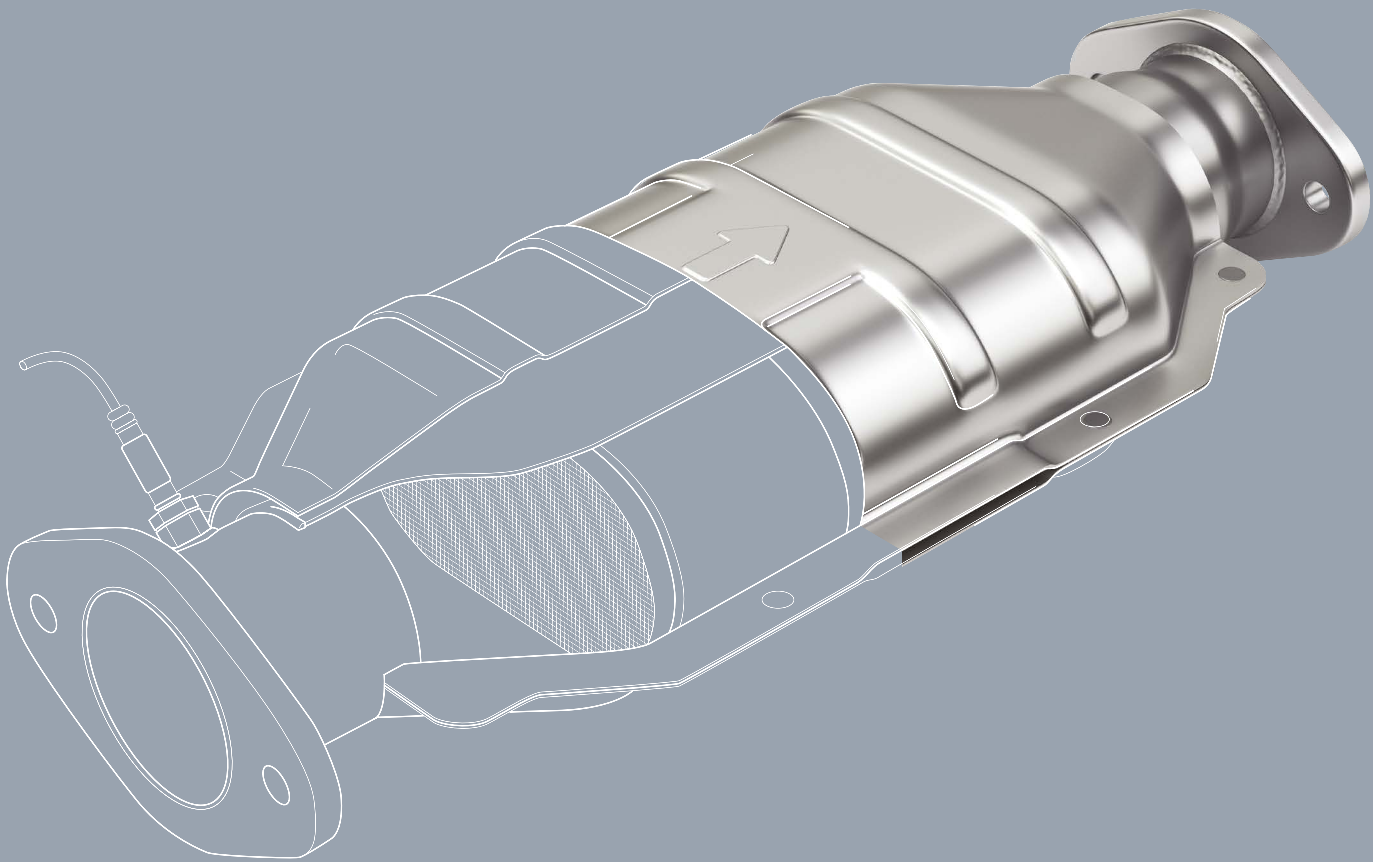
NORTHAM
PLATINUM LIMITED



SOLID SUSTAINABLE GROWTH

CORPORATE GOVERNANCE REPORT
30 JUNE 2019

Corporate governance

Our governance philosophy and ethics

Our governance philosophy

The board of directors (board) and management of Northam Platinum Limited (Northam) are committed to good corporate governance, facilitated by ethics, transparency and accountability.

We believe that this approach underpins the effective management of our business, the execution and delivery of our strategy, the mitigation of the risks we face, the way we communicate with our stakeholders and ultimately the long-term sustainability of the group.

Northam's corporate governance philosophy, approach, standards, policies and practices support the achievement of each of the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) principles and governance outcomes.

Our ethics

The board maintains that ethics and integrity are fundamental to an effective governance framework and the foundation for developing a culture that supports employee, customer and investor confidence.

The board accepts collective responsibility for defining how ethics and ethical behaviour are implemented and monitored throughout the group.

Our code of ethics applies to both directors and employees and governs the interaction between the group and our suppliers and clients. It furthermore covers the use of group assets and confidential information, the group's approach to gender and racial diversity, freedom of association, bribery and corruption, compliance and insider trading.

A copy of our code of ethics can be found on our website at www.northam.co.za/governance/policies-and-procedures.

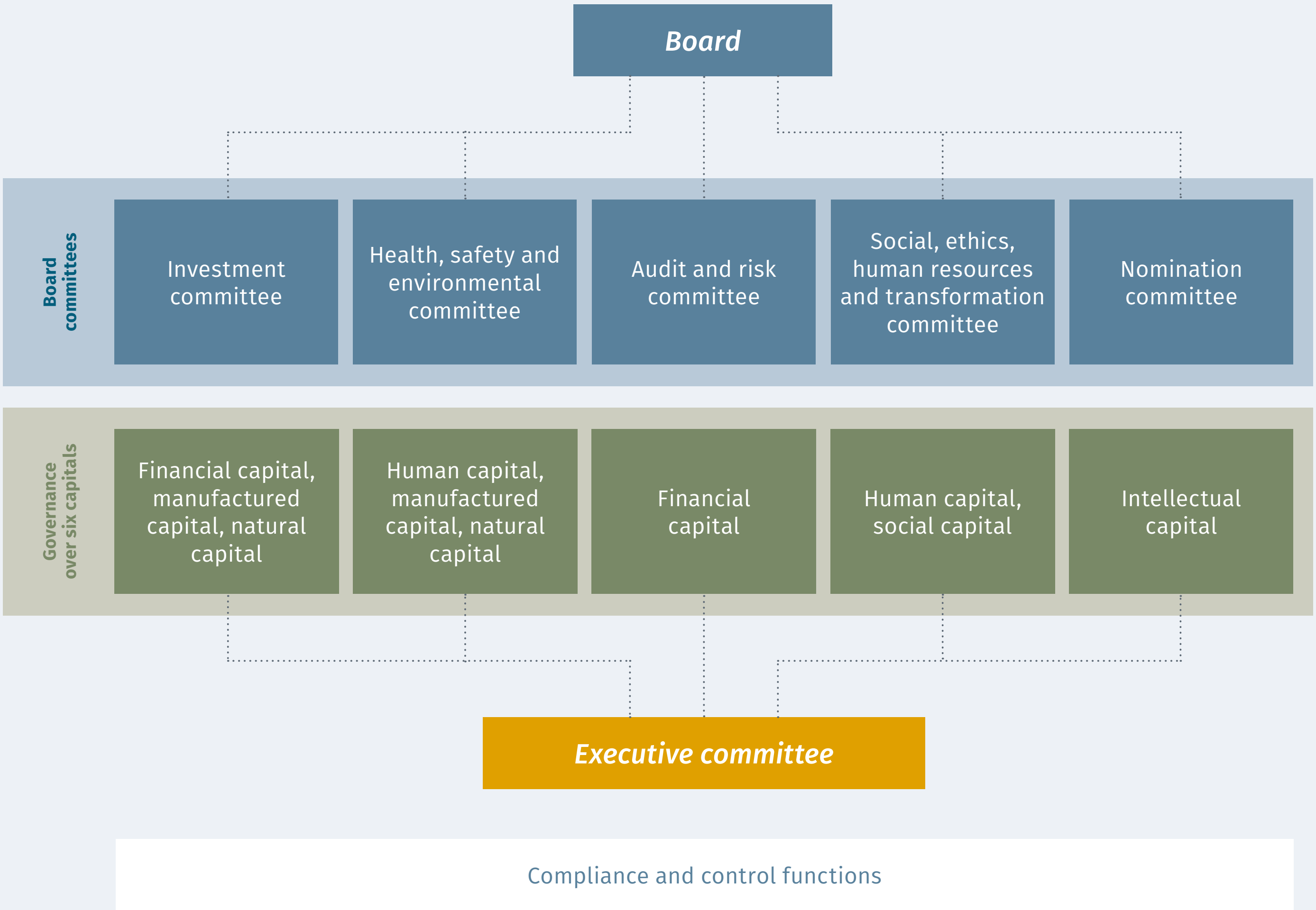
Monitoring ethics

Ethics is monitored through various means, including an independent ethics & fraud hotline available on our website. Ethics and fraud hotline reports are a standard agenda item for the audit and risk committee, and management updates the committee members at each meeting of transgressions recorded.

Employees are encouraged to report any approach made to them or of which they are aware, by any person or entity seeking favour or preference in terms of business dealings with the group.

Our independent ethics & fraud hotline is supported by strong investigative capabilities and rigorous disciplinary processes and sanctions.

Group governance framework



Northam's group governance framework (GGF) applies to all employees and directors of the group. The GGF enhances the organisational understanding of ethics and promotes the desired governance culture.

The board is satisfied that the GGF contributed to role clarity and made it possible for it to effectively exercise authority and its responsibilities.

Bottom of the 4 200 ton RopeCon® capacity silo at Booysendal South RopCon loading station with two suspension ropes and steel core belt visible

A message from our lead independent director

In this section of our integrated report we introduce our board and executive management and set out our frameworks, policies and decision-making mechanisms.

R Havenstein
Lead independent director

I am delighted to be reporting on the governance of the group for the period ended 30 June 2019. In this section of our annual integrated report we introduce our board and executive management and set out our frameworks, policies and decision-making mechanisms that determine the way our people direct, administer and control all of our operations. We also provide an update on the key governance focus areas for the year under review.

Board changes

Mr MH Jonas and **Mr JJ Nel** were elected as independent non-executive directors at the annual general meeting held on 6 November 2018.

Ms AH Coetzee was appointed as chief financial officer (CFO) with effect from 15 November 2018. Ms Coetzee replaced Mr AZ Khumalo following his resignation, effective 1 November 2018.

The newly appointed directors bring extensive experience and expertise to Northam, and further strengthen the board's diversity and independence.

These changes, along with a review of the composition of the board committees, resulted in changes to the audit and risk committee members, where Dr NY Jekwa and Mr JJ Nel replaced long-serving directors Ms TE Kgosi and myself. Ms TE Kgosi and I have both continued to serve as independent non-executive directors on the board.

Board visits to operations

There were four board visits to our operations during the financial year. All new directors are invited to visit the operations (Booysendal, Eland and Zondereinde) as part of their induction process. *Ad hoc* visits are also set up for directors from time to time.

Governance

The board reviewed and updated the group's governance structures, policies and procedures in line with KING IV™ and the recommendations as per an external gap analysis conducted in 2017.

Governance areas that were enhanced and updated included the GGF, board and committee charters, the code of ethics and various internal policies and procedures, to both regulate and guide the group's conduct as a responsible corporate citizen.

Strategy

The execution of the group's strategy, as detailed on page 16 in our annual integrated report 2019, was challenged and monitored by the board on a continuous basis during the year.

The board is satisfied that the group's long-term strategy remains relevant, addresses the key risks, and leverages the key opportunities the group is facing.

Key risks

The board spent considerable time during the year under review analysing and challenging management on existing and newly identified risks.

The majority of the group's key risks, as expanded on from page 20 of our annual integrated report 2019, remained similar to the prior financial year. However, the security of energy and water supply and the potential lack of sufficient tailing storage facilities were identified as new risks for the group.

The board, and in particular the audit and risk committee, provided management with input and guidance on proposed measures to mitigate these risks as effectively as possible.

The board is satisfied that the group's risk management frameworks and processes effectively identify, manage and mitigate the risks we are facing.

Mining Charter

The Broad-Based Socio-Economic Empowerment Charter for the mining and minerals industry 2018 (Mining Charter) was published in September 2018.

Subsequent to collective engagement with our industry peers and the Department of Mineral Resources (DMR), the Minerals Council South Africa (formerly the Chamber of Mines of South Africa), of which Northam is a member, filed an application in March 2019 to take the Mining Charter on judicial review.

The Mining Charter is a material improvement on the 2017 Mining Charter draft. However, more work needs to be done to create a charter that promotes competitiveness, investment, growth and transformation in the South African mining industry.

