

REMUNERATION REPORT

The board, through the SE&HR committee is ultimately responsible for establishing a remuneration policy and for its implementation, to ensure that competent individuals are appointed as senior managers, and to ensure that the group's leadership is adequately rewarded for delivering on the group's strategic targets. In addition, the committee is responsible for mandating management on appropriate wage increase thresholds for union negotiations and advises on the scale of fees to be paid to non-executive directors, which are submitted to shareholders for approval.

EMPLOYEES REPRESENTED IN TERMS OF COLLECTIVE BARGAINING ARRANGEMENTS

There are various unions representing workers at the group's operating mines. The majority of the group's employees, approximately 80% at Zondereinde, are contributing members of the National Union of Mineworkers (NUM) – primarily in the category 2 to 10 bargaining units. Their salary levels, annual increases, allowances and benefit packages are negotiated on a collective basis.

At Booysendal, approximately 90% of the workforce is covered by collective bargaining agreements through the contracting companies used at the operation. Approximately 70% of unionised indirect employees belong to the Amalgamated Mine and Construction Workers Union (AMCU).

Northam also engages with other unions representing smaller groups of employees. The group's labour relations policies provide for organisational rights to any union which meets a 15% representation threshold within a bargaining unit. When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit. Northam's objective is to engage in good faith in order to reach agreement on matters such as wages, substantive conditions of service and other matters of mutual interest. See pages 108 and 109 of this report for further information or go to www.northam.co.za

In addition to their wages, employees also earn various forms of bonuses to incentivise performance.



At Booysendal, approximately 90% of the workforce is covered by collective bargaining agreements through the operation's contracting companies

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS, MANAGEMENT AND NON-UNION STAFF

Executive directors, including corporate and operational management, are treated in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades. Salaries are reviewed annually, effective 1 July. Salary increases are determined individually, according to individual performance, retention and market-matching criteria.

All non-union staff, managers and executives have detailed job profiles which stipulate the key performance areas of their positions. These serve as the basis for performance management, measurement and performance-linked salary increases and bonuses.

Remuneration takes the form of:

- appropriate salary packages, including those of the executive directors which incorporate basic remuneration pay (BRP) including death, disability, medical aid and pension contribution benefits;
- various allowances;
- various short-term incentive bonus schemes depending on the grade of the employee;
- a long-term incentive scheme launched in 2011 which replaced the prior share option scheme (see page 112); and
- Key person insurance cover is available for the executives and the general managers of the group.

REMUNERATION POLICY

Pay levels are determined in terms of the group's remuneration policy. Through fixed and variable remuneration, the group aims to attract, retain, incentivise and reward top quality staff at all levels, particularly where scarce or critical skills are involved.

The group's remuneration policy is designed to support its strategic goals in a way that aligns the interests of employees, managers, executives and directors with those of stakeholders.

The remuneration policy is not intended to be a 'one size fits all' statement of rules and procedures, but rather to serve as the basis for a flexible approach to the variable and changing needs of a dynamic and competitive mining employment environment. The policy is underpinned by the following key principles:

- harmonising working conditions, salaries and wages throughout the group;
- compliance with all statutory and regulatory requirements and a commitment to applying best practice guidelines in all aspects of remuneration and benefits;

- attracting and retaining core skills, such as artisans, engineers and management; and
- offering remuneration packages that are competitive, fair, and reasonable in all respects and at all levels.

FEATURES OF THE REMUNERATION PRACTICES

Employment contracts are concluded on a permanent basis as a general principle (i.e. for an indefinite period), except where fixed-term or short-term temporary contracts are required for specific projects. The notice period for the termination of employment contracts is typically one month, but for critical positions this can be extended by mutual agreement to a maximum of one year.

Northam's objective is to provide a market-competitive basic salary plus compulsory medical aid and retirement fund membership. Various fixed and variable allowances are paid at certain job/grade levels or to certain job categories. The job grading system is based on the Paterson model. Remuneration experts are consulted from time to time as circumstances dictate.

