Corporate governance

Approach and commitment

Northam Platinum's corporate governance processes are governed by the board charter, the memorandum of incorporation (formerly the memorandum and articles of association), the listings requirements of the JSE Limited, the Companies Act No 71 of 2008 (Companies Act), the third King Report on Corporate Governance for South Africa 2009 (King III), the Global Reporting Initiative (GRI) and other applicable laws and relevant regulation. The board is responsible for the corporate strategy of the group, which is executed within the confines of its corporate governance structure.

Northam's board of directors, who ultimately shoulder the responsibility for corporate governance, seek to ensure that all deliberations, decisions and actions of the company's business and operational structures are based on sound corporate governance principles and fundamentally solid values including but not limited to integrity, responsibility, accountability, fairness and transparency.

Key developments

During the year the board continued to make progress with the implementation of the recommendations of King III, the Companies Act and the JSE listings requirements:

- a board evaluation was performed in August 2011;
- the scope and terms of reference of the former remuneration, nomination and employment equity committee have been expanded to form the social, ethics and human resources (SE&HR) committee, established in February 2012;
- a further development was the establishment of an investment committee to evaluate and advise the board on all investment-related opportunities;
- the terms of reference of the board committees were updated in compliance with King III and the Companies Act.

Governance structure – as at 30 June 2012

Board of directors		
Non-executive directors: JAK Cochrane MSMM Xayiya (alternate MJ Willcox) PL Zim **Independent non-executive directors:** ME Beckett CK Chabedi NJ Dlamini (Dr) R Havenstein ET Kgosi AR Martin	**Chairman:** PL Zim (non-executive director) **Lead independent director:** AR Martin	**Executive directors:** **Chief executive officer** GT Lewis **Financial director** AZ Khumalo

Corporate governance continued

Board committees			
Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics and human resources committee (SE&HR)
AR Martin (Chairman) ME Beckett R Havenstein ET Kgosi	R Havenstein (Chairman) CK Chabedi NJ Dlamini (Dr)	R Havenstein (Chairman) JAK Cochrane NJ Dlamini (Dr) AR Martin MSMM Xayiya (alternate MJ Willcox)	ET Kgosi (Chairman) ME Beckett NJ Dlamini (Dr) R Havenstein
By invitation Management Internal audit External audit	**By invitation** Management	**By invitation** Management	**By invitation** Management

Compliance with King III

Following a King III gap analysis conducted under the auspices of the audit and risk committee in the previous financial year, and remediation action plans put in place by management, Northam now complies substantially with the majority of the requirements of King III. Any deviations from these are explained as required.

The Companies Act

On 1 May 2011 a new Companies Act was introduced to regulate the corporate business landscape in South Africa. Companies were given a two year window period to implement most of the provisions of the Act. Northam is in the process of implementing and effecting these changes and intends completing them by 30 April 2013. Major changes are expected to be approved by shareholders at the upcoming annual general meeting of the company on 7 November 2012. A summary of the main proposed changes is contained in the director's report on pages 76 to 77 of this integrated report.

Another requirement of the Act is the establishment of a social and ethics committee. It was agreed at the board meeting held on 22 February 2012 to expand the scope of the remuneration committee to include the social and ethics discipline within the company. This committee was then renamed as the social, ethics and human resources committee (SE&HR). The committee comprises four independent non-executive directors. The report of this committee is to be found on pages 61 to 66 of this document.

A further and immediate change required by the new Companies Act is the need for shareholders to approve the granting of financial assistance to a company's subsidiaries. On 18 August 2011 shareholders approved, by special resolution in terms of section 45 of the new Companies Act, No 71 of 2008, the granting of financial assistance by Northam to its subsidiaries.

In a separate development an investment committee was set up during the year to evaluate and advise the board on all investment opportunities that may arise during the normal course of business.

JSE listings requirement

As a listed entity Northam is required to comply with the JSE's listings requirements, which include King III compliance. This certification is submitted to the JSE at the end of each calendar year. Northam's submissions are currently up to date.