Transformation

In November 2018, the social, ethics, human resources and transformation committee's charter was enhanced to include the monitoring of the group's transformation targets in terms of the Mining Charter.

This includes extending the committee's oversight responsibilities to human resource development, housing and living conditions, procurement, supplier and enterprise development and transformation, in terms of race and gender.

We are well positioned with respect to the targets of the Mining Charter, having 31.4% Black Economic Empowerment (BEE) ownership through Zambezi Platinum (RF) Limited's (Zambezi Platinum) holding in Northam. The group also exceeds the Mining Charter's targets for the representation of female and historically disadvantages persons on the board.

Board evaluation

During the year under review, we conducted an externally facilitated self-review of the board and its committees.

I am pleased to report that the overall conclusion was that the board and its committees function well. Areas identified for improvement have been incorporated into the board's action plan for F2020.

Focus areas for F2020

Succession planning and board refreshment

We believe that board refreshment and succession planning is an imperative and that it should be done in a systematic and gradual manner, in order to maintain a balance of new insight, depth of experience, continuity and diversity of the board.

This mix is reflected in the board tenure spread, with three of the directors having tenures in excess of nine years, balanced with four new board appointments in the last 2 years.

We will continue to facilitate the transfer of knowledge from long-serving directors to the newer members on the board, to ensure the board comprises an appropriate balance of institutional knowledge going forward.

Returning value to shareholders

The board will continue to challenge executive management on the most effective mechanisms to generate shareholder return in the year ahead. This includes exploring a more efficient capital structure and deepening and broadening our shareholder base.

R Havenstein
Lead independent director

20 August 2019

The board

The Northam board is diverse, consisting of 13 members. A total of 23% of our board members hold engineering degrees, 38% are chartered accountants (SA) and the balance have relevant experience in corporate finance, mergers and acquisitions and other associated and requisite disciplines.

Six board members, including our chief executive officer (CEO), have extensive exposure and experience as CEOs.

KEY:

- I Investment committee
- N Nomination committee
- A Audit and risk committee
- S Social, ethics, human resources and transformation committee
- H Health, safety and environmental committee
- Committee chair

1 **KB Mosehla (47)** I N
Chairman, non-executive director
CA (SA)
Appointed to the board in August 2015 (3.9 years)

Other directorships: Chief executive of Mosomo Investment Holdings Proprietary Limited, non-executive director of Malundi Resources (RF) Proprietary Limited, MC Mining Limited and Tembisa Provincial Teriary Hospital. Mr Mosehla is chairman of Zambezi Platinum (RF) Limited (Zambezi Platinum) and has a 10% indirect interest in SMS Mining Holdings Proprietary Limited, a contractor to Northam.

Experience: Former executive director of Mvelaphanda Holdings Proprietary Limited and executive director of Mvelaphanda Resources Limited.

Expertise: Finance

2 **R Havenstein (63)** H N I
Lead independent non-executive director
MSc (Chemical Engineering), BCom
Appointed to the board in July 2003 (16 years)

Other directorships: Independent non-executive director of Murray and Roberts Holdings Limited, chairman of Omnia Holdings Limited.

Experience: Former CEO of Anglo American Platinum Limited. Former executive director of Sasol Limited, responsible for Sasol Chemical Industries.

Expertise: Mining (with PGMs focus)

3 **DH Brown (57)** I A
Independent non-executive director
CA (SA)
Appointed to the board in November 2017 (1.6 years)

Other directorships: Chief executive officer of MC Mining Limited, independent non-executive director of Vodacom Group Limited, and Resilient Reit Limited.

Experience: Former non-executive director of Edcon Holdings Limited, CEO of Impala Platinum Holdings Limited (Implats) and was a member of the Accenture South Africa advisory board. Worked in the information technology sector for four years and for the Exxon Mobil Corporation in Europe for five.

Expertise: Mining (with PGMs focus), M&A and finance

4 **CK Chabedi (51)** I S
Independent non-executive director
MSc (Mining Engineering), Pr. Eng, MDP, MSAIMM
Appointed to the board in June 2009 (10 years)

Experience: Over 25 years' experience in mining and is currently a senior lecturer at the School of Mining Engineering at the University of the Witwatersrand. Mr Chabedi is a former non-executive director of Mvelaphanda Resources Limited. His mining experience includes over 12 years in both opencast and underground mines. He also has over 12 years' experience in academia.

Expertise: Mining

5 **AH Coetzee (39)**
Chief financial officer
CA (SA)
Appointed to the board in November 2018 (0.7 years)

Other directorships: Non-executive director of Zambezi Platinum.

Experience: Former associate director at EY.

Expertise: Finance, audit and risk management

6 **PA Dunne (56)** H
Chief executive officer
BSc (Hons), MBA
Appointed to the board in March 2014 (5.3 years)

Other directorships: Non-executive director of Zambezi Platinum.

Experience: Former executive director at Implats, responsible for all mining, concentrating and smelting operations at the group's Rustenburg and Marula mines.

Expertise: Mining (with PGMs focus)

7 **HH Hickey (65)** A
Independent non-executive director
CA (SA)
Appointed to the board in January 2016 (3.5 years)

Other directorships: Independent non-executive director of African Dawn Capital Limited, Barloworld Limited, Cashbuild Limited and Pan African Resources Plc.

Meetings

4 Board meetings held

93% Board and committee attendance

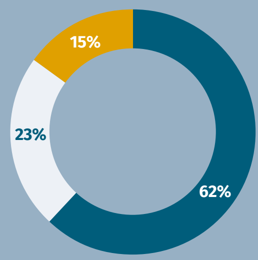
Independence

10 Independent non-executives (77%)

2 Executives (15%)

1 Non-executive (8%)

Board demographics



- Historically Disadvantaged People (HDP) *(Northam internal target for HDP board representation: 50%)*
- Non-HDP
- Non-South African

Gender diversity

Female 31% 4

Male 69% 9

Northam target for female board representation: 20%

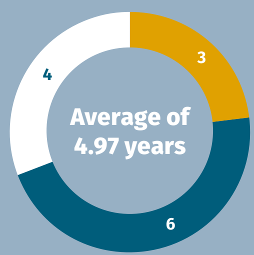
Age diversity

Oldest member 74

Youngest member 39

Average age of 56
62% under the age of 60

Tenure



- 0–3 years
- 3–6 years
- 6–16 years

Experience: Former chairman of the South African Institute of Chartered Accountants.

Expertise: Finance, audit, risk management and governance at large, listed entities

8 **Dr NY Jekwa (44)** S
Independent non-executive director
MBA (Finance), MBBCh (Bachelor of Medicine and Bachelor of Surgery), MIoDSA
Appointed to the board in November 2017 (1.6 years)

Other directorships: Independent non-executive director of Ascendis Health Ltd.

Experience: Former director at Coast2Coast and held senior positions in corporate finance and M&A at Nedbank Corporate and Investment Bank and Rand Merchant Bank.

Expertise: Finance and M&A

9 **MH Jonas (59)**
Independent non-executive director
BA (History and Sociology)
Appointed to the board in November 2018 (0.7 years)

Other directorships: Chairman elect of the MTN Group Limited and independent non-executive director of Sygnia Limited.

Experience: One of four independent presidential investment envoys, appointed by President Cyril Ramaphosa to attract investors to South Africa. Former deputy finance minister of the Government of South Africa from 2014 to 2017 and member of the National Assembly until April 2017. Former chairman and non-executive director of the Public Investment Corporation.

Expertise: Finance

10 **TE Kgosi (65)** S N
Independent non-executive director
BCom (Hons)
Appointed to the board in November 2004 (14.7 years)

Experience: Former cluster manager – materials management (Gauteng and North West operating units) in supply chain operations, Eskom SOC Limited. Extensive experience in the banking sector (specialising in treasury), having held positions at a number of South Africa's main banking groups as well as Credit Suisse First Boston (NY).

Expertise: Finance

11 **TI Mvusi (63)**
Independent non-executive director
BA, ELP, MAP, PDP
Appointed to the board in January 2016 (3.5 years)

Other directorships: Chief executive: Group market development at Sanlam Limited (Sanlam) and acting CEO of Sanlam Corporate, non-executive director of Umso Construction Proprietary Limited.

Experience: Served on the board of Sanlam since 2009. Former general manager of Gensec Property Services Limited and marketing manager at Franklin and Templeton Asset Management.

Expertise: Finance and investment management

12 **JJ Nel (47)** A
Independent non-executive director
CA (SA), CFA (AIMR), AMP (INSEAD)
Appointed to the board in November 2018 (0.7 years)

Other directorships: Non-executive director of DRDGOLD Limited, non-executive director of Mimosa Holdings Proprietary Limited and Mimosa Investment Limited (owner of Mimosa Platinum mine in Zimbabwe).

Experience: Former divisional CEO for Sibanye-Stillwater Limited (Sibanye-Stillwater), heading the PGM division of Sibanye-Stillwater following the acquisition of Aquarius Platinum Limited (Aquarius) in 2016. Former CEO of Aquarius from 2012 to 2016.

Expertise: Mining (with PGMs focus), finance and M&A

13 **JG Smithies (74)** H
Independent non-executive director
BSc (Mining Engineering), BSc (Chemistry)
Appointed to the board in January 2017 (2.5 years)

Experience: Former director of operations and CEO of Implats.

Expertise: Mining (with PGMs focus)

The board's responsibility

The board is ultimately accountable for the performance and reputation of the group and ensuring that it continues to operate responsibly, ethically and sustainably.

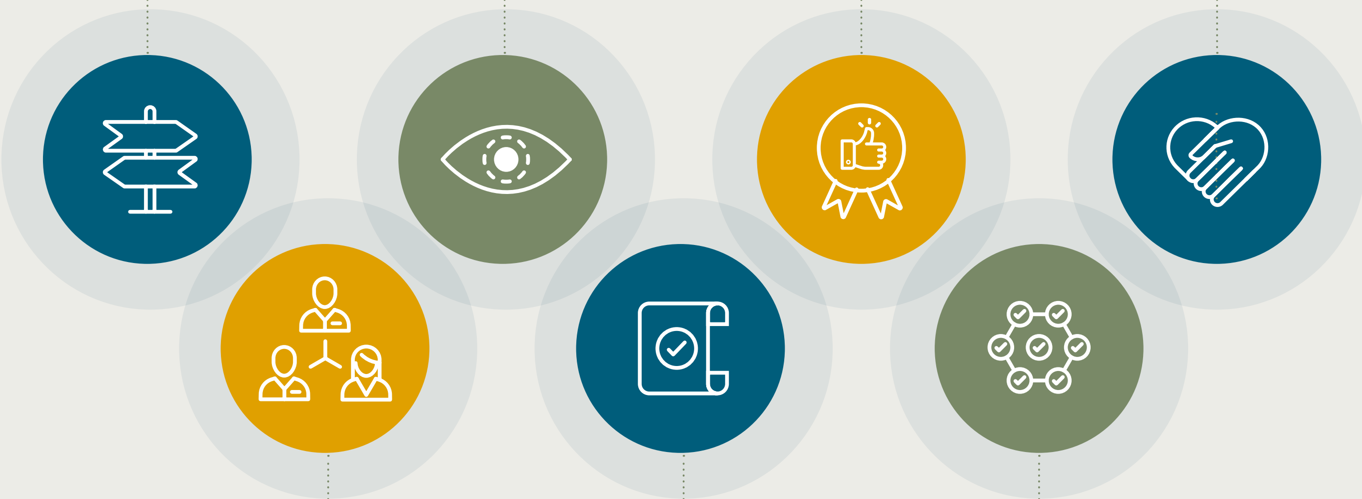
The board operates in terms of a **board charter**, which defines its functions and responsibilities:

Approve the strategy developed by management.

Monitor the implementation of approved strategy, policies, business plans and performance and ensure accountability.

Oversee the company's ethics and ensure that an appropriate code of ethics is in place.

Ensure that adequate and effective governance and risk management frameworks are established and maintained.



Ensure an effective and competent management team is in place, along with clear succession plans for this team.

Ensure the group complies with all relevant legislation, regulations and policies.

Ensure that the company is, and is seen to be, a responsible corporate citizen.

How the board is kept informed

Quarterly
The board holds quarterly board meetings, with detailed information packs distributed to directors well in advance. The chairman of the board may call additional meetings as and when required.

The majority of the board committees meet prior to each board meeting. The chairman or chair of each committee reports to the board on matters discussed and the outcomes of committee meetings.

The investment and nomination committees meet as and when required and report to the board on an *ad hoc* basis.

Ad hoc
Management and the company secretary are mandated to keep the board informed of all developments relating to the group, our competitors, executive management and the wider operating environment.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Leadership roles

The responsibilities of the chairman and the chief executive officer (CEO) are clearly defined and separated, as set out in our board charter. While the board may delegate authority to the CEO, the separation of responsibilities is designed to ensure that no single person or group has unrestricted powers and that appropriate balances of power and authority exist on the board.

