

# CORPORATE GOVERNANCE REPORT

*The board and management recognise that good corporate governance is integral to the group's sustainability. Adherence to the standards and recommendations set out in the King III report and other relevant laws and regulations is vital to achieving the group's strategic goals.*

## APPLICABLE GOVERNING FRAMEWORK

Northam complies with the JSE listing requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct. The principal applicable frameworks include:

| Companies Act                                                                                                                                                                   | JSE listings requirements                                                                      | International IR Framework                           | King III                                                                                                                           | Mining Charter                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Companies Act 71 of 2008, as amended, by the Companies Amendment Act 3 of 2011 (the Companies Act), and the Regulations promulgated thereunder (the Companies Regulations). | Northam is a public company listed on the JSE and is subject to the JSE listings requirements. | The International Integrated Reporting Framework.    | The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III). | Northam seeks to comply with the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter), in terms of the Mineral and Petroleum Resources Development Act (MPRDA). |
| <a href="http://www.acts.co.za">www.acts.co.za</a>                                                                                                                              | <a href="http://www.jse.co.za">www.jse.co.za</a>                                               | <a href="http://www.theiirc.org">www.theiirc.org</a> | <a href="http://www.iodsa.co.za">www.iodsa.co.za</a>                                                                               | <a href="http://www.dmr.gov.za">www.dmr.gov.za</a>                                                                                                                                                                   |

## KING III COMPLIANCE

The board is satisfied that every effort has been made in the financial year ended 30 June 2016 to comply with the principles and recommendations of King III. A summary document indicating compliance with the King III principles and recommendations is available on the Northam website at [www.northam.co.za](http://www.northam.co.za)

## Board of directors

| Non-executive                   | Executive                                                                  | Independent                                                                                     |
|---------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| PL Zim (chairman)<br>KB Mosehla | PA Dunne – chief executive officer<br>AZ Khumalo – chief financial officer | R Havenstein (lead independent)<br>CK Chabedi<br>HH Hickey<br>TE Kgosi<br>AR Martin<br>TI Mvusi |

## Board committees

| Audit and risk committee                                                                                     | Health, safety and environmental committee (HSE)             | Investment committee                                             | Nomination committee                                         | Social, ethics and human resources committee (SE and HR)     |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| AR Martin (chairman)<br>R Havenstein<br>HH Hickey<br>TE Kgosi                                                | R Havenstein (chairman)<br>CK Chabedi<br>PA Dunne            | R Havenstein (chairman)<br>CK Chabedi<br>AR Martin<br>KB Mosehla | R Havenstein (chairman)<br>TE Kgosi<br>AR Martin<br>PL Zim   | TE Kgosi (chairperson)<br>CK Chabedi<br>KB Mosehla           |
| <b>By invitation:</b>                                                                                        | <b>By invitation:</b>                                        | <b>By invitation:</b>                                            | <b>By invitation:</b>                                        | <b>By invitation:</b>                                        |
| <ul style="list-style-type: none"> <li>Management</li> <li>Internal audit</li> <li>External audit</li> </ul> | <ul style="list-style-type: none"> <li>Management</li> </ul> | <ul style="list-style-type: none"> <li>Management</li> </ul>     | <ul style="list-style-type: none"> <li>Management</li> </ul> | <ul style="list-style-type: none"> <li>Management</li> </ul> |

## BOARD OF DIRECTORS

As at 30 June 2016, the board comprised 10 directors, the majority of whom are independent, 20% are women and 60% are historically disadvantaged South Africans (HDSA).

Mr Zim, non-executive chairman, represents Zambezi Platinum on the board, and Mr Havenstein is the lead independent director. Mr Mosehla, a non-executive director, also represents Zambezi Platinum.

The board ensures that its composition is appropriate in terms of skills, knowledge, experience, independence and gender in accordance with the provisions of its board charter and Memorandum of Incorporation (MOI), available on the Northam website at [www.northam.co.za](http://www.northam.co.za). It also takes responsibility for corporate strategy and the management of risk and opportunities of the group which are executed within the confines of its corporate governance structure.

### Changes to the board

During the year under review:

- Mr Havenstein replaced Mr Martin as lead independent director on 18 August 2015.
- Mr Mosehla was appointed a non-executive director on 19 August 2015.
- Mr Beckett retired as an independent director on 11 November 2015.
- Ms Hickey and Mr Mvusi were appointed as independent directors on 1 January 2016.

### Retirement and re-election of directors

In terms of clause 33.5.1 of the MOI, one third of the non-executive directors, being those longest in office, shall retire from office at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment.

Messrs Chabedi and Zim both retire from office in terms of clause 33.5.1 and, being eligible and available, have offered themselves for re-election and appointment at the AGM on 9 November 2016.

