

CORPORATE GOVERNANCE REPORT

Northam is committed to the highest standards of business integrity, ethics and good corporate governance throughout the group. The board and management recognise that, in order to safeguard the interests of stakeholders, all of their actions must be guided by full accountability and transparency.

The board is guided by the board charter, memorandum of incorporation (MOI), the Companies Act, the listings requirements of the JSE, King III, GRI and other applicable legislation. The board is also responsible for the corporate strategy and

the management of risk and opportunities of the group, which are executed within the confines of its corporate governance structure.

The board is satisfied that every effort has been made in the financial year to 30 June 2014 to comply as far as is practicable with the principles and recommendations of King III. Where the company does not comply, this is stated and explained. A summary document indicating compliance with the King III principles and recommendations is available on the Northam website at www.northam.co.za.

BOARD OF DIRECTORS

Non-executive director	Executive directors	Independent non-executive directors
PL Zim (non-executive chairman)	PA Dunne (chief executive officer) AZ Khumalo (chief financial officer)	AR Martin (lead independent) ME Beckett TE Kgosi R Havenstein CK Chabedi JAK Cochrane

BOARD COMMITTEES

Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics and human resources committee
AR Martin (chairman) ME Beckett R Havenstein TE Kgosi By invitation: Management Internal audit External audit	R Havenstein (chairman) ME Beckett CK Chabedi By invitation: Management	R Havenstein (chairman) CK Chabedi JAK Cochrane AR Martin By invitation: Management	TE Kgosi (chairperson) ME Beckett R Havenstein By invitation: Management

BOARD OF DIRECTORS

As at 30 June 2014, the company's board comprised nine directors, two of whom were executive directors, being the chief executive officer and the chief financial officer. Five of the seven non-executive directors are regarded as being independent in terms of King III. Subsequent to year-end, Mr Jim Cochrane's status changed from a non-executive director to that of an independent non-executive. 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 in 2010. It is the responsibility of the board to ensure that its composition is appropriate in terms of skills, knowledge, experience, independence and gender in line with legislation and best corporate governance practice.

Changes to the board

During the year under review, Dr Judy Dlamini resigned as a director on 30 September 2013. Mr Paul Dunne was appointed a director and chief executive officer on 1 March 2014 in place of Mr Glyn Lewis who resigned as a director and chief executive on the same day.

Re-election of directors

In terms of article 34.5.4 of the company's MOI any person appointed to the board during the year shall hold office only until the next following annual general meeting (AGM) of the company and shall then retire and be eligible for re-election. Mr Paul Dunne was

appointed a director and chief executive with effect from 1 March 2014 and, in accordance with the provisions of article 34.5.4, retires from office and, being eligible and available, has offered himself for re-election and appointment. Accordingly at the forthcoming AGM members will be requested to consider a resolution providing for the election and re-appointment of Mr Paul Dunne as an executive director of the company.

Further, in terms of article 34.5.1 of the company's MOI one third of the non-executive directors, being those longest in office, must retire from office at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment. Mr Jim Cochrane, Mr Ralph Havenstein and Mr Lazarus Zim retire by rotation and, being eligible and available, offer themselves for re-election. Accordingly at the forthcoming AGM members will be requested to consider resolutions providing for the election and re-appointment of the aforementioned non-executive directors of the company.

Brief summaries of their *curricula vitae* appear on pages 22 and 23.

Board and committee 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. All directors are required to declare their directorships and interests. At each board and committee meeting they are requested to declare any conflict of interest in matters pending.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD MEETING ATTENDANCE

Date	29 Jul 2013	13 Aug 2013	6 Nov 2013	27 Nov 2013	19 Feb 2014	23 April 2014	24 June 2014
PL Zim (chairman)	✓	✓	✓	Apology	✓	✓	✓
PA Dunne (CEO)*	N/A	N/A	N/A	N/A	N/A	✓	✓
AZ Khumalo (CFO)	✓	✓	✓	✓	✓	✓	✓
GT Lewis**	✓	✓	✓	✓	✓	N/A	N/A
ME Beckett	☎	☎	✓	☎	✓	✓	✓
CK Chabedi	✓	✓	✓	☎	✓	✓	☎
JAK Cochrane	☎	✓	☎	☎	☎	☎	✓
NJ Dlamini***	Apology	✓	N/A	N/A	N/A	N/A	N/A
TE Kgosi	✓	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓	✓	✓
AR Martin (lead independent)	☎	✓	✓	✓	✓	✓	✓

* appointed 1 March 2014

** resigned 1 March 2014

*** resigned 30 September 2013

Key

✓ attended ☎ participated telephonically N/A not applicable

Board charter and committees' terms of reference

The board of directors' charter articulates the objectives and responsibilities of the board. Each of the board committees operates in accordance with written terms of reference, which are regularly reviewed by the board. The board takes ultimate responsibility for the group's adherence to sound corporate governance standards and seeks to ensure that all business decisions and judgements are made with reasonable

care, skill and diligence. The board charter and the board committees' terms of reference are reviewed annually, and are available on the Northam website at www.northam.co.za.