Chairman

The non-executive chairman, Mr KB Mosehla, represents Zambezi Platinum's 31.4% Black Economic Empowerment (BEE) interest in Northam.

The chairman is responsible for providing leadership to the board, ensuring the board focuses on its key responsibilities and leading the board in assessing and improving its performance.

The chairman is also responsible for leading the board's challenge of senior management, monitoring the performance of the group's businesses and establishing and maintaining an effective system of governance and controls over the group's activities.

Lead independent director

The lead independent director, Mr R Havenstein, is responsible for ensuring the independence of the board. He guides the board where conflicts of interest arise and chairs the board in the absence of the chairman.

The lead independent director deals with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate. He also leads the performance appraisal of the chairman.

Chief Executive Officer (CEO)

The CEO, Mr PA Dunne, is accountable for the formulation and execution of the group's strategy (which is approved by the board) and the management of the group's operations.

The CEO reports to the board and in terms of best practice, is not a member of the audit and risk, the investment, the social, ethics, human resources and transformation or the nomination committees. The CEO is a member of the health, safety and environmental committee.

The CEO has undertaken to hold no other listed company directorships, apart from Zambezi Platinum, Northam's BEE shareholder.

The CEO has an employment contract that can, subject to fair labour practices, be terminated upon 12 months' notice.

Company Secretary

Ms PB Beale has more than 30 years' experience in the corporate secretarial field and was appointed as company secretary on 24 October 2011. She provides guidance to board members on the execution of their duties and keeps the board abreast of relevant changes in legislation and corporate governance best practice.

She also supports and coordinates the functioning of the board and its committee meetings.

The company secretary has unfettered access to the board, is not a board member and maintains an arm's-length relationship with the board and its members. She reports to the board via the chairman on all statutory duties and functions performed in connection with the board. Regarding other duties and administrative matters, she reports to the CEO.

The annual evaluation of the company secretary was led by the chairman and facilitated by an independent firm. The results of the evaluation confirmed that the company secretary continues to demonstrate the requisite level of competence, knowledge, qualifications and experience to carry out her duties. The board is also comfortable that she maintains an arm's-length relationship with individual directors, and confirms that she is not a director of the company or any of its subsidiaries.

Board composition, appointment of directors and board diversity policy

The selection and appointment of directors is effected through a formal and transparent process and is a matter for the consideration of the board as a whole, assisted by recommendations from the nomination committee.

The board currently has Historically Disadvantaged People (HDP) representation of

62%

(Northam target: 50%)

The board currently has female representation of

31%

(Northam target: 20%)

All new board appointments are considered in terms of our diversity policy. This is also a key consideration in our succession planning.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

All board appointments are made on merit, in the context of the skills, relevant business experience, independence and knowledge, which the board as a collective requires to be effective.

The ratification of board appointments are proposed to shareholders at the succeeding annual general meeting (AGM) following such board appointments. There may be exceptions to this process, as was the case with DH Brown, MH Jonas and JJ Nel, who were appointed at AGMs and not beforehand. Shareholders therefore approved, as opposed to ratified, these appointments.

In order to ensure our directors are not overcommitted, we limit the number of listed directorships our directors may hold to five.

We recognise and embrace the benefits of having a diverse board and have approved and implemented a board diversity policy, which includes race and gender diversity targets.

77%

of our board are independent non-executive directors

Directors' independence

Directors' independence is judged from the perspective of a reasonable and informed third party, based on the prevailing circumstances, the definition of independence in terms of the Companies Act, No. 71 of 2008 (Companies Act), the KING IV™ guidance in terms of the assessment of independence (substance over form), conflicts of interest (whether perceived or actual) and other relevant considerations.

In terms of the above, annual independence evaluations are conducted for all directors.

For those directors who have served on the board for more than 9 years (Messrs. Chabedi and Havenstein, and Ms Kgosi), a more onerous assessment was performed. The board took into consideration the minority indirect beneficial interests held by Mr Chabedi and Ms Kgosi in Northam (0.040% and 0.125%, respectively) through Zambezi Platinum, which they acquired in terms of the Northam BEE transaction in May 2015.

For Mr Chabedi and Ms Kgosi, consideration was also given as to whether the holding is material to these directors personal wealth. In light of the fact that the Northam share price was not sufficient to cover the Zambezi Platinum preference share liability during the year under review, it is considered that these directors are not entitled to financial benefit which is contingent on the performance of the company at this point in time. This situation will however be evaluated and monitored on a continuous basis.

Based on these assessments, the board is satisfied that all independent directors remain independent and that there are no relationships or circumstances that affect, or appear to affect, the independence of the aforementioned directors.

Conflicts of interest

Board members are required to inform the board of any conflicts or potential conflicts of interest they may have in relation to particular items of business, or the company as a whole, before every board meeting. The disclosure of personal financial interests in terms of section 75 of the Companies Act is a standing item on all board and committee agendas and the file containing the disclosures is available at all meetings.

Board members recuse themselves from discussions or decisions on matters in which they have an actual, perceived or potential conflict of interest.

The procedure providing guidance on these matters has been agreed upon by the board and is contained in the company's code of ethics, available at www.northam.co.za/governance/policies-and-procedures.

Rotation, retirement and election of directors

In terms of the group's Memorandum of Incorporation (MOI), one third of the non-executive directors, being those longest serving on the board, shall retire from the board at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment.

The following directors are retiring and, being eligible and available, are recommended for reappointment:

- Mr DH Brown
- Mr R Havenstein
- Mr JG Smithies
- Ms TE Kgosi

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

Ms AH Coetzee was appointed as chief financial officer on 15 November 2018 and, in accordance with the provisions of the MOI, she retires from office at the next AGM. Being eligible and available, she has offered herself for re-election as a director.

The full text of the ordinary resolutions are contained in the notice of AGM and abridged annual integrated report 2019 are available on the Northam website at www.northam.co.za or it can be obtained from the company's registered office on written request.

We acknowledge that three of our directors are long-serving, having spent more than nine years each on the board. However, the invaluable institutional and industry knowledge these directors hold, along with the need for continuity in light of the relative short tenures of the other board members, make their presence on the board important.

Board training

Induction

All new board members undergo an induction programme where the group's JSE Limited sponsor, together with the company secretary, familiarise new directors with the group's governance structures, operations, senior management, statutory requirements, policies, procedures and the latest JSE Limited Listings Requirements. The new directors also visit the mines to gain insight into the group's operations.

On-going training

On-going training ensures that our board members are kept abreast of any changes or developments in the regulatory, statutory and broader operating environment. This includes training by internal and external resources.

Board evaluations and effectiveness

We hold our board members accountable through formal external board evaluations at least every two years. Every alternate year, the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these reviews are agreed, and implementation thereof is tracked.

An independently facilitated self-assessment process on the performance of the board as a whole, the respective board committees and the company secretary were conducted during the financial year ended 30 June 2019.

Areas of improvement, highlighted by the assessment, include the need for technology and information governance to be strengthened at a board level and for continuing professional development programmes to be made available to board members from time to time. These areas of improvement were addressed at the February 2019 board meeting and form part of the board's work plan for F2020.

Pleasingly, the assessment indicated that the board committees are effectively run, appropriately supported and have robust engagements with the board and management.

The board is satisfied that the evaluation process is improving its performance and effectiveness.

The board and strategy

Strategy formulation

The CEO and management team are tasked with the formulation of the group strategy, business plan and four-year forecast, including key performance indicators (KPIs) and targets.

Key macro trends in our operating environment are identified, as part of the strategy setting process, by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. The impact of these trends on Northam's strategic objectives is assessed. There is continued engagement with material internal and external stakeholders and their needs and expectations are considered.

Stakeholders include employees, clients, shareholders, regulators and communities. This process highlights any applicable material matters, which are ranked according to the greatest relevance and highest likelihood to have a significant impact on the viability of our business and relationships with stakeholders.

Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed.

The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.

Strategy approval

The board approves the group strategy, ensuring it is aligned with the purpose of Northam, the value drivers of our business and the interests and expectations of our stakeholders. The board also ensures that the group strategy takes cognisance of the inherent risks and opportunities that our business faces and the need to achieve sustainable outcomes.

Monitoring strategic execution

Quarterly: The board actively monitors strategic performance against the strategic KPIs and targets at quarterly board meetings, and challenges the management team accordingly.

Annually: The board is updated annually on the group strategy, which is embodied in the group business plan, four-year forecast, KPIs and targets.

Risk management

The board oversees the risk management process, which is aligned with the principles of KING IV™. Each of the board committees, in particular the audit and risk committee, is responsible for evaluating all material risks in terms of its mandate.

The audit and risk committee has implemented a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters and defined risk appetite. It delegates the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of our operating environment.

Mitigating controls are formulated to address the risks and the board is kept up to date on the progress of the risk management plan.

Enterprise risk management

Northam's well-defined enterprise risk management policy is a systematic approach to decision-making, based on the principles of cooperation, participation, mitigation and sustainability, adopted to achieve more effective risk management and support good governance practices.

Our risk management system includes:

- A clearly defined and documented risk strategy
- A risk governance model based on the three lines of assurance
- Defined accountabilities, roles and responsibilities for the board, management and employees
- Defined risk policies that set the requirements for managing material risks
- Standard processes, procedures and methodologies for identifying, assessing, monitoring, managing and reporting on material risks, including processes for risk-based decision-making
- A common risk categorisation model and metrics
- Stress testing and contingency and crisis planning
- A system of internal controls including risk, compliance and internal audit control functions

Compliance

The board is ultimately accountable for compliance and continually provides guidance on, and oversight of, the management of compliance risk.

The Northam compliance policy, together with the risk management policy and framework, assists the board and executives in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring that legal and regulatory compliance implications are integrated into material strategic, financial and operational decisions.

Compliance with all material laws, legislation and regulations applicable to the group are monitored and reported to the board and the relevant board committees responsible for oversight.

There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.

Information and technology governance

The board assumes overall responsibility for technology and information governance and has delegated authority to the audit and risk committee to assist the board in overseeing this function.

The audit and risk committee established the group information systems steering committee (ISSC), which is chaired by the CFO, Ms AH Coetzee. The ISSC is responsible for the maintenance and protection of the group's technology and information resources. It meets at least four times per year and the CFO reports to the audit and risk committee on the ISSC's deliberations.

Over the past 36 months, measures have been implemented to ensure that various aspects of the group's information technology (IT) infrastructure and information management are enhanced from a security perspective and incorporated into the Northam IT security strategy.

In 2017, management implemented the SAP enterprise resource planning system throughout the group. The SAP system has significantly contributed to the safer and more effective management of information.

The ISSC receives periodic independent assurance on the effectiveness of the group's technology and information arrangements, including outsourced services.

The ISSC exercises oversight of the management of information to ensure the following:

- Information is leveraged group-wide to sustain and enhance the group's intellectual capital
- An information architecture that supports confidentiality, integrity and availability of information remains in place
- Protection of privacy of personal information
- Continuous monitoring of information security

The ISSC exercises oversight of the management of technology to ensure the following:

- Our technology architecture enables the achievement of our strategic and operational goals
- The risks pertaining to the sourcing of technology are managed and mitigated
- Appropriate responses to developments in technology, including the leveraging of potential opportunities and the management of disruptive effects on the organisation and our business model, are identified and implemented

See the ISSC's terms of reference at www.northam.co.za/governance/policies-and-procedures

Assurance

The board is accountable for combined assurance and sets the direction for the group assurance services and functions, by means of the combined assurance policy and framework. The board delegates to the audit and risk committee the responsibility for overseeing and ensuring that our combined assurance activities are effective in achieving its objectives.

Our combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance, across all levels of the organisation. There is continued and ongoing focus on increased collaboration and the sharing of information, as well as reducing the duplication of activities.

The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a chief audit executive have been allocated to the director in charge of the internal audit function.

The board is satisfied that our assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.

The board and our stakeholders

The board, assisted by the social, ethics, human resources and transformation committee, is responsible for ensuring that the group is a responsible corporate citizen, in compliance with the Constitution of South Africa and the Bill of Rights, and has delegated to management the responsibility for proactive stakeholder engagement, community development and environmental stewardship.

The board has approved and monitors the implementation of a stakeholder relations policy, which regulates the process of engaging and communicating with all defined stakeholders, including shareholders and employees.

Engaging investors

Over and above our biannual results presentations to the market in February and August of each year, management regularly hosts, briefs and presents to local and international shareholders, buy-and-sell side institutions and other stakeholders during the course of the year. Feedback is a critical element of these engagement processes and it is raised, through the executive committee, for discussion at board level.

At the Northam AGM held on 6 November 2018, the group's remuneration policy was approved by a majority of 89% of votes cast in favour of the said resolution. The group's remuneration implementation report was approved by a majority of 88% of votes cast in favour of the said resolution. Both votes were based on a 93.7% shareholder participation rate.