Mr Martin, who also retires by rotation, has not made himself available for re-election as a director and as such his retirement shall become effective following the conclusion of the AGM in accordance with clause 33.5.8.

In terms of the company's MOI directors appointed to the board during the year shall hold office until the next AGM and shall then retire and be eligible for re-election.

Ms Hickey and Mr Mvusi were appointed as directors on 1 January 2016 and, in accordance with the provisions of clause 33.5.4 of the MOI, retire from office and, being eligible and available, have offered themselves for re-election and appointment at the AGM.

At the forthcoming AGM on 9 November 2016 members will be requested to consider resolutions providing for the election and re-appointment of Messrs Chabedi, Zim, Ms Hickey and Mr Mvusi as directors.

As recommended by the nomination committee, Ms Hickey, subject to her appointment as a director, will replace Mr Martin as chairman of the audit and risk committee.

Brief summaries of their *curricula vitae* appear on pages 18 and 19.

### Attendance at board and board sub-committee meetings

The board and its committees meet at least once a quarter and ad hoc meetings may also be called to consider specific issues. The investment committee and the nomination committee meet as and when required.



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## CORPORATE GOVERNANCE REPORT CONTINUED

|                           | Board    | Audit and risk committee | HSE committee | Investment committee | Nomination committee | SE and HR committee |
|---------------------------|----------|--------------------------|---------------|----------------------|----------------------|---------------------|
| <b>Number of meetings</b> | <b>5</b> | <b>5</b>                 | <b>4</b>      | <b>2</b>             | <b>3</b>             | <b>4</b>            |
| PL Zim (chairman)         | 5        | –                        | –             | –                    | 3                    | –                   |
| PA Dunne (CEO)*           | 5        | –                        | 2             | –                    | –                    | –                   |
| AZ Khumalo (CFO)          | 5        | –                        | –             | –                    | –                    | –                   |
| ME Beckett**              | 1        | 3                        | 2             | –                    | –                    | 1                   |
| CK Chabedi                | 5        | –                        | 4             | 2                    | –                    | 4                   |
| R Havenstein              | 5        | 5                        | 4             | 2                    | 3                    | –                   |
| HH Hickey***              | 3        | 2                        | –             | –                    | –                    | –                   |
| TE Kgosi                  | 5        | 5                        | –             | –                    | 3                    | 4                   |
| AR Martin                 | 5        | 5                        | –             | 2                    | 3                    | –                   |
| BK Mosehla****            | 4        | –                        | –             | 2                    | –                    | 4                   |
| TI Mvusi***               | 3        | –                        | –             | –                    | –                    | –                   |

Key:

– Not applicable

\* Appointed to the HSE committee on 10 December 2015

\*\* Retired 11 November 2015

\*\*\* Appointed 1 January 2016

\*\*\*\* Appointed 19 August 2015

The CEO attends the HSE committee meetings as a member. For all the other sub-committee meetings, the CEO and CFO attend by invitation.

### Disclosure of personal financial interests

Disclosure of personal financial interests is a standing board and committee agenda item and a register of all directors' company shareholdings, other directorships and information regarding any potential conflict of interest is updated by directors at each meeting. Directors recuse themselves from discussion on any matters in which they may have a conflict of interest. Furthermore, before dealing in the company's shares, directors are required to obtain approval from the chief executive or the chief financial officer and are to inform the company secretary.

### 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 reviewed by the executive committee and any changes required, are approved by the board. The board takes ultimate responsibility for the group's adherence to sound corporate governance standards and sees to it 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 available on the Northam website at [www.northam.co.za](http://www.northam.co.za)

### Executive committee

The group's chief executive, Mr PA Dunne is responsible for the execution of the company's strategy and reports to the board. He chairs the executive committee that comprises six members, namely Messrs AZ Khumalo, chief financial officer; LC van

Schalkwyk, chief commercial officer; CA Smith, executive officer HR, FR Rautenbach, manager – projects and strategy; and Ms PB Beale, company secretary.

The members meet on a monthly basis to discuss and deal with operational matters, recommend strategies and monitor implementation of capital programmes.

### BOARD COMMITTEES

#### Audit and risk committee

The committee's members are four independent directors, Messrs Martin - chairman; Havenstein; Ms Hickey and Ms Kgosi. Mr Beckett retired as a member on 11 November 2015 and Ms Hickey was appointed on 1 January 2016.

The 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 resolutions appointing Mr Havenstein, Ms Hickey and Ms Kgosi as members. Mr Martin, chairman of the committee has not made himself available for re-election as a director and as recommended by the nomination committee, Ms Hickey will replace Mr Martin as chairman of the committee. The board is satisfied that the members of the 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 the key risks and appropriate measures in place to mitigate these risks.

