are regularly considered and reviewed to ensure effective collaboration, efficient use of board resources and a balanced distribution of power across the committees.</p> <p>The chairperson of each committee reports to the board at each board meeting and the minutes of all committee meetings are circulated in the board packs.</p> <p>The current Northam board committees are:</p> <ul style="list-style-type: none"> · Audit and risk · Nomination · Investment · Social, ethics, human resources and transformation, and · Health, safety and environmental <p><i>Read our board committee feedback reports from page 118 in our integrated annual report 2019 on www.northam.co.za.com/investors-and-media/publications</i></p> <p><i>Read about our group governance framework from page 102 in our integrated annual report 2019 on www.northam.co.za.com/investors-and-media/publications</i></p> <p><i>See our board committees' charters on www.northam.co.za/governance/policies-and-procedures</i></p>
King IV[™] principle	<p>Evaluations of the performance of the board</p> <p>Principle 9: The board should ensure that the evaluation of its own performance and that of its committees, its chairman and its individual members, support continued improvement in its performance and effectiveness.</p>
Status	<p style="text-align: center;">Aligned</p>
Our response	<p>We hold our board members accountable through formal external board evaluations at least every two years.</p> <p>Every alternate year, the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these assessments are agreed, and implementation thereof is tracked.</p> <p>The board further evaluates the independence of its independent directors, particularly in respect of the independent directors who have served on the board for an aggregate term exceeding nine years.</p> <p>The board also annually evaluates the performance of the company secretary in terms of her competence, qualification, experience and arm's length relationship with the board.</p> <p><i>Read about the 2019 board assessment outcomes from page 111 in our integrated annual report 2019.</i></p>

King IV[™] principle	<p>Appointment and delegation to management</p> <p>Principle 10: The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>
Status	<p style="text-align: center;">Aligned</p>
Our response	<p>Chief Executive Officer (CEO) In terms of the board charter, the board appoints the CEO who is responsible for the implementation and execution of approved strategy, policy and operational planning, and serves as the primary link between management and the board.</p> <p>Through the SEHR&T committee, the board ensures that there is succession planning for the CEO and chief financial officer (CFO) positions.</p> <p>The CEO and CFO's remuneration is benchmarked biennially, by an independent service provider, against a comparative group of companies in the South African mining industry.</p> <p>The board charter is very clear on the powers which are reserved for the board and those that are to be delegated to management via the CEO. The board also defines the level of materiality and approves a delegation of authority framework.</p> <p>The CEO, Mr PA Dunne, reports to the board and in terms of best practice, is not a member of the audit and risk, the investment, the SEHR&T or the nomination committees. The CEO is a member of the health, safety and environmental committee.</p> <p>The CEO has undertaken to hold no other listed company directorships, apart from Zambezi Platinum (RF) Limited, Northam's BEE shareholder.</p> <p>The CEO has an employment contract that can, subject to fair labour practices, be terminated upon twelve months' notice.</p> <p><i>See our CEO's CV on page 106 in our integrated annual report 2019.</i></p> <p>Company secretary The company secretary, Ms PB Beale, provides guidance to board members on the execution of their duties and keeps the board abreast of relevant changes in legislation and corporate governance best practice.</p> <p>She also supports and coordinates the functioning of the board and its committee meetings.</p> <p>The company secretary has unfettered access to the board, is not a board member and maintains an arms length relationship with the board and its members. She reports to the board via the chairman on all statutory duties and functions performed in connection with the board. Regarding other duties and administrative matters, she reports to the CEO.</p> <p>The board can confirm that it is satisfied that the company secretary:</p> <ul style="list-style-type: none"> · is competent, suitably qualified and experienced; · has the requisite skills, knowledge and experience to advise the board on good governance; · maintains an arm's-length relationship with the board of directors; and · has effectively discharged her responsibilities for the year under review.

Governance functional areas

King IV[™] principle	<p>Risk governance</p> <p>Principle 11: The board should govern risk in a way that supports the company in setting and achieving its strategic objectives.</p>
Status	Aligned
Our response	<p>The audit and risk committee assists the board with the governance of risk. The board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the group.</p> <p>The aforementioned committee has implemented a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters and defined risk appetite.</p> <p>The audit and risk committee delegates the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of our operating environment.</p> <p>Mitigating controls are formulated to address the risks and the board is kept up to date on progress on the risk management plan.</p> <p><i>Read our audit and risk committee report from page 122 in our integrated annual report 2019.</i></p>
King IV[™] principle	<p>Technology and information governance</p> <p>Principle 12: The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.</p>
Status	Aligned
Our response	<p>The board assumes overall responsibility for technology and information governance and has delegated authority to the audit and risk committee to assist the board in overseeing this function.</p> <p>The audit and risk committee established the group information systems steering committee (ISSC), which is chaired by the chief financial officer (CFO) Ms AH Coetzee.</p> <p>The ISSC is responsible for the oversight, maintenance and protection of the group's technology and information resources. In particular it ensures the following:</p> <ul style="list-style-type: none"> • Integration of people, technologies, information and processes across the group • Integration of technology and information risks into organisation-wide risk management • Arrangements to provide for business resilience • Proactive monitoring of intelligence to identify and respond to incidents, including cyber attacks and adverse social media events • Management of the performance of, and the risks pertaining to, third-party and outsourced service providers • The assessment of value delivered to the organisation through investments in technology and information • The responsible disposal of obsolete technology and information in a way that has regard for the environmental impact and information security • Ethical and responsible use of technology and information • Compliance with relevant laws <p>The ISSC meets at least four times per year and the CFO reports to the audit and risk committee on the ISSC's deliberations</p> <p><i>See the ISSC's terms of reference at: www.northam.co.za/governance/policies-and-procedures</i></p> <p><i>Read more about information and technology governance from page 113 in our integrated annual report 2019.</i></p>