The CEO's and CFO's remuneration is benchmarked biannually by an independent service provider against a comparative group of companies in the South African mining industry.

The board is committed to maintaining regular, transparent and informative dialogue with our shareholders and is focused on building relationships based on trust and mutual understanding. In the event that 25% or more of the AGM votes exercised are against the resolution pertaining to our remuneration policy or implementation report or both, the board will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.

Fair and responsible remuneration

The board, through the social, ethics, human resources and transformation committee, is committed to ensuring that the remuneration of executive management is transparent, fair and responsible in the context of overall employee remuneration.

The social, ethics, human resources and transformation committee sets the requirements for policies relating to remuneration, and oversees the operational implementation of the applicable requirements by the executive officer: HR.

Access to management

There is a protocol for directors to gain access to line managers, external auditors and relevant company records through the CEO's office and/or the company secretary.

Trading in Northam and Zambezi Platinum shares

The group has a defined policy on dealing in Northam shares, which is in alignment with the JSE Limited Listings Requirements. It sets out provisions as to how trading is to be conducted by the company's directors, the company secretary, selected employees and their associates (directors' dealings) when dealing with the company's shares, in order to prevent the misuse of inside information.

All directors' dealings require pre-approval from the CEO or CFO, and are communicated to the company secretary.

Sponsor

We understand the role and responsibilities of our JSE Limited sponsor, as stipulated in the JSE Limited Listings Requirements, and have cultivated a good working relationship with One Capital, who is both our equity and debt sponsor.

The board is satisfied that the JSE Limited sponsor has executed its mandate with due care and diligence for the year under review.

The executive committee

Our executive committee (exco) is a diverse and experienced management team that comprises eight members of the company's senior executives, broadly representing the disciplines within the company's organisational structure.

The exco meets once a month, or ad hoc as and when required, and the CEO and CFO report directly to the board on all matters deliberated by this committee.

The responsibilities of the exco include:

- Formulating and executing the group's strategy
- Managing business performance and reporting thereon to the board
- Implementing all policies of the group, including those relating to human capital, natural capital, risk management and capital management

1 **AH Coetzee (39)**
Chief financial officer
CA (SA)
Joined exco in November 2018

Experience: Former associate director at EY.

Expertise: Finance, and audit and risk management

2 **PA Dunne (56)**
Chief executive officer
BSc (Hons), MBA
Chairman of exco, joined in November 2014

Experience: Former executive director at Implats, responsible for all mining, concentrating and smelting operations at the group's Rustenburg and Marula mines.

Expertise: Mining (with PGMs focus)

3 **MN Ndlala (51)**
Mining executive
BTech Mining Engineering, MBL
Joined exco in July 2018

Experience: Former executive head of operations, responsible for all mining, concentrating and smelting operations at Implats' Rustenburg mines. Former director of Two Rivers Platinum.

Expertise: Mining

4 **WJ Theron (41)**
Mining executive
Pr. (cert) Eng. (Professional Engineer), BSc (Hons) Mining, MBA
Joined exco in February 2019

Experience: Extensive experience in projects and operational management. Held various senior managerial roles at Anglo American Platinum Limited. Former general manager at Booysendal mine.

Expertise: Mining

5 **LC van Schalkwyk (54)**
Executive commercial
Chartered management accountant (FCMA)
Joined exco in November 2014

Experience: More than 30 years' experience in the Platinum mining industry. Former executive for strategic finance at Implats.

Expertise: Finance

6 **D Smith (51)**
Group geologist
BSc (Hons), MSc
Joined exco in May 2019

Experience: Worked in the mining and mineral exploration sector since 1991 and joined Northam in 1995. Former principal of prospect geoservices at Northam. Independent non-executive director of Bauba Resources Limited

Expertise: Mining, projects and mineral resources

7 **CA Smith (44)**
Executive: Human resources
BSocSc (Hons)
Joined exco in November 2014

Experience: Extensive experience in the mining sector, holding senior human resources positions at AngloGold Ashanti Limited, Richards Bay Coal Terminal Proprietary Limited and Implats.

Expertise: Human resources

8 **GD Duma (50)**
Head: Sustainability
BTech (Quantity Surveying), MBA, Diploma in Project Management, Senior Management Development Programme
Joined exco in March 2017

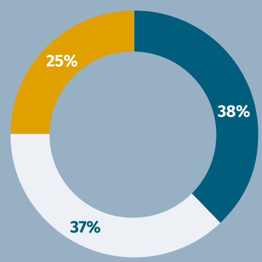
Experience: Held various positions at Implats, including general manager of shared services, project director of housing and socioeconomic development projects and group sustainable development manager. Also worked at the Medical Research Council, Eskom Holdings SOC Limited and South African National Parks.

Expertise: Mining and nature conservation

>175 years Combined mining experience

>55 years Combined tenure at Northam

Exco demographics



- Historically Disadvantaged People (HDP)
- Non-HDP
- Non-South African

Gender diversity

Female 13% **1**

Male 87% **7**

-

Age diversity

Oldest member 56

Youngest member 39

Average age: 49

88% under the age of 55

S

Social, ethics, human resources and transformation committee report

"The social, ethics, human resources and transformation committee is constituted as a statutory committee of the company in respect of the duties assigned to it in terms of section 72(4) of the Companies Act. This committee also fulfils the role of the group's remuneration committee. The committee's charter was enhanced in 2018 to include the monitoring of the group's broader transformation objectives."

5
Meetings

93%
Committee meeting attendance

Committee composition

TE Kgosi (Ms)
Chairperson
BCom (Hons)

14 June 2006
Independent non-executive director

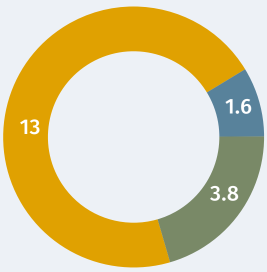
CK Chabedi
MSc (Mining Engineering)
Pr. Eng MDP, MSAIMM

9 September 2015
Independent non-executive director

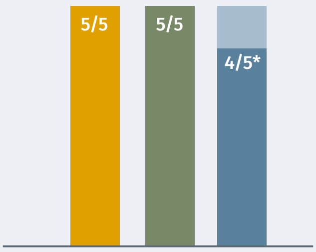
Dr NY Jekwa
MBA (Finance)
MBBCh (Bachelor of Medicine and Bachelor of Surgery), MIoDSA

8 November 2017
Independent non-executive director

Years on committee



Meeting attendance



**Apologies received*

Invited attendees

PA Dunne
CEO

AH Coetzee
CFO

CA Smith
Executive
(Human resources)

Mandate

Governance over human and social capital

This includes:

- Monitoring the group's standing in terms of the 10 United Nations Global Compact Principles
- Monitoring the promotion of equality and ethics management
- Monitoring the group's performance against the Mining Charter targets on employment equity, housing and living conditions, procurement, supplier and enterprise development and human resource development
- Providing oversight on the implementation of the company's remuneration policy, including reviewing remuneration for management and non-executive directors' fees*
- Succession planning for executive and senior management
- Overseeing corporate social investment and stakeholder engagement

Areas of focus during the year under review

Mining Charter

- Reviewed the potential impact of the Mining Charter on Northam
- Monitored compliance with policies and progress on human resource development, housing and living conditions, procurement, and supplier and enterprise development

Ethics

Monitored and reviewed the application of ethics in the organisation through:

- Disclosures in the gifts registers
- Disclosure of personal financial interests in contracts

Compliance

- Monitored compliance with applicable laws, rules, codes and standards relating to the Mining Charter, the 10 principles set out in the United Nations Global Compact Principles and the recommendations of the Organisation for Economic Co-operation and Development (OECD) regarding corruption, corporate social responsibility and human resources in accordance with its statutory duty as a social and ethics committee

Succession planning

- Leveraged the group's succession plan, which enabled the appointment and smooth transition of Ms AH Coetzee into the key position of CFO
- Our succession planning process highlights immediate staffing risks and sets out succession plans over the medium and longer term for executive roles. The quality and depth of our talent pipeline are reviewed at regular intervals, with areas of development of our employees identified and addressed

Remuneration*

Related material issues

Continuing to improve the safety performance and the health and wellness of our workforce

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Maintaining constructive communication channels with all our stakeholders

The social, ethics, human resources and transformation committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020

Transformation

Review updates from community trusts and monitor compliance of project commitments to be delivered by elected trustees.

Review and reinforce all other transformation objectives, targets and initiatives.

Stakeholders

Review the adequacy and effectiveness of the group's stakeholder management policy and the code of ethics.

Social Labour Plans

Monitor progress in terms of the group's housing and accommodation strategy; local economic and human resources development.

Mining Charter

Monitor the implementation of the Mining Charter elements and associated targets.

Remuneration

Monitor the implementation of the malus and clawback policy approved in June 2019.

N

Nomination committee report

"At Northam we believe that the composition of the board and its committees underpins effective governance. Board refreshment and succession planning are ongoing initiatives and will be done gradually and in an orderly manner to maintain and preserve institutional knowledge, continuity and diversity."

3

Meetings

100%

Committee meeting attendance

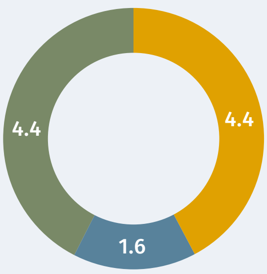
Committee composition

R Havenstein
Chairman
MSc (Chemical Engineering), BCom
18 February 2015
Lead independent director

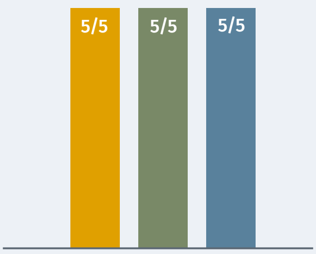
TE Kgosi (Ms)
BCom (Hons)
18 February 2015
Independent non-executive director

KB Mosehla
CA (SA)
7 November 2017
Non-executive chairman

Years on committee



Meeting attendance



R Havenstein TE Kgosi KB Mosehla

Invited attendees

PA Dunne
CEO

AH Coetzee
CFO

Mandate

Governance over intellectual capital

The mandate of the nomination committee includes:

- Providing oversight and make recommendations to the board in terms of board and board committee composition
- Facilitate rotation of directors
- Succession planning
- Directors' training and inductions
- Corporate governance and compliance matters

See the nomination committee's charter at www.northam.co.za/governance/policies-and-procedures

Areas of focus during the year under review

Appointments

- Reviewed, considered and recommended the appointment of Ms AH Coetzee as successor to Mr AZ Khumalo as CFO, following a comprehensive process by the nomination committee to find a suitable replacement for Mr Khumalo
- Reviewed, considered and recommended the appointments of Mr MH Jonas and Mr JJ Nel as independent non-executive directors

Board performance

- In terms of clause 5.2 of the board charter, the committee reviewed the performance and attendance at meetings of the non-executive chairman and lead independent director and recommended re-election to the board for the next financial year (2020)
- Monitored the externally facilitated board and board committee self-assessment process
- Considered suggested actions emanating from the independently facilitated board and board committee self-assessments

Independence

- Monitored and reviewed the independence of the independent non-executive directors

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

The nomination committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020

Board succession planning

Propose a successor for the lead independent director.

Board refreshment

Review and consider eligibility for re-election of directors retiring.

Board composition

Review the composition of the board to ensure it comprises the appropriate balance of knowledge, skills, experience, diversity and independence to fulfil its governance role and its responsibilities to oversee and ensure that the company meets it strategic objectives and remains a good corporate citizen.

Board performance

Continue to consider, review and implement the suggested actions from the independent board and board committee self-assessments conducted in F2019.

A

Audit and risk committee report

"This report has been prepared based on the requirements of the South African Companies Act, No. 71 of 2008, the KING IV Report on Corporate Governance for South Africa, 2016 and the JSE Limited Listings Requirements."

4

Meetings

94%

Committee meeting attendance

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2019. This report has been prepared in terms of section 94(7) of the Companies Act, No. 71 of 2008, as amended (the Companies Act), the JSE Limited Listings Requirements (Listings Requirements), the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) and other applicable regulatory requirements.

Role and mandate

The committee assists the board of directors (board) in fulfilling its oversight responsibilities relating to the safeguarding of assets, the operation of adequate risk management and internal control processes, compliance with laws and regulations and the preparation of financial statements in compliance with all applicable legislation and regulations.

In addition, the committee is responsible for assessing the effectiveness of the internal audit function, the chief financial officer, and the independence and effectiveness of the group's external auditor and the designated individual audit partner.

The committee does not assume the functions of management, which remains the responsibility of the executive directors and senior management.

The committee does not provide relief to board members in terms of their joint and individual fiduciary duties.

See the committee's charter at www.northam.co.za/governance

Committee composition

The members of the committee, including the chairman of the committee, are independent non-executive board members, elected by shareholders on the recommendation of the nomination committee, and have fulfilled their duties as set out in section 94(7) of the Companies Act, the Listings Requirements and KING IV™.