Black economic empowerment and compliance

Shareholders are referred to the company's announcement released on Friday, 3 August 2012, advising of a restructuring of the group's black economic empowerment (BEE) shareholding, arising from disposals of Northam shares pledged as security for loans by Northam's two major BEE shareholders, viz Afripalm Resources Proprietary Limited (Afripalm) and Mvelaphanda Holdings Proprietary Limited (Mvela Holdings). In proactively seeking solutions to address this shortfall, Northam has consulted with its BEE shareholders and the Department of Mineral Resources (DMR). The DMR has urged Northam to urgently restore its BEE shareholding to a minimum of 26% as soon as possible, and Northam is proactively working towards this goal. It is anticipated that the company will be in a position to make a further detailed announcement in due course.

Board of directors

The board is ultimately responsible for oversight of the strategic direction of the group. The board provides a platform for the integration of strategy, risk, sustainability and performance so as to address the various stakeholder interests of the group.

BOARD COMPOSITION

The board consists of 11 members and one alternate, two of whom are executive directors, being the chief executive officer and the financial director. Of the nine non-executive directors, six are independent. In line with the company's memorandum of incorporation, at least 50% of board members should be historically disadvantaged persons. It is the responsibility of the board to ensure that its composition is appropriate in terms of skills, knowledge, experience and gender, in line with legislation and best corporate governance practice.

Northam has a unitary board led by a non-executive chairman, Mr Lazarus Zim who was appointed in 2007. Mr Zim, although non-executive, is not independent and therefore a non-executive lead independent director, Mr Alwyn Martin, was appointed on 28 June 2010.

Until recently Mr Zim's position as chairman of the board has been dictated by his position as a representative of the company's largest BEE shareholder.

BOARD CHARTER

The board acts as the focal point for, and is the custodian of, corporate governance in the company. The board controls and governs the company and operates in accordance with a board charter that lays down the mandate, role and responsibilities of the board.

BOARD RESPONSIBILITIES

The key responsibilities of the board in terms of its charter are as follows:

- Determining the group's strategy and related plans and objectives;
- Delegating adequate powers to the chief executive officer and financial director in order to execute the group's strategy, achieve group objectives and run the group's business;
- Implementing, maintaining and monitoring corporate governance practice within the company;
- Determining the board's charter and the terms of reference of board committees;
- Identifying and managing the risks of the group;
- Ensuring board committees are mandated for specific tasks and that these committees are effective;

Corporate governance **continued**

- Reviewing performance of executive directors and senior management;
- Approving the budget of the group, including capital and project expenditure;
- Ensuring that there are effective risk and internal controls over all the business processes of the company, including that of information technology;
- Considering and approving Northam's interim results, announcement of financial results, the annual financial statements, the sustainability report and the annual integrated report;
- Reporting to shareholders and other stakeholders of the group;
- Ensuring compliance with legislation and corporate governance rules; and
- Ensuring the effectiveness of the board, board committees and their members.

Board meetings

The board and its committees meet at least once a quarter; ad hoc meetings may also be called to consider specific issues. The investment committee meets as and when required, which may be more or less than four times a year.

Board meeting attendance:

Date	16 Aug 2011	9 Nov 2011	22 Feb 2012	10 Mar 2012	18 Apr 2012	25 Jun 2012
PL Zim (chairman)	Apology	✓	✓	✓	✓	✓
GT Lewis (chief executive officer)	✓	✓	✓	✓	✓	✓
AZ Khumalo (financial director)	✓	✓	✓	✓	✓	✓
ME Beckett	✓	✓	**T**	**T**	✓	✓
CK Chabedi	✓	✓	✓	✓	✓	✓
JAK Cochrane*	**N/A**	**N/A**	✓	**T**	✓	**T**
NJ Dlamini	✓	✓	✓	Apology	✓	✓
R Havenstein	✓	Apology	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓	✓
AR Martin (Lead Independent)	✓	✓	✓	Apology	✓	✓
BR van Rooyen**	✓	✓	✓	✓	**N/A**	**N/A**
MSMM Xayiya	✓	Apology	✓	Apology	✓	Apology
AK Gupta (Alternate to PL Zim)***	Apology	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
MJ Willcox (Alternate to MSMM Xayiya)	**N/A**	Apology	**N/A**	Apology	**N/A**	Apology