King IV [™] principle	<p>Compliance governance</p> <p>Principle 13: The board should govern compliance with applicable laws and adopt, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.</p>
Status	Aligned
Our response	<p>The board is ultimately accountable for compliance and continually provides guidance on, and oversight of, the management of compliance risk.</p> <p>The Northam compliance policy together with the risk management policy and framework assist the board and managing executives in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring legal and regulatory compliance implications are integrated into material strategic, financial and operational decisions.</p> <p>There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.</p> <p><i>See the Health, safety and environmental, Audit and risk and SEHR&T committees' reports from page 118 in our integrated annual report 2019.</i></p>
King IV [™] principle	<p>Remuneration governance</p> <p>Principle 14: The board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>
Status	Aligned
Our response	<p>Northam manages remuneration on a total remuneration basis, which incorporates a combination of remuneration elements (both financial and non-financial) to allow the group to attract, motivate and retain appropriately skilled and experienced individuals who will enable the business to meet its strategic objectives.</p> <p>We have developed guiding principles, through an organisation-wide approach, which ensures transparent, fair and responsible remuneration.</p> <p>The SEHR&T committee assists the board in overseeing all aspects of the group's remuneration practices. It sets the requirements for policies, relating to remuneration, and oversees the operational implementation of the applicable requirements by the Executive Officer: HR.</p> <p>Shareholder engagement and voting on the remuneration policy and implementation report The board is committed to maintaining regular, transparent and informative dialogue with our shareholders and is focussed on building relationships based on trust and mutual understanding.</p> <p>At the Northam Annual General Meeting (AGM) held on 6 November 2018, the group's remuneration policy was approved by a majority of 89% of votes cast in favour of said resolution. The group's remuneration implementation report was approved by a majority of 88% of votes cast in favour of said resolution. Both votes were based on a 93.7% shareholder participation rate.</p> <p>In line with best practice, the group will table our remuneration policy, as well as the remuneration report for approval by shareholders as a non-binding resolution at our AGM on Thursday, 7 November 2019.</p> <p>If 25% or more of the shareholders vote against the remuneration policy, or the implementation report (or both), the board will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.</p> <p><i>See our remuneration report from page 133 in our integrated annual report 2019.</i></p> <p><i>Details of the executive directors' service contracts can be found on page 145 in our integrated annual report 2019.</i></p>

King IV™ principle	<p>Assurance</p> <p>Principle 15: The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports</p>
Status	Aligned
Our response	<p>The board is accountable for combined assurance and sets the direction for the group assurance services and functions by means of the combined assurance policy and framework. The board delegates to the audit and risk committee the responsibility for overseeing that our combined assurance activities are effective in achieving its objectives.</p> <p>Our combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the organisation. There is continued and on-going focus on increased collaboration and sharing of information as well as reducing duplication of activities.</p> <p>The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a chief audit executive have been allocated to the director in charge of the internal audit function.</p> <p>The board is satisfied that our assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.</p> <p><i>Read the audit and risk committee report from page 122 in our integrated annual report 2019 at www.northam.co.za</i></p>

Stakeholder relationships

King IV™ principle	<p>Principle 16: In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.</p>
Status	Aligned
Our response	<p>The board is ultimately responsible for the monitoring of the quality of stakeholder relationships and the effectiveness of our stakeholder engagements.</p> <p>Northam's stakeholder policy regulates the process of engaging and communicating with all defined stakeholders who include, amongst others, both shareholders and employees.</p> <p>Along with the publication and dissemination of results on a half-yearly basis, the company regularly hosts visits, presentations, briefings and meetings with interested shareholders, institutions and other stakeholders. Feedback is a critical element of such engagement processes and is communicated through the executive committee for discussion at board level.</p> <p><i>Read more about our stakeholders and how we engage with them from page 82 in our integrated annual report 2019.</i></p>

NORTHAM
PLATINUM LIMITED