The board elects the chairman of the committee and the chairman of the board is not eligible to be the chairman or a member of the committee.

Collectively, members of the committee have the necessary financial literacy, skills and experience, as required by KING IV™ in order to fulfil their duties effectively.

Changes to the committee during the year under review

The tenure of committee members is regularly reviewed in terms of the nomination charter and, as a result thereof, the composition of the committee changed during May and June 2019.

Dr NY Jekwa and Mr JJ Nel replaced Ms TE Kgosi and Mr R Havenstein as members of the committee.

The composition changes were effected to ensure that, going forward, the tenure of each committee member does not exceed 10 years and that all the committee members are independent.

Opposite is a summary of the committee members for the period under review.

Committee composition

HH Hickey (Ms)
Chairman
CA (SA)

1 January 2016

Independent non-executive director

JJ Nel
CA (SA), CFA (AIMR), AMP (INSEAD)

1 June 2019

Independent non-executive director

Dr NY Jekwa
MBA (Finance), MBBCh (Bachelor of Medicine and Bachelor of Surgery), MIoDSA

1 June 2019

Independent non-executive director

DH Brown
CA (SA)

7 November 2017

Independent non-executive director

R Havenstein
MSc (Chemical Engineering), BCom

22 June 2009 Resigned on 31 May 2019

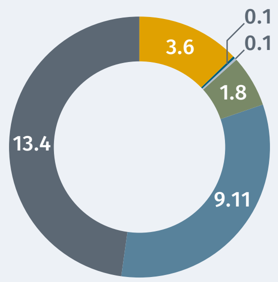
Lead independent director

TE Kgosi (Ms)
BCom (Hons)

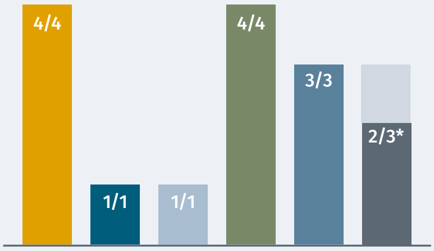
2 February 2005 Resigned on 31 May 2019

Independent non-executive director

Years on committee



Meeting attendance



*Apologies received

Invited attendees

The engagement partners of the external and internal auditors are standing invitees to committee meetings.

Invitations to attend committee meetings are extended to senior executives and professional advisors, as deemed appropriate.

All directors have the right to attend committee meetings.

The committee meets at least once a year with the internal and external auditors, without the presence of management, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum. For the year under review, these meetings took place on 28 August 2018 and 13 February 2019.

The board is satisfied that the audit and risk committee members have the appropriate mix of qualifications and experience to fulfil their duties.

A

Audit and risk committee report continued

Areas of focus during the year under review

Area of focus	Response	Associated risks
Financial reporting with regards to both the reviewed interim results and the audited annual financial statements	· Ensured that complex accounting areas comply with International Financial Reporting Standards (IFRS) · Evaluated significant accounting judgements and estimates as disclosed in the annual financial statements · Discussed the accounting treatment of significant accounting and auditing matters, including non-routine transactions with management and the external auditors · Reviewed and assessed any adjusted and unadjusted audit differences reported by the external auditors · Reviewed and assessed management's assessment of impairment indicators and management's assessment of the recoverable value of assets · Reviewed the key audit matters communicated by the external auditors in their audit report in terms of International Standard on Auditing (ISA) 701 · Reviewed the dividend proposal to the board · Reviewed the representation letter that management signed · Considered and approved management's assessment of the ability to continue as a going concern · Considered the JSE Limited's most recent report back on pro-active monitoring and, if necessary, those of previous periods	· Liquidity risk · Impact of a volatile exchange rate and commodity prices on our business · Losing our social license to operate in an ever-changing regulatory environment
New accounting standards	· Considered new standards, interpretations and amendments to standards in issue, which are not yet adopted but are likely to affect the financial reporting in future years and disclosure thereof in the annual financial statements · Please refer to the annual financial statements for new accounting standards adopted; and standards, interpretations and amendments issued but not yet in effect	· Losing our social license to operate in an ever-changing regulatory environment
Tax exposure	· Reviewed the tax exposures (including uncertain tax positions) with specific focus on the effective tax rates, and considered the impact that pending changes to the tax legislation will have and the accounting of any tax exposures	· Losing our social license to operate in an ever-changing regulatory environment
Corporate governance (including risk management and the internal control environment)	· Reviewed and approved risk management policies and processes and received reports incorporating the key strategic and operational risks · Monitored the progress of assessing the recommended practices underpinning the 16 Principles of KING IV™, ensuring that an ethical culture is created that supports the effective control of the organisation at all levels · Assessed the combined assurance process to enable an effective integrated internal control environment that supports the integrity of information used for internal decision-making by management, the board and its committees as well as supporting the integrity of external reports · Considered the feedback received regarding any significant litigation and assessed the possible impact thereof on the financial results	· Fraud and corruption · Cyber risk
Compliance with laws and regulations	· Considered and reviewed the group's compliance with laws and regulations	· Losing our social license to operate in an ever-changing regulatory environment

There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Maintaining constructive communication channels with all our stakeholders

Significant matters considered in relation to the annual financial statements

The following significant matters, including key audit matters, were considered in relation to the annual financial statements for the year ended 30 June 2019:

- Assessment of the recoverable values of the various assets in the group in terms of IAS 36 Impairment of Assets
- Going concern assessment
- Investments in associates and joint ventures, including the reallocation of the Dwaalkop joint venture
- Quantity and valuation of metal inventories
- IFRS 2 share based payment liability
- Capital expenditure incurred during the year under review
- Capitalisation of borrowing costs in terms of IAS 23
- Zambezi Platinum (RF) Limited preference share liability
- Investment in Zambezi Platinum (RF) Limited preference shares
- Rehabilitation and decommissioning liability provision
- Valuation of Toro Employee Empowerment Trust in terms of IAS 19 Employee Benefits
- Taxation
- Funding raised during the year under review
- Capital expenditure and financial performance of Eland Platinum Proprietary Limited
- Related party transactions
- Employee Labour Court judgement
- Dividend consideration for the year ended 30 June 2019

The committee has deliberated on these matters and is comfortable that they have been correctly accounted for in terms of the requirements of IFRS and are fairly presented in the annual financial statements.

The audit and risk committee evaluated the consolidated and separate annual financial statements for the year ended 30 June 2019 and concluded that they comply in all material respects with the requirements of the Companies Act, IFRS and the Listings Requirements. The committee therefore recommended the approval of the annual financial statements to the board.

Assessment of the independence and qualifications of the external auditor, Ernst & Young Incorporated (EY) and designated individual audit partner

The committee is responsible for the appointment, compensation and oversight of the external auditor for the group.

EY has been the group's external auditor for more than 35 years. The designated individual audit partner rotates every five years – Ebrahim Dhorat was appointed as designated individual partner for the financial year ended 30 June 2018 and remains as the current designated individual audit partner. Internally, EY has a number of safeguards to ensure that all members of the audit team are independent.

EY has provided the committee with the information as required in paragraph 3.84(g)(iii), as read with paragraph 22.15(h) of the JSE Listings Requirements. The following information was considered and reviewed by the committee:

- The most recent Independent Regulatory Board for Auditors (IRBA) inspection report for EY's most recent International Statement on Quality Control (ISQC 1) review, which includes the decision letter from the IRBA, the findings report and a copy of the proposed remedial action plan
- The most recent IRBA inspection report on the designated individual audit partner, Ebrahim Dhorat, which includes the decision letter from the IRBA, the detailed findings report and a copy of the proposed remedial action to address the findings
- The decision letter from the IRBA for all engagement file reviews on Ebrahim Dhorat for the past audit
- A summary document that provides context and explanations of the findings for EY and engagement level reports of the IRBA
- A copy of the 2018 Transparency Report, which EY South Africa prepares in line with the European Union's 8th Company Law Directive. This included the ISQC 1 information the JSE Limited requires EY to communicate to clients. The Transparency Report is also published on EY's website
- A summary of EY's results of the monitoring of its system of quality control, in terms of paragraph 53 of ISQC 1
- A summary, including the outcome, of any legal or disciplinary proceedings concluded within the past seven years, which were instituted in terms of any legislation or by any professional body of which EY and/or Ebrahim Dhorat are a member or regulator to whom they

Audit and risk committee report continued

are accountable, including where the matter is settled by consent order or payment of a fine.

The committee, after due assessment, is satisfied that the external auditor, EY, and the designated individual audit partner, Ebrahim Dorhat, are appropriately accredited and are suitable for reappointment for the 2020 financial year.

Rotating audit firms

The board is committed to mandatory audit firm rotation, which will become effective from 1 April 2023.

As a listed entity, we believe that the auditing services of an international "Big 4" auditing firm, with the necessary experience and expertise, is required to ensure that our financial results are reasonable and comply with IFRS. Furthermore, our growing business and ever-changing accounting standards make it imperative to appoint an auditing firm which has exposure to international best practice and knowledge.

Non-audit services

Deloitte & Touché Incorporated (Deloitte) is used for ongoing consulting services across a number of areas, including human resources, procurement and warehousing. Deloitte was also the implementation partner when the group implemented SAP software during the 2017 financial year.

PricewaterhouseCoopers Incorporated (PwC) was engaged during the 2017 financial year to perform a detailed review of the SAP implementation performed by Deloitte and to provide further recommendations with regards to the SAP implementation. The work that was performed by PwC is classified as maintenance of the company's financial records.

During the current and previous financial years, PwC also assisted the group in reviewing the accounting policies in our financial statements. This, as per the guidance on the provision of non-audit services by the auditors of a company, issued in March 2015 by the IRBA and the South African Institute of Chartered Accountants (SAICA), is not seen as preparing the financial statements.

The board and the committee are fully aware of the requirements of section 90 of the Companies Act.

Should the cooling-off period as currently stipulated by the IRBA be reduced from the current five-year period, the external auditor will be rotated at the earliest date possible.

A formal policy regarding the approval of all non-audit services has been implemented and the committee reviews all non-audit services to ensure that the various fees relating to these services are within the approved limits and that the external auditors' independence is not jeopardised as a result of the non-audit services provided.

Total audit fees

During the financial year ended 30 June 2019, the external auditors charged the following fees:

	2019 R000	2018 R000
Audit services	5 620	4 852
Audit services | Zambezi Platinum (RF) Limited	554	523
Assurance: Sustainable development report	1 215	297
Audit services: ISRE 2410 review	869	740
Audit services: ISRE 2410 review | Zambezi Platinum (RF) Limited	74	69
Non-audit fees	174	133
Assurance reports relating to the issue of commercial paper (domestic medium-term notes)	1 000	500
	9 506	7 114

The committee has received the necessary representation from the external auditors confirming that:

- No other remuneration was received for work performed other than what has been disclosed
- Its independence was not impaired by any consultancy, advisory or other work performed during the period under review
- Its independence was not prejudiced by any previous appointment as auditor
- The criteria specified for independence by the IRBA and international regulatory bodies have been met

The audit and risk committee, based on their assessment of the independence and effectiveness of the external auditor, EY, did not note any significant findings or considerations to indicate that the external auditor has not been independent or that the services provided by them have not been effective and robust.

The committee, after due assessment, recommends that EY, with the designated individual audit partner being Ebrahim Dhorat, be reappointed as the independent external auditors of the group for the financial year ending 30 June 2020.

Internal audit

The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG).

The responsibilities normally associated with that of a chief audit executive (CAE) has been allocated to the director in charge of the internal audit function.

The committee believes that the KPMG director, Thomas Gouws, has the necessary competence, gravitas and objectivity to fulfil these duties. He also has unrestricted access to the chair of the committee.

The internal auditor reports to the chair of the committee with regards to the performance of the duties and functions that relate to an internal audit. On other administrative matters, the internal auditor reports to the CFO.

The following functions are performed by the internal auditor:

- Assessment of compliance with laws and regulations
- Evaluation of the effectiveness of internal controls over financial reporting and internal controls in general
- Reporting findings to management and the committee and monitoring the remediation of all significant deficiencies reported
- Assisting with the implementation of the Combined Assurance Framework

The committee has ensured that the internal auditor performed an independent assurance function and monitored its effectiveness in terms of the agreed assurance scope, the audit plans and the overall performance of the function.

The committee also monitored the audit findings, risk areas and, where appropriate, challenged management on actions taken.

The audit and risk committee is satisfied with the appropriateness of the expertise, experience and resources of the internal audit function.

Internal controls and risk management

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the findings of any major internal investigations into control weaknesses, fraud or misconduct, and management's response thereto.