* *appointed on 10 November 2011*
** *retired with effect from 12 March 2012*
*** *withdrawn as alternate on 5 April 2012*

Key
✓ *attended* **T** *participated telephonically* **N/A** *not applicable*

Changes to the board

Changes to the board since the previous financial year are as follows:

- Mr JAK Cochrane was elected as a non-executive director at the annual general meeting held on 10 November 2011.
- Mr BR van Rooyen retired from the board on 12 March 2012.
- Mr AK Gupta was withdrawn as an alternate to Mr PL Zim with effect from 5 April 2012.

The position of the chairman is subject to retirement and rotation in terms of the company's memorandum of incorporation (MOI). Further, in terms of the MOI, one-third of the longest serving non-executive directors retire at each annual general meeting, and if eligible, may offer themselves for re-election. At the 2012 annual general meeting, to be held on 7 November 2012, Messrs Lazarus Zim, Michael Beckett, Ralph Havenstein and Dr Judy Dlamini retire from office and being eligible, are available for re-election. Their biographies appear on pages 67 to 68. All directors are required to declare their directorships and interests. At each meeting they are requested to declare any conflict of interest in matters pending before the board.

Board and performance evaluation

An evaluation of the directors and the board is conducted regularly, the last having been undertaken in August 2011. Results of the evaluation are used by the board to determine future performance improvements. An internal evaluation process was undertaken to facilitate the evaluation of the board and each director.

Specific areas covered in the board's evaluation are:

- composition of the board and board committees;
- effectiveness of each board member;
- effectiveness of board meetings;
- relationship between senior management and the board;
- board transparency and accountability; and
- performance criteria and succession.

The executive directors and company secretary were assessed by the social, ethics and human resources committee in August 2012. (In terms of King III, the company secretary's performance is also evaluated by the board and that of the financial director by the audit and risk committee.)

Board committees

AUDIT AND RISK COMMITTEE

Attendance at audit and risk committee:

Date	15 Aug 2011	20 Sep 2011	1 Nov 2011	20 Feb 2012	17 Apr 2012
AR Martin (chairman)	✓	✓	✓	✓	✓
ET Kgosi	✓	Apology	✓	✓	✓
ME Beckett	✓	Apology	Apology	T	✓
R Havenstein	✓	T	Apology	✓	✓

Key
✓ *attended* **T** *participated telephonically*

Corporate governance continued

Audit and risk committee members are elected at each annual general meeting in line with the Companies Act No. 71 of 2008 and King III. To this end, shareholders will be requested, at the forthcoming annual general meeting to approve the necessary resolution appointing the committee. The committee is chaired by an independent non-executive director, who in this instance is also the lead independent director. All members of this committee are independent. The board is satisfied that members of the audit and risk committee have the requisite financial skills, understanding of corporate law and adequate practical experience relevant to the business of Northam. They also understand the International Financial Reporting Standards framework in terms of which Northam must report as a listed company.

The chief executive officer and financial director are permanent invitees to these meetings and, at appropriate times, both external and internal auditors are invited to attend. At least once a year, the external and internal audit plans are reviewed and approved for the year ahead. The internal audit plan is approved after management input on focus areas needing attention. The committee also approves and reviews the risk register twice yearly, based on management proposals that identify key risks and state the measures in place to mitigate these risks.