For attendance at meetings refer to page 104.

The report of the audit and risk committee may be found on page 153 of this annual integrated report.

### **HSE committee**

The committee comprises three directors, Messrs. Havenstein – chairman; Chabedi and Dunne – chief executive. Mr Beckett retired as a member on 11 November 2015 and Mr Dunne was appointed on 10 December 2015. The chief financial officer is invited to attend committee meetings which are held every quarter.

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. For key features on Northam's health and safety structures and systems, refer to page 55.

For attendance at meetings refer to page 104.

### **Investment committee**

This committee's members are Messrs Havenstein – chairman; Chabedi; Martin and Mosehla. Mr Mosehla was appointed on 19 August 2015. The chief executive and chief financial officer are invited to attend committee meetings.

The committee evaluates and advises the board on all acquisitions and investment-related opportunities. It does not have regular meetings but meets as and when required. The main functions of the committee are to consider the suitability and compatibility of potential investments and their returns, weighted against the interests of stakeholders.

For attendance at meetings refer to page 104.

### **Nomination committee**

The committee comprises four directors, Mr Havenstein – lead independent director as chairman, Ms Kgosi, Messrs Martin and Zim.

Mr Havenstein replaced Mr Martin as lead independent director and chairman of the committee on 18 August 2015. In terms

of the JSE listings requirements, the chairman of the board or, if the chairman is not independent, the lead independent director is required to chair the nomination committee.

The main functions of the committee are to recommend director nominees to the board, for approval by Northam shareholders at the AGMs of the company and to ensure that the interests of shareholders are properly protected in relation to the leadership and management of the company. The chief executive and chief financial officer are invited to attend committee meetings.

For attendance at meetings refer to page 104.

### **SE and HR committee**

This committee's members are three directors, Ms Kgosi – chairperson; Messrs. Chabedi and Mosehla. Mr Mosehla was appointed on 19 August 2015 and Mr Beckett retired on 11 November 2015.

The key responsibility of the committee is to assist the board with transformation and labour matters in terms of amongst others, the Mining Charter and as set out in the Companies Act, the monitoring of the group's performance with the social and ethics statutory requirements. The committee is also responsible for the group's remuneration matters and the remuneration report may be found on page 107 of this annual integrated report.

The terms of reference of the committee, containing detailed information regarding the committee's responsibilities and mandate, are available on the company's website [www.northam.co.za](http://www.northam.co.za)

The committee, together with the board, monitor the group's performance with the elements of the Mining Charter on a quarterly basis. Further details may be found in the *Human capital* section beginning on page 44 of this annual integrated report.

The chief executive, chief financial officer and, Mr C Smith, Northam's executive officer HR are invited to attend committee meetings.

For attendance at meetings refer to page 104.

### **Performance reviews of the board and sub-committees**

The board and sub-committees undertake an annual series of assessments in order to monitor performance and identify areas for improvement. The annual board assessment was led by the chairman and facilitated by the company secretary. The 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.

The sub-committees' annual evaluations were facilitated by the company secretary and led by the chairperson of each committee.

# CORPORATE GOVERNANCE REPORT CONTINUED

In compliance with King III, the board chairman and lead independent director were re-elected at the November 2015 board meeting.

## Independence test in terms of King III

Annual independence tests for the independent directors Messrs Chabedi, Havenstein, Ms Hickey, Ms Kgosi, Messrs. Martin and Mvusi were conducted in June 2016. The board considered the minority beneficial interests held by Mr Chabedi and Ms Kgosi in Zambezi Platinum, which they had acquired in terms of the BEE transaction in May 2015. They also considered the tenure of Mr Havenstein and Ms Kgosi who have been on the board beyond nine years. The board is satisfied that there are no relationships or circumstances which affect, or appear to affect the independence of the abovementioned directors.

## Company secretary

In compliance with the JSE listings requirements, the board 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, and 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.

## 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.

## Code of ethics

The group's code of ethics is reviewed by the executive committee and any changes required are approved by the board. The code of ethics applies to both directors and employees of the group. It governs the interaction between the group and its suppliers, contracting companies, 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](http://www.northam.co.za)

## Donations

The company has a long-standing policy where employees may not accept gifts, hospitality or favours from suppliers or contracting companies of more than a nominal value. All gifts and entertainment details are recorded in a gift register for record purposes.

## 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) can 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.

## 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 Northam shares or Zambezi Platinum preference 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.

## 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. Northam's submissions are currently up to date.

## Reporting to stakeholders

The board is 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.

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 stakeholders, institutions and others. Feedback is a critical element of such engagement processes and is communicated through the executive committee for discussion at board level.