The internal audit function conducted a review of the group's combined assurance model, internal controls and risk management processes, and issued a written assurance statement confirming that nothing has come to their attention indicating that the group's system of internal financial controls is not effective and does not provide reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

Having considered, analysed, reviewed and discussed the information provided by management, other board committees, internal auditors and the external auditors, the audit and risk committee is of the opinion that the internal controls of the group have been effective in all material respects, that appropriate financial reporting procedures are in place and that these procedures and controls operated throughout the year under review.

Effectiveness of the CFO and the finance function

The committee annually reviews an internal assessment of the skills, expertise and resourcing of the finance function as well as the expertise and experience of the CFO, AH Coetzee, and previously AZ Khumalo.

The audit and risk committee is satisfied with the appropriateness of the expertise and experience of the CFO, AH Coetzee, and the effectiveness of the finance function overall as well as the adequacy of resources.

Combined assurance

The committee is responsible for overseeing combined assurance activities and ensuring that these are effective in achieving its objectives.

The group's combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the group. It avoids the duplication of efforts and rationalises collaboration among assurance providers.

The audit and risk committee is satisfied that the combined assurance model adequately addresses the risks and material matters through the aggregated efforts of the various assurance providers and result in an adequate, effective control environment and the integrity of reports relied upon for decision-making.

Areas of focus for F2020

- Continuous improvement of the internal control environment
- Cyber risk
- Maturity of the risk management process within the group
- Establishing an in-house internal audit department to supplement the work performed by KPMG, the group's internal auditors

Conclusion

The audit and risk committee is satisfied that it has considered and discharged its responsibilities in line with its charter, statutory responsibilities, the Listings Requirements and KING IV™ during the year under review.

On behalf of the committee.

HH Hickey
Chairman

20 August 2019

I

Investment committee report

"The investment committee's activity follows the group's strategy as we expand and streamline our operations. Activity levels will vary from time to time as investment opportunities arise."

1

Meeting

75%

Committee meeting attendance

Committee composition

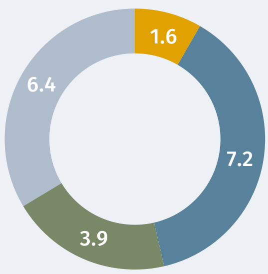
DH Brown
Chairman
CA (SA)
7 November 2017
Independent non-executive director

R Havenstein
MSc (Chemical Engineering), BCom
2 April 2012
Lead independent director

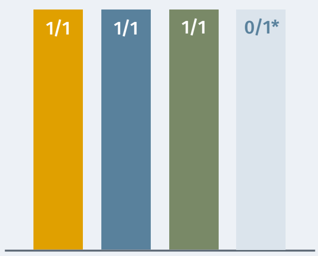
KB Mosehla
CA (SA)
9 September 2015
Non-executive chairman

CK Chabedi
MSc (Mining Engineering), Pr. Eng, MDP, MSAIMM
20 February 2013
Independent non-executive director

Years on committee



Meeting attendance



**Apologies received*

DH Brown · R Havenstein · KB Mosehla · CK Chabedi

Invited attendees

PA Dunne
CEO

AH Coetzee
CFO

Mandate

Governance over the investment in financial, manufactured and natural capital

The mandate of the investment committee is to:

- Oversee the analysis and evaluation of investment opportunities, governed by our internal approval framework
- Retain external specialists to assist management with the analysis and evaluation of investment opportunities
- Make recommendations to the board on acceptance (subject to regulatory and legislative requirements) of specific investment opportunities that have been analysed and evaluated under the supervision of the committee
- Provide oversight on the implementation and execution of specific investment opportunities that have been approved by the board

See the investment committee's charter at www.northam.co.za/governance

Areas of focus during the year under review

- Considered the suitability and compatibility of potential strategic investments and their returns (shallow, low-cost and mechanised)
- Provided oversight on the company's recent acquisitions

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Effective project execution

The investment committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020

Western extension

Provide oversight of the Western extension acquisition being unlocked.

Brownfields and recent acquisitions

Monitor effective project execution of brownfield projects and recent acquisitions.

Investment opportunities

Evaluate any potential acquisition opportunities as they arise.

H

Health, safety and environmental committee report

"Our group remains committed to the health and safety of all our employees. We strive to ensure that employees are safe, healthy and engaged to perform at their best. Our Booysendal operation remains a fatality free operation, with four million fatality free shifts. The Zondereinde operation has reached one million fatality free shifts, subsequent to the fatal incident that occurred in October 2018. This will, along with our responsibility to the environment, remain our focus."

4

Meetings

100%

Committee meeting attendance

Committee composition

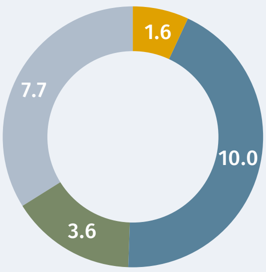
R Havenstein
Chairman
MSc (Chemical Engineering), BCom
20 October 2011
Lead independent director

CK Chabedi
MSc (Mining Engineering), Pr. Eng, MDP, MSAIMM
22 June 2009
Independent non-executive director

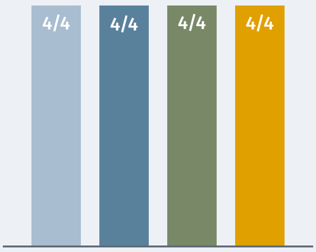
PA Dunne
BSc (Hons), MBA
10 December 2015
Chief executive officer

JG Smithies
BSc (Mining Engineering), BSc (Chemistry)
7 November 2017
Independent non-executive director

Years on committee



Meeting attendance



R Havenstein · CK Chabedi · PA Dunne · JG Smithies

Invited attendees

MN Ndlala
Mining executive

WJ Theron
Mining executive

Mandate

Governance over human, natural and manufactured capital

The mandate of the health, safety and environmental committee is to oversee the group's health, safety and environmental practices. This includes:

- Reviewing the health, safety and environmental policies applied at Northam
- Monitoring group compliance with recommendations of any investigation of health, safety and environmental incidents
- Monitor the administration and investment policies of the Northam restoration trust fund, as well as any necessary amendments to the trust deed under which the fund was established

See the health, safety and environmental committee's charter at www.northam.co.za/governance/policies-and-procedures

Areas of focus during the year under review

Safety

- Monitored the improvement of safety management systems at our operations
- Monitored a number of safety initiatives and campaigns at operations. These included annual safety day campaigns, critical season campaigns and mine-wide safety focused initiatives

Health

- Monitored the implementation and outcomes of employee wellness programmes and voluntary health screening campaigns

Water

- Monitored negotiations and agreements with the Department of Water Affairs and Sanitation
- Ensured that our operations recycle the majority of water used in the mining process
- Monitored the building of water reservoirs on selected sites, based on risk assessments performed

Related material issues

Maintaining our legislative and regulatory compliance, focusing on the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) and the Mining Charter

Managing production and performance to ensure the successful execution of our business strategy

Continuing to improve the safety performance and the health and wellness of our employees

Managing the environmental impact of our operations and conserving natural resources

The health, safety and environmental committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Areas of focus for F2020

Systems

Monitor enhancement of safety, health and environmental information systems at our operations.

Safety

Continue to set and drive a culture of zero harm.

Focus on avoiding fatalities through the continued improvement of health and safety practices.

Environment

Monitor the environmental authorisation for recent acquisitions.

Monitor the implementation of environmental programmes and biodiversity management plans.

Monitor the authorisation for the amendment of the IWUL (Integrated Water Use License).

Monitor the authorisation for an alternative new plant emission limit for sulphur dioxide (SO_2) for the Zondereinde smelter main stack.

Monitor the enhancement of power-saving initiatives and the development of a suitable energy use reduction plan.

Monitor the enhancement of a mine-wide water reticulation management system to ensure the correct accountability of the water in the system.

Remuneration report

"The social, ethics, human resources and transformation committee (the committee) is pleased to present its remuneration report for the financial year ended 30 June 2019. The remuneration report sets out the activities of the committee and the outcomes of the application of the remuneration policy during the reporting year. It also details the main elements of the remuneration policy that will apply in F2020. This report is prepared in alignment with the requirements of the KING IV Report on Corporate Governance for South Africa, 2016 (KING IV™) and the relevant practice notes."*

**For the committee composition, terms of reference and attendance register, refer to the social, ethics, human resources and transformation committee report on page 118 of the annual integrated report 2019*

PART 1

Background statement

Dear Shareholder,

As the chairperson of the committee, I am pleased to present the Northam Platinum Limited (Northam) remuneration report for the financial year ended 30 June 2019.

As members of this committee, it is our responsibility to ensure that Northam has the appropriate fixed and variable remuneration policies and practices in place to attract, motivate and retain the best talent at all levels of our organisation. The committee also ensures that these policies and practices provide the right incentives to ensure the delivery of Northam's strategic objectives over the short-, medium- and long-term. Variable remuneration in particular is based on clear measures and stretched targets, which, if met, will not only enhance shareholder value but ultimately result in value creation for all stakeholders.

We are furthermore committed to ensuring that executive remuneration is fair, responsible and appropriate in the context of general market conditions, company performance, industry pay levels, the economic outlook and overall employee remuneration.

Internal and external factors that influenced remuneration during the year under review

Internal factors

Talent retention and management succession planning

Our response

Invest in experienced talent and leverage their experience to upskill new talent, thereby facilitating the transfer of knowledge and succession planning.

Ensure that clear talent retention and development strategies are in place.

Through fixed and variable remuneration, the group aims to attract, retain, incentivise and reward talent at all levels, particularly those employees with scarce or critical skills.

Performance against our identified key performance indicators (KPIs) for incentive structures during F2019 and for the coming year F2020

Our response

See KPIs considered

See Part 2 of this report

External factors

Income inequality in South Africa

Our response

Ensure the lowest-paid employees are remunerated well in excess of the minimum wage.

Ensure the highest salary increase percentages awarded to lower-paid employees.

Benchmark the group remuneration policies and practices with listed peers.

Gender pay gap

Our response

We are committed to gender equality and equal pay for equal work.

Key areas of focus and decisions taken during the year under review

Remuneration policy implementation

- Provided oversight of the implementation of the remuneration policy for all employees of the group. The committee not only considered the remuneration of executive management but also all levels of employees – ensuring that our people are remunerated fairly for their individual contributions to the group's overall performance
- Reviewed and approved the basic remuneration package ranges for all employees graded within the Paterson D band and above
- Reviewed and approved the mandate provided to management with regards to the negotiation of remuneration and benefits of all other employees. During the year under review, a three-year agreement was negotiated at Zondereinde mine with the representative union, the National Union of Mineworkers. Refer to Human capital for further details on the wage negotiations
- Reviewed and approved changes in the rules of medical and retirement schemes applicable to employees, where such rules require the approval of the employer, other than in terms of centralised bargaining arrangements
- Reviewed the remuneration report for board approval

Succession planning

- Ensured proper succession plans are in place, particularly at senior management level

Performance measures

- Determined and agreed on the key performance indicators (KPIs) used, the relative weighting of each KPI and the associated targets per KPI for both the short-term (STI) and long-term (LTI) performance incentives
- Reviewed the share incentive plan (SIP) performance targets, with regards to safety, and implemented a fatality penalty, which will impact the number of shares vesting to employees when there is a fatality at any of our operations

Group risks considered in setting STI and LTI KPIs

Execution risks associated with growth projects and the development of new operations	Health and safety risks	Operational underperformance

We are committed to ensuring that executive remuneration is fair, responsible and appropriate in the context of general market conditions, company performance, industry pay levels and the economic outlook in general.

Executive management

- Reviewed and approved exit arrangements for AZ Khumalo (former CFO) who left the group during the year
- Approved the remuneration of executive management member AH Coetzee (CFO), who was appointed during the year
- Approved the annual increase for PA Dunne (7.5%) and AH Coetzee (5.0%) for F2020

Malus and clawback

- Implemented a malus and clawback policy in keeping with emerging corporate governance best practice. This policy will adjust (malus) or recover (clawback) unvested "at risk" remuneration where there is reasonable evidence that an executive director has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including:
  - Personally acting fraudulently or dishonestly or in a manner that adversely affects the reputation of the group or which is characterised as a gross misconduct
  - Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct
  - Breaching fiduciary duties/obligations through error, omission or negligence
  - Receiving an LTI award as a result of an error in the calculation of a performance measure

There are no other proposed remuneration policy changes for the F2020 financial year. However, the committee has the discretion to, in consultation with the board, change both the formula and targets prospectively of any of the variable remuneration elements.