Salary scales and employee benefits are benchmarked against mining industry standards and reviewed annually. The midpoints of the group's salary scales are compared with industry percentiles and adjusted annually, in line with the changing size, structure, financial performance and general circumstances of the group over time.

The group's salary scales have a range of between 12.5% and 57% which allow an overlap on scales which have steps of 15% between grade ranges to allow for the appropriate positioning of individuals according to qualifications, experience, performance, growth, development and market imperatives. However, in a competitive market where skills are scarce, market comparisons may result in pay amounts above the range being considered and paid.

The committee approves salary increases for all categories of staff in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of remuneration policy are approved by the committee prior to implementation.

In the case of retrenchment, the group's policy at all job levels is to pay the contractual notice period (if not worked) and severance pay in line with legislation (the Basic Conditions of Employment Act), being one week's remuneration per completed year of service with the group. Severance payments upon termination of service are governed by legislation, agreements with unions, individual contract and/or group policy and practice.

No provision is made for special retirement benefits for group employees other than the standard benefits in terms

of two of the group's recognised retirement funds, with the exception of employees in Category 9 and above who were in service with the group on 31 December 1998. In respect of these employees, a contribution is made to a post-retirement healthcare fund. These contributions cease when the employee leaves the service of the group. All components of the group's remuneration system are subject to regular internal and external audits, as well as routine monitoring by the South African Revenue Services. The committee is satisfied that the group is compliant with all pertinent regulations.

Executive directors' service contracts

The chief executive, Mr PA Dunne has a service contract with the company which is subject to a notice period of one year. The chief financial officer, Mr AZ Khumalo has a service contract with the company which is subject to a notice period of three months. Severance pay is governed by employment (labour) legislation and there are no special severance package arrangements in terms of these contracts except that they are

governed by legislation. The executive directors' remuneration is determined on an annual basis by the SE&HR committee.

ELEMENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS AND SENIOR OFFICIALS

Fixed remuneration: cost to company

Executive directors are paid market-related salary packages on a cost to company basis which represents their guaranteed pay. Increases are generally offered and determined annually by the committee in July. Increases take account of the group's economic performance, the prevailing inflation rate and may include a merit component of no more than 2% in addition to the inflation rate.

The chief executive's basic remuneration increase of 8% in July 2015 takes account of his forfeiture of an increase in July 2014, given that his contract with the company started in March 2014. The chief financial officer received an 11% increase following a benchmarking exercise.

EXECUTIVE DIRECTORS – TOTAL REMUNERATION OUTCOMES AND REMUNERATION MIX FY2016

Executive director	Basic remuneration	Benefits	Bonus	Gain on shares	*Total
	%	%	%	%	%
PA Dunne	54.3	7.3	38.4	–	100.0
AZ Khumalo	31.4	4.6	25.4	38.6	100.0

* Refer to directors' report on page 144 for directors' remuneration in rand terms.

Mr Dunne did not have any retention or performance shares vesting as his tenure at the company remains below the three-year vesting period.



At Northam, salary scales and employee benefits are reviewed annually

REMUNERATION REPORT CONTINUED

VARIABLE REMUNERATION: SHORT-TERM

Employee bonuses

The group has a variety of bonus schemes for employees. Bonuses are not guaranteed and are based on agreed formulae. Executive directors and senior management may earn a bonus based on the extent to which they have achieved the targets and objectives set for them by the committee and/or the board of directors. Bonuses are payable half-yearly.

Short term incentive – executive directors, senior officials' bonus scheme

The board of directors, through the committee, determines the performance targets and objectives of the chief executive and the chief financial officer, conducts their performance assessments and decides the quantum of their performance bonuses. The chief executive also has input into the evaluation of the chief financial officer.

The chief executive and the committee determine the performance targets and objectives of senior managers, conduct their performance assessments and determine the quantum of performance bonuses for approval by the board of directors.