The committee meets at least five times a year. The committee's terms of reference were revised in the year under review to take into account changes in line with the Companies Act No. 71 of 2008 and King III. In terms of the revised terms of reference, the committee's responsibilities are to:

- review interim and annual financial results of the company;
- review and recommend to the board for approval the interim report and preliminary announcement of results, the annual financial statements, annual integrated report and the sustainability report;
- appoint and evaluate external auditors and their terms of engagement;
- appoint and evaluate the internal auditors and their mandate;
- approve the remuneration of external and internal auditors;
- ensure the independence of external and internal auditors;
- approve non-audit work which may be performed by the external auditors;
- ensure that company risks are properly assessed and monitored by management and that a risk register is maintained, and to ensure that such risks are adequately mitigated;
- ensure that internal controls of the company are implemented, effective and monitored;
- ensure a cordial working relationship between management and external and internal auditors;

The risk assessment of the audit and risk committee also involves a review of the role of the information technology (IT) systems within the business, ensuring that IT risk and controls support business continuity. Permitted non-audit-related services, which external auditors may perform, include: tax compliance services, assurance-related work in respect of any corporate actions and opinions not related to any prohibited services. It is the responsibility of this committee, in terms of risk management, to identify risks associated with the group and to review the company's internal control policies. The committee's report is available on page 71 of this document.

External audit

The group's external auditors, Ernst & Young Inc., have unrestricted access to the audit and risk committee. This committee is required to satisfy itself annually as to the independence of the external auditors and to approve their audit plan and fees.

Internal audit

The internal audit function of the company is outsourced to KPMG Services Proprietary Limited. The audit and risk committee annually satisfies itself that the internal audit function is independent and effective. Internal audit also has free access to the chairman of the audit and risk committee.

The annual approved scope of internal audit covers the following:

- testing the effectiveness of internal controls;
- checking IT risks and controls and ensuring their effectiveness; and
- checking the reliability and integrity of financial information;

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

Attendance at health, safety and environmental (HSE) committee

Date	15 Aug 2011	1 Nov 2011	21 Feb 2012	17 Apr 2012
R Havenstein (chairman)*	**N/A**	Apology	✓	✓
BR van Rooyen **	✓	**N/A**	**N/A**	**N/A**
ME Beckett ***	✓	**N/A**	**N/A**	**N/A**
NJ Dlamini	**T**	✓	✓	✓
CK Chabedi	✓	✓	✓	✓

* *appointed as a member and chairman with effect from 20 October 2011*
** *resigned as a member and chairman with effect from 20 October 2011*
*** *resigned with effect from 20 October 2011*

Key
✓ *attended* **T** *participated telephonically* **N/A** *not applicable*

The HSE committee is charged with ensuring the group's performance on such sustainability issues as safety, health and the environment at the mines, especially as they affect employees and communities in the areas in which the group operates. This committee has oversight of policies, records and reporting systems pertaining to typical occupational safety and other endemic health issues associated with the mining industry.

The chairman is an independent non-executive director. The chief executive officer is a permanent invitee to meetings of this committee. The committee meets every quarter.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

Attendance at the social, ethics and human resources committee (SE & HR committee)*

Date	16 Aug 2011	22 Nov 2011	21 Feb 2012	16 Apr 2012	25 May 2012	22 Jun 2012
ET Kgosi (chairperson)	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	**T**	✓
NJ Dlamini	✓	✓	✓	✓	**T**	Apology
ME Beckett**	**N/A**	**T**	**T**	✓	✓	**T**

* *Before 1 May 2012, this committee was known as the remuneration, nomination and employment equity committee*

** *appointed with effect from 20 October 2012*

Key
✓ *attended* **T** *participated telephonically* **N/A** *not applicable*

This committee is composed of four non-executive independent directors. It meets at least once every quarter.

Owing to the requirements of the Companies Act No. 71 of 2008, Section 72(4) (Board Committees) (and subsequent additions under Companies Regulations No. 43 of 2011) for listed companies to have a social and ethics committee, the statutory mandate of such a committee has been added to that of the former remuneration, nomination and employment equity committee. The committee is now referred to as the social, ethics and human resources (SE&HR) committee. The functions of the social and ethics committee in terms of the Companies Act include monitoring the company's activities, against the background of relevant legislation, legal requirements and codes of practice with regard to:

- social and economic development, including the company's standing in terms of the goals and purposes of the United Nations (UN) Global Compact's 10 principles, the OECD recommendations regarding corruption, the Employment Equity Act, and the MPRDA and the Mining Charter;
- good corporate citizenship;
- the environment, health and public safety;
- labour and employment; and
- the company's standing in terms of the ILO protocol on decent work and working conditions.