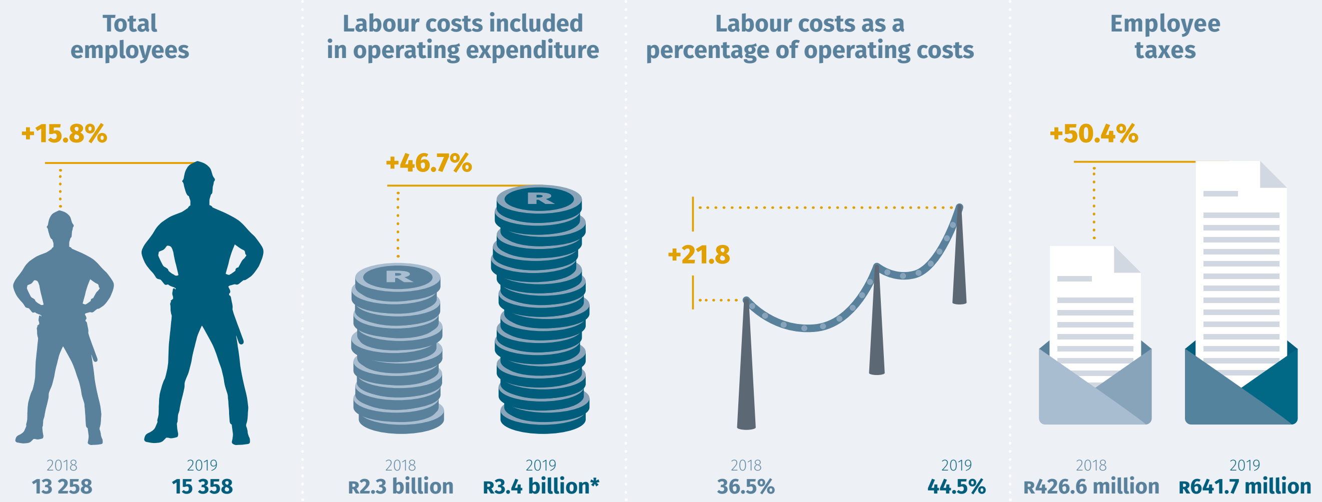
Factors considered in determining salary increases, bonus payments and share allocations during the year under review.

	2019	2018	Variance %
Safety (LTIIR)	0.93	1.00	7.0%
Number of fatalities	1	2	50.0%
Equivalent refined metal from own operations (oz 4E)	519 954	483 941	7.4%
Cash cost per equivalent refined oz 4E (R/oz)	13 907	12 909	(7.7%)
Consumer price index (CPI)	4.6%	4.6%	–

The group delivered strong financial results, which were underpinned by:

- Record operating profit of R2.4 billion (F2018: R823.3 million)
- Normalised headline earnings of 270.1 cents per share, an increase of 226.6% over prior year (F2018: 82.7 cents per share)
- An increase of 7.4% in the groups production with equivalent refined metals increasing to 519 954 oz 4E (F2018: 483 941 oz 4E)
- EBITDA increasing by 138.2% to R2.6 billion (F2018: R1.1 billion) with the net debt to EBITDA ratio improving to 1.1:1 (F2018: 2.4:1)

Number of employees and labour costs



**Labour costs in terms of the contracting mining at Booysendal operation were previously included in contractor costs and not in labour cost*

Consultants used during the year under review
The group's auditors, Ernst & Young Incorporated, have not provided advice to the committee. However, at the request of the committee, they conducted certain verification procedures on performance and retention shares granted and vested during the year under review.

No further advice has been obtained, nor have any other independent advisors been used by the committee during the year under review.

Shareholder engagement and voting
Management has direct interaction with our major institutional shareholders at least twice a year, where any issues or concerns relating to remuneration can be raised and discussed. Representatives of Zambezi Platinum (RF) Limited, our 31.4% BEE shareholder, are also represented on the Northam board.

The F2018 remuneration policy and the implementation report were tabled for separate non-binding advisory votes by shareholders at the annual general meeting (AGM) held on Tuesday, 6 November 2018, and were endorsed by 89.2% and 88.3% of our shareholders respectively. The votes were based on a 93.7% shareholder participation rate.

In the event that 25% or more of the votes exercised are against either Part 2 or Part 3 of this report, the board and this committee will take measures to engage proactively with shareholders and ascertain the reasons for their dissenting votes. Legitimate and reasonable objections and concerns raised will be appropriately addressed. This may include amending the remuneration policy and/or adjusting the remuneration governance and/or processes.

At the aforementioned AGM, a special resolution with regards to financial assistance to executive directors and/or prescribed officers was put forward, which was endorsed by 88.4% of our shareholders, based on a 93.7% shareholder participation rate. However, we did receive negative feedback with regards to the proposed financial assistance in the form of loans, pursuant to the Northam 2020 accommodation strategy. In response thereto, no loans were granted to any executive director, and financial assistance will no longer be provided to executive directors and/or prescribed officers going forward.

We aim to continuously improve our remuneration practices and accordingly, we welcome any comments that you may have on our report.

Areas of focus for F2020

Wage negotiations

F2020 will be the first year in which formal wage negotiations are entered into with the recognised union at our Booysendal mine. Previously the mining contractor was responsible for wage negotiations with the workforce. These negotiations and their outcomes will be a focus for the committee.

Remuneration benchmarking

Remuneration benchmarking for executive and non-executive directors against industry peers. The group makes use of a remuneration expert when benchmarking remuneration.

Value for stakeholders

Continue to assess the key performance indicators underpinning management's remuneration, in order to ensure that value is created for all stakeholders.

Malus and clawback

Monitor the implementation of the malus and clawback policy approved in June 2019.

Conclusion

Overall, the committee is satisfied that the F2019 remuneration policy achieved its stated objectives for the year and that the committee has considered and discharged its responsibilities in line with its terms of reference, statutory responsibilities and KING IV™ during the year under review.

We aim to continuously improve our remuneration practices and accordingly, we welcome any comments that you may have on our report or any concerns regarding the remuneration policy or the implementation thereof. We look forward to receiving your support on the resolutions for both the remuneration policy and implementation report at the AGM on 7 November 2019.

On behalf of the committee.

TE Kgosi
Chairperson

20 August 2019

PART 2

Overview of the main provisions of the remuneration policy

The remuneration policy will be put forward for a non-binding advisory vote at the shareholders' annual general meeting on 7 November 2019.

The remuneration policy is designed to support the group's strategic goals, aligning the interests of employees and executives with those of shareholders and all other stakeholders.

It is not intended to be a "one-size-fits-all" set 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.

Guiding remuneration principles

- Attract, motivate and retain core skills such as artisans, engineers and management
- Offer remuneration packages that are competitive, fair and reasonable in all respects for all employees, regardless of job title and grading
- Conduct regular reviews of working conditions, salaries and wages throughout the group
- Ensure compliance with all statutory and regulatory requirements and commitment to applying best practice guidelines in all aspects of remuneration and benefits
- Link executive remuneration to the group's performance with appropriate performance targets, designed to facilitate the achievement of the strategic goals and objectives of the group
- Provide an appropriate mix of short- versus long-term and fixed versus variable remuneration
- Align remuneration with the interests of stakeholders

Measuring performance

Our vision is to grow the business into a long-life major producer of PGMs and to do this safely and efficiently while continuously moving down the cost curve.

Our remuneration policy is therefore focused on the following performance elements:

Variable remuneration, which includes short- and long-term incentives, is based on these elements, thereby facilitating the achievement of our strategic goals and ultimately the creation of shareholder value.

Employee bands

The Paterson system grades roles according to the number of decisions an employee is required to make and is widely used in the mining and manufacturing industries.

Band A – defined decisions	**unskilled employees**
Band B – automatic decisions	**semi-skilled employees**
Band C – routine decisions	**skilled employees**
Band D – interpretive decisions	**middle management**
Band E – programming decisions	**senior management**
Band F – policy-making decisions	**top management**

Governance over remuneration

The board

Review and approve the remuneration of the CEO and CFO.

Together with management and the social, ethics, human resources and transformation committee, annually review the succession plans for senior management across operations.

Social, ethics, human resources and transformation committee

Provide oversight of the implementation of the group remuneration policy, including reviewing management remuneration.

Recommend and propose increases for non-executive directors' fees for shareholder approval.

Shareholders and other stakeholders

Provide feedback on executive remuneration and the governance thereof during periodic engagements with management.

This feedback is reviewed and discussed by the social, ethics, human resources and transformation committee. Any concerns or issues are followed up and, where required, are rectified.

PART 2

Remuneration elements at a glance

	Fixed		
	Annual salary	**Medium-term incentive (MTI)**	**Short-term incentive (STI)**
Who	All employees other than unionised employees*	All employees within the Paterson D upper band and above	All employees
Format	Basic rate of pay (BRP) including a 12.5%* pension contribution benefit, which is referred to as the total guaranteed package (TGP)	Retention payment equal to 20% of the annual BRP accumulated monthly over 12 months and paid two years after the accumulated year	Annual bonus based on operational performance targets within the control of management
What	Cash	Cash	Cash
When	Monthly	Granted annually, vesting after two years	Biannually for employees graded Paterson D upper band and above, based on targets set by the committee Quarterly for all other employees, based on set production and safety targets
How Measures, weightings and payouts	Market rate, individual performance, internal pay equity, experience and critical skills For further details P142	No performance element associated with the retention bonus On retirement or retrenchment, all accumulated bonuses are payable to employees on a proportional basis, according to the number of months in service, in line with the same percentages as the SIP rules Any employee who is discharged or resigns before the MTI bonus becomes payable, forfeits the total amount accumulated	Targets set per operation by the committee and board. These include safety, unit costs, development metres and production volumes Corporate office (including executive directors) and group services bonuses are based on the combined performance of the operating mines If less than 90% of a target is achieved, no bonus is paid. From 90% achievement, 5% of the guaranteed salary is paid, with a maximum of 125% of the guaranteed salary paid for an achievement of 110% or more of target Refer to Part 3 for details of the STI formula P149
Why	Competitive levels of fixed remuneration attract and retain talent	To attract and retain core skills	To retain and motivate employees
PROPOSED CHANGES FOR F2020	None	None	None

Unionised employees' pension contributions is 13.95%, in line with agreements with unions

Variable

Variable long-term incentive (LTI) awarded under the share incentive plan (SIP)		Lock-in and incentive mechanism (LIM) relating to Zambezi Platinum (RF) Limited		
25% retention shares	**75% performance shares**	**Long-term BEE transaction incentive (BIP)**	**Short-term BEE transaction cash incentive bonus (CIBB)**	
All employees within the Paterson D lower band and above		CEO, executive commercial (EC) (fomerly the CCO), CG, EHR, GMs at Booysendal and Zondereinde		***Who***
Annual retention shares with no performance targets	Annual performance shares with both operational and market performance targets	Aggregate of 5 million Northam shares conditionally awarded through the creation and awarding of 5 million BEE conditional shares under SIP	Participants will receive up to 30% of their cost to company remuneration, excluding performance bonuses, subject to the fulfilment of the CIBB performance conditions	***Format***
Northam share price used to determine cash payout		Upon vesting, BEE conditional shares may be settled through cash or shares at the election of the committee	Cash	***What***
Granted annually, vesting after three years		Vesting in May 2025	Annually	***When***
Award subject to employees remaining in service for the duration of the three-year vesting period	Targets set per operation by the committee and board. These include safety, unit costs, development metres and production volumes Corporate office (including executive directors) and group services bonuses based on the combined performance of operating mines Maximum award largely depends on the operational performance of the group. If targets are met, the award can be up to 135% of BRP. If performance targets are not met, no performance shares will vest P151 Refer to Part 3 for details of the LTI formula	Vesting subject to Zambezi Platinum (RF) Limited fully settling preference share liability together with all tax liabilities. Current Northam strike price required using prevailing prime rate = R202.02 per share Subsequent to year-end the prime interest rate changed and the strike price required changed to R199.28 per share P143 For further details	Participants will receive: • 15% of BRP if 60-day volume weighted average price (VWAP) of share at the condition date is equal or greater than the redemption amount per preference share at year-end. Representing a strike-price of R69.79 per share at year-end • Additional 15% BRP if the total value of the shares held by Zambezi at the condition date (using the 60-day VWAP) is sufficient to fully settle the redemption amount and Zambezi's tax liabilities arising from the settlement of the redemption amount at year-end. Representing a strike price of R78.10 per share at year-end P144 For further details	***How*** Measures, weightings and payouts
Creates alignment between management and shareholder interests by linking long-term remuneration to operational KPIs and the share price		Retention of key individuals in the group. Aligns participants' long-term interests with those of shareholders	Retention tool that financially penalises recipients who leave the group	***Why***
A malus and clawback provision has been implemented in June 2019 for executive directors		None		***PROPOSED CHANGES FOR F2020***

Fixed remuneration detail

Basic rate of pay (BRP) – guaranteed salary

Non-union-affiliated employees	Allowances and benefits
Executive directors (executives) and members of the management team are employed in terms of their contracts of employment and the remuneration practices and benefit schemes applicable to their job grades. Employment contracts are entered into on a permanent basis as a general principle (ie for an indefinite period), except where fixed-term or short-term temporary contracts are required for specific projects. Guaranteed salaries are reviewed annually, with annual increases effective on 1 July of every year, except with the promotion of individuals, in which case increases may be implemented during the year. Annual increases are based on group performance, affordability and individual performance, and taking general inflation into account. Non-union-affiliated employees have job profiles that stipulate the key performance areas of their positions, which serve as the basis for performance assessment and the measurement of performance-linked salary increases and bonuses.	Executive directors and all employees on a Paterson E level and above receive death and disability cover insurance, with specific conditions attached.
Union-affiliated employees	**Allowances and benefits**
For union-affiliated employees, guaranteed salary levels depend on the outcome of wage negotiations with the representative union. *Refer to details of the wage agreements disclosed as part of the Human capital section of this report on page 75.*	Various allowances and benefits are paid to union-affiliated employees depending on their position. Specific consideration is given to lower-paid workers.