Bonuses are paid subject to the achievement of targets, and an individual performance rating. Variability of the bonus amounts per grade is based on the relative BRPs of executive directors and senior officials.

Annual bonuses actually paid as a percentage of basic remuneration plus benefits in FY2016 were as follows:

Executive director	*2016 bonus as % of basic pay plus benefits
PA Dunne	62.2
AZ Khumalo	70.7

* Refer to the directors' report on page 144 for directors' remuneration in rand terms.

Typically, the bonus scheme is based on a weighted combination of targets which are largely under the control of management. Through the provision of bonuses, the committee intends to incentivise management in areas/targets that they are able to influence. In this way, management is encouraged to manage the group to achieve best performance for the benefit of stakeholders. These targets are usually a weighted combination of safety performance, linear metres achieved, square metres achieved, total tonnes milled, recoverable metals produced, cash or total operating costs, personal performance which includes transformation (referring to social employment quotas/criteria that must be met in terms of employment legislation in South Africa).

SHORT-TERM INCENTIVES – DETAILS OF THE EXECUTIVE DIRECTORS' AND SENIOR OFFICIALS' BONUS SCHEME

Committee approved formula	Achievement (excess or shortfall of actual over target), rated in terms of achievement factors (i.e. below 90% achievement = zero achievement factor and above 110% = 125% achievement factor) by (x) weighting of key performance area (scoring) x BRP x weighting of the two mines (on production) – this is calculated half yearly and per annum – all annualised = bonus of executive directors and senior management.
Payment frequency	Bonuses are paid twice annually based on the actual results achieved for each of six months ending December and June. 75% of the calculated bonus is paid for each six-month period with the final 25% being calculated on the results for the full year.
Performance conditions	Set during the financial year by the committee and the board. Corporate office bonuses are paid on a weighted basis based on the performance of the two operating mines, Zondereinde and Booyssendal. Performance criteria and weightings for FY2016 and FY2017.
Minimum and maximum possible bonus opportunity	Minimum can be zero and maximum 125% of BRP.
Proposed changes for FY2017	Only for the Booyssendal mine-weighting of targets as indicated in the table below. This change in certain targets reflects the anticipated steady-state production levels in FY2017.
SE&HR committee discretion	In consultation with chief executive, the committee may vary both the formula, targets and or the amounts payable.

EXECUTIVE DIRECTORS' AND SENIOR OFFICIALS' BONUS SCHEME – ELEMENTS OF BONUS – PAYABLE FOR YEAR END JUNE 2016:

Zondereinde

Key performance area	Unit	Weighting	Achievement actual vs target	Scoring of achievement	Weighted score
		%	%	%	%
Safety	TIIR	30	96.0	60.0	18.0
Linear metres	m	10	85.0	–	–
Square metres	m ²	10	92.0	20.0	2.0
Total tonnes milled	tonnes	10	93.0	30.0	3.0
Recoverable metals	kg	15	96.0	60.0	9.0
Total cash cost	R'000s	15	111.0	125.0	18.8
Personal performance	Rating	10	–	–	–
Net weighting – percentage of BRP for period and for mine payable					50.8

Booyseindal

Key performance area	Unit	Weighting	Achievement actual vs target	Scoring of achievement	Weighted score
		%	%	%	%
Safety	LTIIR	25	136.0	125.0	31.3
Capital development metres	m	20	98.0	80.0	16.0
Square metres	m ²	10	92.0	20.0	2.0
ROM milled	tonnes	10	99.0	90.0	9.0
Sweeping and vamping	tonnes	5	94.0	40.0	2.0
ROM estimated recoverable metal	kg	5	97.0	70.0	3.5
Total cash cost	R'000s	15	99.0	90.0	13.5
Personal performance	Rating	10	–	–	–
Net weighting – percentage of BRP for period and for mine payable					77.3

Applicable formula: see table above.