Apart from these statutorily mandated requirements, the aims of the SE&HR committee are:

- to enable the board to establish and implement a remuneration policy which empowers the company to source, reward and retain skilled personnel;
- to ensure adequate transformation in compliance with the Mining Charter in a manner which will enhance the group's performance; and
- to ensure the appointment of competent directors and senior managers; and
- advising on salaries, bonus schemes and share incentive plans.

INVESTMENT COMMITTEE

This committee was established on 2 April 2012 to evaluate and advise the board on all investment-related opportunities. It is composed of five non-executive directors, three of whom are independent. The executive directors are invitees to committee meetings.

The committee will consider the suitability and compatibility of potential investments and their returns, weighed against the interests of shareholders.

Attendance of investment committee:

Date	19 Apr 2012	7 May 2012
R Havenstein (Chairman)	✓	✓
JAK Cochrane	**T**	**T**
NJ Dlamini	✓	✓
AR Martin	✓	✓
MSMM Xayiya	Apology	Apology
MJ Willcox (Alternate to MSMM Xayiya)	**T**	**T**

Key
✓ *attended* **T** *participated telephonically*

COMPANY SECRETARY

The company secretary oversees corporate governance matters within the group in line with King III and the Companies Act and keeps board members and the chairman informed of relevant developments and their duties in this area.

The company secretary seeks to ensure compliance with all statutory and listings requirements relating to the group and ensures that minutes of meetings are kept for shareholder, board and committee meetings in terms of the Companies Act.

The company secretary co-ordinates the provision of information and documentation to the board and board committees.

Internal governance controls

The main internal corporate governance guidelines in the company are the board charter and terms of reference of each board committee. These govern the running of the board and committees.

In addition several internal policy documents are in place which have bearing on the corporate governance of the company. These include the code of ethics, the ethics 24-hour whistle-blowing hotline, and the approval framework.

CODE OF ETHICS

The group has a code of ethics which has been approved by the board and is updated from time to time. This code applies to both directors and employees and governs the interaction between these groups and the company's suppliers, contractors, and customers and covers the use of company assets and confidential information. A breach of the code of ethics could result in disciplinary action and/or civil or criminal action being taken against a perpetrator.

INSIDER TRADING

The company has clear rules and guidelines in place which seek to ensure that employees do not contravene the JSE's rules on insider trading. Neither directors nor employees are allowed to deal in the company's shares if they are in possession of non-public information or during closed periods These rules extend also to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares. Employees are routinely advised of the company's closed periods.

ETHICS 24-HOUR WHISTLE-BLOWING HOTLINE

Northam's ethics hotline number 0800 15 25 39 became effective in 2011 and is monitored by an external party (KPMG), 24 hours a day. Anyone (whistle-blower) can anonymously report corruption, fraudulent activity or other problems for investigation in any official language of the country. All whistle-blowers are protected against any form of victimisation provided disclosures are made in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

DONATIONS

The company has a long-standing policy which prohibits party-political donations. Furthermore, employees may not accept gifts, hospitality or favours from suppliers or contractors of more than a nominal value. All gifts and entertainment details are recorded in a gift register for record purposes.

CONFLICTS OF INTEREST

Members of the board and its committees are requested to declare their interests in any matters to be discussed at every board and committee meeting. All board and committee members are required to report any conflicts of interest that may arise in the course of their duties in order to avoid corruption.

APPROVAL FRAMEWORK

An approval framework was reviewed in April 2011 and remains unchanged. This document governs the delegation of authority and value limits within the group and is necessary to ensure that all transactions are approved appropriately. This enables management to limit the potential damage that any unauthorised expenditure or corruption could inflict on the company.

Reporting to stakeholders

The board is acutely aware of the requirements for the company to engage with analysts, shareholders and stakeholders alike about the company's financial performance, operational developments and sustainability indicators.

Along with the print and electronic publication and dissemination of results on a six-monthly 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 to the relevant executive directors for discussion at board level.