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 chief financial officer in order to execute

the group's strategy, achieve group objectives and run the group's business;

- implementing, maintaining and monitoring corporate governance practice with the company;
- determining the board's charter and the terms of reference of board committees;
- identifying and managing the risks and opportunities of the group;
- ensuring board committees are mandated for specific tasks and that these committees are effective;
- 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 group, 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.

Annual performance evaluation of board and committees

The annual board evaluation was conducted during the year, led by the chairman and facilitated by the

company secretary. Overall consensus was that the board is working well, has a good mix of directors and that there is a high commitment to work in the best interests of Northam. Individual director assessments, re-appointment of the board chairman and the independence test prescribed by King III for directors classified as "independent" were undertaken and each board committee conducted an annual evaluation.

Company secretary

During the financial year, and in compliance with the JSE listings requirements, the board evaluated the performance of the company secretary and is satisfied that the company secretary is competent, suitably qualified and experienced. Furthermore, since she is not a director, nor is she related to or connected to any of the directors, thereby negating a potential conflict of interest, she maintains an arm's length relationship with the board.

The company secretary oversees corporate governance matters within the group in line with King III and the Companies Act and new directors undergo an appropriate induction process. The company secretary seeks to ensure compliance with all statutory and listing 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.

JSE listings requirements

As a listed entity Northam is required to comply with the JSE's listings requirements and certification of this is submitted to the JSE annually. Northam's submissions are currently up to date.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

Audit and risk committee

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS

Date	12 Aug 2013	23 Sep 2013	4 Nov 2013	17 Feb 2014	22 Apr 2014
AR Martin (chairman)	✓	✓	✓	✓	✓
TE Kgosi	✓	✓	✓	☎	✓
ME Beckett	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓

Key

✓ attended ☎ participated telephonically

Audit and risk committee members are elected at each AGM in line with the Companies Act and King III. To this end, shareholders will be required, at the forthcoming AGM to approve the necessary resolution appointing the committee. The members of the committee are independent non-executive directors, and the committee is chaired by an independent non-executive director, who in this instance is also the lead independent director. The board is satisfied that members of the audit and risk committee have the requisite 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 and chief financial officer are invitees to these meetings and 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's input on areas needing special attention. The committee also approves and reviews the risk management report twice yearly, based on management proposals that identify key risks and measures in place to mitigate these risks.

Audit and risk committee terms of reference

The committee's terms of reference is available on the Northam website at www.northam.co.za and the key responsibilities are as follows:

- 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 the external auditors and their terms of engagement;
- appoint and evaluate the internal auditors and their mandate;
- approve the remuneration of the external and internal auditors;
- ensure the independence of the external and internal auditors;
- approve non-audit work which may be performed by the external auditors which includes tax compliance services, assurance related work in respect of any corporate actions and opinions not related to any prohibited services;
- 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;

- assess the qualifications and effectiveness of the chief financial officer and the effectiveness of the group's finance department in line with King III;
- ensure that internal controls of the company are implemented, effective and are monitored by management; and
- ensure that there is 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. The committee reviews the risk register, which incorporates the legislation and regulatory compliance scorecard, to ensure risks of the business are identified and mitigated by management and laws and regulations are complied with by the group. It is also the responsibility of the committee to review the company's internal control policies on behalf of the board. The committee's report is available on page 139 of this document.

External audit

The group's external auditors, Ernst & Young Inc., have unrestricted access to the audit and risk committee.