CORPORATE OFFICE AND SHARED SERVICES STAFF

Net weighting – percentage of BRP for period and for corporate office and shared services payable	59.0
--	-------------

The table below indicates the performance targets or criteria set for the FY2016 and FY2017 bonuses:

Performance criteria	Unit	Weighting % Zondereinde		Weighting % Booyseindal	
		FY2017	FY2016	FY2017	FY2016
Safety (LTIIR/RIIR or TIIR)	TIIR	30	30	20	25
Linear metres/capital development decline metres	m	10	10	–	20
Square metres	m ²	10	10	30	10
Total tonnes milled	tonnes	10	10	15	10
Sweepings and vappings	tonnes	–	–	–	5
Recoverable metals	kg	15	15	15	5
Total cash cost	R'000s	15	15	10	15
Personal performance	rating	10	10	10	10
		100	100	100	100

REMUNERATION REPORT CONTINUED

Based on the cost to company, being the basic remuneration package plus pension contribution, the average group bonus paid under this scheme was 58.4% of group remuneration cost in FY2016 (FY2015: 50.4%).

In FY2016, executive directors and corporate office staff bonuses were paid for the first time (originally corporate offices staff were paid on the Zondereinde mine), on a weighted basis relative to the performance of the two operating mines Zondereinde and Booyssendal.

Short-term incentives: retention bonus scheme – including executive directors

The bonus is designed to retain skills within the company. Accordingly, any employee who is discharged or resigns before such bonus becomes payable forfeits the total amount accumulated.

An amount equal to 20% of the annual BRP is accumulated monthly over 24 months and paid after two years' service in terms of this scheme. On retirement or retrenchment all accumulated bonuses are payable to employees. Employees taking early retirement will receive this bonus on a proportional basis in line with the same percentages as the share incentive plan rules.

All officials within the D3 Patterson grading and higher, including executive directors, are eligible to participate in the scheme. In FY2016 the average group retention bonus paid was 11.1% (FY2015: 10.5%) of the group cost to company remuneration.

Long-term incentives: details of share incentive plan and share option scheme for executive directors and senior management

The group currently operates the Northam share incentive plan (SIP or plan). The Northam share option scheme has been discontinued owing to its dilutive nature. The share options issued before its discontinuance will be allowed to run their course until October 2017. Details of the options issued under the scheme are more fully disclosed in the annual financial statements.

Remuneration of executive directors in terms of both basic pay and the Northam SIP payouts are disclosed on page 109 of this remuneration report.

The SIP was introduced in 2011 in order to attract, incentivise and retain skilled senior managers. The target group for the SIP includes all senior officials and executives in job grades D1 and above. The committee approves the annual allocation of shares based on an approved formula, as well as any changes to the SIP rules.

LONG-TERM INCENTIVE – DETAILS OF THE SHARE INCENTIVE PLAN

Instruments used	• Conditional shares with a three-year vesting period • Retention shares (without performance conditions) – no more than 25% of the total award; and • Conditional shares with performance conditions – at least 75% of the total award • Forfeitable shares Participants do not have to pay for any awards received under the SIP.
Eligibility levels	Executive directors and all senior officials in Patterson D grade and above
Performance conditions and performance measurement	See table below for typical combination of performance conditions, each factor weighted accordingly. From FY2015 onwards these include a rate of return performance target/factors with a weighting of at least 30%.
Vesting period	Three years for all shares
Company and individual limits	Total company limit of approximately 19.9 million shares and approximately 2.0 million shares per cycle for individuals. See the proposed lock-in and incentive mechanism (PLIM) on page 113 of this remuneration report.
Minimum and maximum possible share payout	Minimum is the value of retention shares (as they have no performance conditions attached) and maximum largely depends on operational performance of the company when targets are measured against actual performance for conditional shares. This determines the shares eventually allocated, (which are normally lower than those awarded because of the performance conditions test) as well as the share price when shares vest. On measurement of the achievement of these targets/factors, each factor's achievement rank depends on the extent of achievement for each factor over the three-year period, ranging from a ranking of 1 (which represents a 90 to 100% achievement of target). This could mean, for example, a 100% award of conditional shares. This rises up to a ranking of 4, which, for example might be an achievement of over 105%, which may equate to a share number allocation of up to 135% of the original award.

Executive directors: November 2012 allocation, vesting November 2015

Factor and weighting and year		Safety 30%	Recoverable metals 40%	Unit cash cost 30%	Total
FY2013	Score	110	96	100	
FY2014	Score	87	79	93	
FY2015	Score	111	88	94	
Achievement per factor FY2016		135	–	100	
Weighted		41%	–	30%	71%
Percentage shares to be paid					71%
Executive directors – number of shares		98 000 [#]			69 580*

[#] The initial/original number of shares awarded or granted to directors. The initial award is largely based on the share price at the time of award.

* Final numbers of shares vested paid out in December 2015.

The first three-year cycle post the launch of the SIP in 2011 was completed in November 2014. The performance conditions were measured with the result determining the allocations of shares that vested and which determined the payout. The retention awards of FY2011 however vested in 2013. For Zondereinde mine, corporate office and shared services (including executive directors) 70% of the awards were allocated and paid. For Booyssendal this amounted to 78%. In the next cycle paid out in December 2015, 71% of the awards were allocated for Zondereinde, corporate office and shared services and 51% for Booyssendal.

The awarding of shares is determined by means of a share option formula, approved by the SE&HR committee, which was provided to Northam by external experts after a review of industry share schemes in 2011. The formula takes into account factors such as the share price on award or grant date and the vesting period of the shares to be awarded. Both retention shares (without performance conditions) and performance shares (with performance conditions) are awarded. However retention shares are limited to a maximum of 25% of the total number of awarded shares for all grades of staff including executive directors. Usually the awarded shares are not the number of shares that eventually vest, but the allocated shares (that is, the awarded shares after measurement against the performance conditions, three years later) are the number that vest and are paid out.

The FY2016 three-year award performance targets/factors set in November 2015 are as follows:

- an improvement of 10% over the previous financial year's safety record, with a weighting of 25%;
- estimated recoverable metals meeting production volumes, weighted at 25%;
- unit cash costs – achieving the budgeted unit costs for the current year or less with a weighting of 20%;
- a rate of return measure (each with a weighting of 15%);

- absolute total shareholder return (group) in excess of 14.7% (weighted average cost of capital) +1.3% and
- relative total shareholder return (group) – Northam share price performance exceeding the platinum index return on the JSE.

All with the sum of the weightings totaling 100%.

An achievement of less than 90% of target results in no shares being allocated at all. Every year the committee, with the assistance of management, assesses the allocation of both retention and conditional performance shares per employee.

Full details of the shares granted to the executive directors during the year are set out in the annual financial statements on page 244.

PROPOSED LOCK-IN AND INCENTIVE MECHANISM (PLIM)

The implementation of the BEE transaction has resulted in a variety of benefits for the group, however, the guarantee provided by Northam (guarantee) to the holders of preference shares issued by Zambezi Platinum (preference shares) may result in the deterioration of shareholder value. Certain of Northam's shareholders expressed concerns in this regard and recommended that the company appropriately incentivise management to mitigate this specific risk.

In this regard, the SE&HR committee considered the implementation of the PLIM which appropriately addresses the long term and short term incentivisation of key management to consistently maintain the Northam share price above the related preference share liability value over the term of the BEE transaction. The performance conditions attached to benefits under the PLIM are directly related to the terms of the BEE transaction and are intended to align the interest of the PLIM participants directly with those of the company's shareholders.

REMUNERATION REPORT CONTINUED

Reward under the PLIM is contingent on success, with failure of the performance conditions resulting in complete loss of potential benefits, if the performance condition is not met within the relevant performance measurement period. Given the long term nature of the BEE transaction (10 years, subject to early closure in certain instances), the PLIM is designed to cater for continued incentivisation of management during the term with the majority of benefits only being realised upon the successful conclusion of the BEE transaction in 10 years.