In accordance with the Companies Act, the committee reviewed and was satisfied that Mr Mike Herbst of Ernst & Young is independent of the Northam group of companies, in his capacity as the designated auditor for the 30 June 2014 financial year. This committee is required to satisfy itself annually regarding 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 unrestricted 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 (HSE) committee

ATTENDANCE AT HSE COMMITTEE:

Date	12 Aug 2013	5 Nov 2013	18 Feb 2014	22 Apr 2014
R Havenstein (chairman)	✓	✓	✓	✓
ME Beckett*	N/A	✓	✓	✓
NJ Dlamini**	✓	N/A	N/A	N/A
CK Chabedi	✓	✓	✓	✓

* appointed 1 October 2013

** resigned 30 September 2013

Key

✓ attended N/A not applicable

CORPORATE GOVERNANCE REPORT CONTINUED

This committee comprises three independent non-executive directors. Mr ME Beckett was appointed a member on 1 October 2013 in place of Dr NJ Dlamini who resigned as a member on 30 September 2013. The chief executive and chief financial officer are invited to attend committee meetings which are held every quarter.

The HSE committee terms of reference is available on the Northam website at www.northam.co.za. The 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.

Investment committee

ATTENDANCE AT INVESTMENT COMMITTEE MEETINGS

Date	2 October 2013	29 January 2014
R Havenstein (chairman)	✓	✓
JAK Cochrane	☎	Apology
CK Chabedi	✓	✓
AR Martin	✓	✓
NJ Dlamini*	N/A	N/A

* resigned 30 September 2013

Key

✓ attended ☎ participated telephonically N/A not applicable

This committee's members are four independent non-executive directors. Dr NJ Dlamini resigned as a member on 30 September 2013.

The committee's terms of reference is available on the Northam website at www.northam.co.za.

The committee was established in April 2012 to evaluate and advise the board on all acquisitions and investment-related opportunities. The committee does not have a regular meeting schedule, but meets as required, to consider the suitability and compatibility of potential investments and their returns, weighted against the interests of shareholders. The chief executive and chief financial officer are invited to attend committee meetings.

Social, ethics and human resources (SE&HR) committee

ATTENDANCE AT SE&HR COMMITTEE MEETINGS

Date	12 Aug 2013	5 Nov 2013	12 Dec 2013	18 Feb 2014	22 Apr 2014	23 Jun 2014
TE Kgosi (chairperson)	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓	✓
ME Beckett	✓	✓	☎	✓	✓	✓
NJ Dlamini*	☎	N/A	N/A	N/A	N/A	N/A

* resigned 30 September 2013

Key

✓ attended ☎ participated telephonically N/A not applicable

This committee's members are three independent non-executive directors. Dr NJ Dlamini resigned as a member on 30 September 2013. The chief executive and chief financial officer are invited to attend committee meetings and the committee meets at least once every quarter.

The main functions of the SE&HR committee are remuneration, nomination, transformation and as set out in the Companies Act, the monitoring of the group's social and ethics statutory requirements.

In terms of King III the chairman of the board should be a member of the nomination committee. The chairman of the board is not an independent director and therefore is not a member of this committee, but may attend committee meetings by invitation for nomination matters requiring approval by the board.

SE&HR COMMITTEE TERMS OF REFERENCE

The committee's terms of reference is available on the Northam website at www.northam.co.za and the committee's report may be found on page 39 of this annual integrated report 2014.

BLACK ECONOMIC EMPOWERMENT (BEE) AND COMPLIANCE

Northam continues to progress with an empowerment transaction to restore its historically disadvantaged South African (HDSA) ownership levels to 26% in line with South African minerals legislation. This follows a decline in the group's black economic empowerment shareholding in 2012 (which was at 26% in May 2011 following the unbundling of shares by Mvelaphanda Resources Limited) when the company's major HDSA shareholders disposed of their Northam shares to address a shortfall in finance agreement covenants following a general decline in share prices of platinum producers listed on the JSE.

The company's efforts are focused on balancing the needs of current shareholders with the requirements

of the DMR to bolster Northam's empowerment status. A successful conclusion will enable the company to pursue its strategic ambitions.

CODE OF ETHICS

The group's code of ethics is reviewed annually, and was updated by the board in April 2014. This code applies to both directors and employees and governs the interaction between the group and its suppliers, contractors, and customers. It also covers the use of group 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. The code of ethics is available on the Northam website at www.northam.co.za.

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 also extend to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares and 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 in all the official languages of South Africa. Anyone (whistle-blower) may anonymously report corruption, fraudulent activity or other problems for investigation. 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, *inter alia*, donations of a political nature. 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 required 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

The approval framework 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 group.

REPORTING TO STAKEHOLDERS

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

Along with the print and electronic 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 to the relevant executive directors for discussion at board level.