In addition to being an incentive, the PLIM has also been designed to act as a retention tool for purposes of assisting the group in retaining the skills and expertise of its key management team throughout the duration of the PLIM. The PLIM comprises two parts: the BEE transaction incentive plan (BIP) and the cash incentive bonus in respect of the BEE transaction (CIBB).

Salient features of the BIP

The BIP considers the creation and award of BEE conditional performance shares (BEE CPS) under the group's existing share incentive plan (SIP). The number of BEE CPS to be issued is

limited to 5 million and these will be classified and treated as conditional shares under the SIP and are treated as such, save for certain additional terms and conditions attached to them. The BEE CPS represent less than 1% of Northam's shares currently in issue and no individual participant will be allowed to hold in excess of 1.5 million BEE CPS.

The BEE CPS primary performance criteria will be that Zambezi Platinum:

- fully settles all the preference dividends accumulated in respect of all the outstanding preference shares and;
- redeems all the outstanding preference shares in accordance with the preference share terms (collectively, the redemption amount); and
- fully settles or makes adequate provision for all its tax liabilities arising from settlement of the redemption amount,

on the basis that no member of the group is required to settle a guarantee liability or give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.



The Northam group operates an employee profit share scheme for eligible employees at the Zondereinde mine

Salient features of the CIBB

CIBB participants, for a given financial year, will receive an additional cash incentive bonus, in the event Zambezi Platinum meets certain performance conditions by the annual measurement date (i.e. on or about the 31st trading day following publication of the group's results).

CIBB participants will receive, on an annual basis, 15% of their cost to company remuneration excluding performance bonuses, if the value of a Northam share at the measurement date is equal to or greater than the redemption amount per preference share.

Furthermore, CIBB participants will receive, on an annual basis, an additional 15% of their cost to company remuneration excluding performance bonuses, if the aggregate value of the Northam shares held by Zambezi Platinum at the measurement date is sufficient to, in addition to fully settle the redemption amount, fully settle or make adequate provision for all of Zambezi Platinum's tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

CIBB participants will include certain key employees of the group, as approved by the committee.

The fulfilment of the performance conditions will be based on the volume weighted average price at which Northam shares traded for the 60 trading days preceding the measurement date and the accrued liability under the preference shares as at the measurement date.

Certain employees may receive a CIBB on an ad-hoc, temporary basis according to the recommendations of the CEO and subject to the approval of the committee.

Amendments to the SIP

Due to the implementation of the PLIM, certain amendments to the rules of the group's SIP are proposed. These proposed amendments also clarify certain previously ambiguous rules of the SIP and aim to facilitate more effective administration of the SIP on a continuing basis.

In the event that the resolution regarding the proposed amendments to the SIP is not passed, the SIP shall continue to operate in its current form save for adjustments to the SIP rules unrelated to the BIP that do not require the approval of shareholders.

The salient features of the PLIM (including its two parts, the BIP and the CIBB) and the proposed amendments to the SIP are provided in annexure 5 attached to the notice of the AGM and abridged annual report 2016 available on the company's website at www.northam.co.za and available at the company's registered office.

EMPLOYEE PARTICIPATION SCHEMES

Toro Employee Empowerment Trust

The group operates an employee profit share scheme for eligible employees at the Zondereinde mine in terms of which 4% of the Zondereinde after-tax profits are contributed to a registered trust fund (The Toro Employee Empowerment Fund). Eligible employees receive payment at the end of each five-year cycle, with the first payments having been made in FY2013.

BEE shareholding in Northam

Employees and communities are participants in the BEE transaction approved in FY2015 in terms of which communities hold 5% of Northam shares and eligible group employees (excluding management) own 3% of Northam (this is in addition to the 4% share of Zondereinde after-tax profits through the Toro Trust).

Ms TE Kgosi

Chairperson

23 September 2016