No provision is made for special retirement benefits for employees other than the standard benefits in terms of the group's recognised retirement funds, with the exception of certain employees who were in service with the group on 31 December 1998. In respect of these employees, a contribution is made to a post-retirement provident fund cover to post-retirement healthcare.

These contributions cease when the employee leaves the service of the group. All components of the group's remuneration policy and procedures are subject to regular internal and external audit, as well as routine monitoring by the South African Revenue Services.

The social, ethics, human resources and transformation committee is satisfied that the group is compliant with all applicable remuneration regulations.

Lock-in and incentive mechanism (LIM) detail

The implementation of the Zambezi Platinum (RF) Limited BEE transaction resulted in a number of significant benefits for the group, including compliance with the required empowerment criteria in terms of the Mineral Petroleum Resources Development Act, No 28 of 2002 and the Mining Charter, as well as a significant cash injection to fund both mergers, acquisitions and organic growth.

However, the guarantee provided by Northam to the holders of the preferences shares issued by Zambezi Platinum (RF) Limited may result in a dilution for Northam shareholders, eroding shareholder value as a result.

A number of our shareholders expressed concerns regarding this dilution risk that the guarantee holds and recommended that the group appropriately incentivise management to mitigate the specific risks associated with the guarantee provided.

In response, Northam shareholders approved a modification to the rules of the SIP, and the committee implemented the LIM in 2016. Of the 95.1% of shares that voted at the 2018 AGM, 77.7% of the shareholders approved the LIM at the time.

The LIM addresses both the short-term and long-term concerns of shareholders by incentivising management to consistently maintain the Northam share price above the related preference share liability over the 10-year lock-in period.

The LIM aligns the interests of management with those of the Northam shareholders and comprises short-term (CIBB) and long-term (BIP) elements.

Since the inception of the LIM incentives, no payment has been made to senior management or executive directors.

Long-term BEE transaction incentive plan (BIP)

The BIP aligns the long-term interests of the participants with those of Northam shareholders through equity participation. It forms part of the SIP and will reward management for the successful delivery and implementation of the group's BEE transaction.

Participation with the BIP is limited to key members of current and future executive management teams including the chief executive officer (CEO), executive commercial (EC), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and senior general managers (GMs) of Booysendal and Zondereinde mines (participants).

The position of the CTO has not been filled and remains subject to employing a suitable candidate. Should the position not be filled, no shares will be issued.

In terms of the BIP, a maximum aggregate of 5 (five) million BEE conditional shares could be awarded. The following number of shares has been issued to date to the individuals listed below:

	Number of shares 2019	Number of shares 2018
CEO	1 500 000	1 500 000
CFO	–	700 000
EC	500 000	500 000
CG	500 000	500 000
EHR	500 000	500 000
GM Booysendal	200 000	200 000
GM Zondereinde	200 000	200 000
Total number of BEE conditional shares issued	3 400 000	4 100 000

During the year, the former CFO's BIP shares lapsed in relations to the terms and conditions of the rules, when he left the employment of Northam. See Part 3 of this report.

The aggregate number of shares issued represents less than 1% of the total issued share capital of the group, and may be settled in cash or shares at the election of the social, ethics, human resources and transformation committee or the committee responsible for administering the SIP at that time.

Vesting

Vesting will be subject to the satisfaction of the performance condition that Zambezi Platinum (RF) Limited:

- fully settles the preference share liability (requiring a Northam share price of R149.36 per share using the prevailing prime rate)
- fully settles all tax liabilities or makes adequate provision for all tax liabilities arising from the settlement of the redemption amount (requiring a Northam share price of R202.02 per share at the year-end, using the prevailing prime rate)
- (subsequent to year-end the prime interest changed and the share price required to settle the preference share liability now requires a Northam share price of R147.42 per share and a share price of R199.28 per share to fully settle all tax liabilities) 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 purpose of, or in connection with, the settlement of the redemption amount

In the event that the share price is not at R199.28 per share at the redemption date, these shares will not vest, and no value will accrue to the participants.

In the event that the preference shares are redeemed before the expected redemption date (18 May 2025) and if the performance conditions are satisfied at that time, the shares will vest *pro rata* to the number of years of the performance period (commenced on 18 May 2015) that have been completed at that time.

In the event that Northam undergoes a change of control, all the shares that have not vested will vest in full at that time, irrespective of whether the performance conditions have been met or not.

Short-term cash incentive bonus in respect of the Zambezi Platinum (RF) Limited transaction (CIBB)

The CIBB is intended to comprise an incentive and a retention mechanism in the short- to medium-term, and further aligns management's interests with those of Northam's shareholders.

Participants in the CIBB will include the participants of the aforementioned BIP and may include, from time to time, other employees of the group deemed to be critical to the group's operations and strategy. Participants in the CIBB, other than BIP participants, must be recommended for participation to the scheme by management and is subject to approval by the committee.

Payments under the CIBB will be made annually, subject to the fulfilment of the CIBB performance conditions, as set out below, as at the 31st trading day following the publication of the company's financial results for each financial year (condition date).

Participants will receive, on an annual basis, 15% of their cost to company remuneration, excluding performance bonuses, if the value of a share (calculated as the 60-day volume weighted average price (VWAP)) at the condition date, equal to or greater than the redemption amount per preference share.

Furthermore, 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 shares held by Zambezi Platinum (RF) Limited at the condition date (using the 60-day VWAP) is sufficient to, in addition to fully settling the redemption amount, fully settle or make adequate provision for all of Zambezi Platinum (RF) Limited'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.

This will effectively incentivise the achievement of the CIBB performance conditions on an annual basis.

No CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB acts as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within the 12-month restraint period of receiving a CIBB payment for reason of a fault termination (resignation or dismissal), that person will be required to repay the company, before the deduction of PAYE, the pro rata amount of the CIBB received (calculated according to the number of months remaining in the restraint period) (CIBB refund). The CIBB refund dissuades CIBB participants from leaving the employ of the group by financially penalising them should they leave.

The CIBB will be terminated upon settlement or lapse of the BIP.

Employee participation schemes

Toro Employee Empowerment Trust

The Toro Employee Empowerment Trust is an employee profit scheme for eligible employees (Paterson C band employees and below) at the Zondereinde mine, in terms of which 4% of the mine's after-tax profits are contributed to the Toro Employee Empowerment Trust. Eligible employees receive payment at the end of a five-year cycle. The first and second payments were made in 2013 and 2018 respectively.

Contributions to the Toro Employee Empowerment Trust will be made for the life of mine and a minimum payout of R15 000 per Zondereinde mine employee has been guaranteed per five-year cycle.

BEE shareholding in Northam

Northam employees (Paterson C band employees and below) own 3% of the issued share capital of Northam via the shareholding of Zambezi Platinum (RF) Limited.

This is in addition to the 4% share of the Zondereinde mine after-tax profits that are contributed to the Toro Employee Empowerment Trust for the benefit of Zondereinde employees.

Service contracts of executive directors

Name	Notice period
PA Dunne (CEO)	12 months
AH Coetzee (CFO)	6 months

Change of control and termination conditions:

Remuneration policy component	**Change of control** (as defined in the Companies Act, No 71 of 2008 and the Companies Regulations and any amendments thereto)	**Fault termination** (resignation or dismissal)	**No-fault termination**
TGP	Lump sum compensating payment equal to twice the then TGP	All amounts due and payable with regards to the employee's total cost package will be paid to them	All amounts due and payable with regards to the employee's total cost package will be paid to them
STI – annual bonus	The average of the short-term incentive bonuses paid by the group during the previous two years (ie two years of STI bonuses paid divided by two)	No amount will be paid to an employee on a fault termination	Generally, no payment is made with regards to STI (annual bonuses), but the committee may review this on a case-by-case basis
STI – CIBB	No further amounts will be paid to an employee and the CIBB refund will not be applicable	No amount will be paid to an employee on a fault termination	No amount will be paid to an employee on a no-fault termination
MTI	All accumulated amounts will become payable to employees	No amount will be paid to an employee on a fault termination	Generally, no payment is made with regards to MTI, but the committee may review this on a case-by-case basis
LTI – SIP retention shares	Full vesting	No amount will be paid to an employee on a fault termination	Full vesting
LTI – SIP performance shares	Full vesting, irrespective of whether the performance conditions have been met or not	No amount will be paid to an employee on a fault termination	Full vesting, irrespective of whether the performance conditions have been met or not
LTI – SIP BIP shares (BEE conditional shares)	Full vesting, irrespective of whether the BIP performance condition has been met or not	No amount will be paid to an employee on a fault termination	Vesting in terms of the rules of the SIP BIP at a % of the original number of SIP BIP shares awarded. The BIP award retained in these instances will remain subject to the performance conditions and will only vest and be settled on the vesting date, which is May 2025, together with BIP awards held by other participants

External appointments and directorships

Executive directors are not permitted to hold external directorships or office without the approval of the chairman of the board.

The CEO and CFO currently hold no other listed company directorships, apart from Zambezi Platinum (RF) Limited, Northam's BEE shareholder.

Non-executive directors' remuneration

Non-executive directors are appointed in terms of the company's Memorandum of Incorporation (MOI) and confirmed at the first AGM of shareholders after their appointment. Thereafter at each AGM directors comprising one third of the aggregate number of directors (excluding executive directors) or, if their number is not 3 (three) or a multiple thereof, then the number nearest is but not less than one third of the aggregate number of directors (excluding executive directors) shall retire from office in terms of clause 33.5.1 of the MOI.

Non-executive directors are paid on a quarterly basis, based on fees as approved by the shareholders at the AGM.

Fees paid relate to the directors' roles and committee membership. A fee applies for any additional meetings over and above the set number of meetings. Fees are reviewed by the committee annually.

Consideration is given to industry remuneration levels of non-executive directors, as well as the need to retain the experience and expertise that the current non-executive directors contribute to the Northam board.

During the F2020 year, a full benchmarking exercise will once again be performed to compare the non-executive directors' remuneration with that of other non-executives in the industry.

Shareholders are referred to the notice of the AGM for details of the proposed F2020 non-executive directors' fees, which will be submitted for approval by shareholders at the November 2019 AGM.

Non-executive directors do not participate in any other company benefits, whether short-, medium- or long-term and they are not employees of the company.

Non-executive directors fees paid during F2019 are disclosed in Part 3 of this report.

Below is an illustrative total reward composition for executive directors for the F2020 year for the following:

- Minimum guaranteed payment
- At threshold
- Maximum payment

These illustrative examples are again based on the single-figure basis as prescribed in KING IV™.

Guaranteed payment – at a minimum

	TGP						
	Basic salary (BRP)	**Benefits and allowance**	**STI performance bonus**	**MTI retention bonus**	**LTI reflected**	**STI CIBB**	**Total 30 June 2020**
	R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	–	1 658	1 969	–	12 953
AH Coetzee (CFO)	3 905	488	–	781	820	–	5 994

Guaranteed payment – at threshold

	TGP						
	Basic salary (BRP)	**Benefits and allowance**	**STI performance bonus**	**MTI retention bonus**	**LTI reflected**	**STI CIBB**	**Total 30 June 2020**
	R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	8 290	1 658	7 876	1 244	28 394
AH Coetzee (CFO)	3 905	488	3 905	781	3 280	586	12 945

Guaranteed payment – maximum payment

	TGP						
	Basic salary (BRP)	**Benefits and allowance**	**STI performance bonus**	**MTI retention bonus**	**LTI reflected**	**STI CIBB**	**Total 30 June 2020**
	R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	8 290	1 036	10 363	1 658	10 632	2 487	34 466
AH Coetzee (CFO)	3 905	488	4 881	781	4 428	1 172	15 655

PART 3

Implementation of remuneration policy for the current financial year ended 30 June 2019

The implementation report will be put forward for a non-binding advisory vote at the annual general meeting on 7 November 2019.

The executive directors' remuneration for the year ended 30 June 2019, based on a single-figure basis (income statement impact) as recommended by KING IV™ is as follows:

	Basis salary (BRP) plus 12.5% pension contribution classified as the total guaranteed package (TGP)							
	Basic salary (BRP)	**Benefits and allowance***	**STI performance bonus****	**MTI retention bonus*****	**LTI reflected**	**Separation payment**	**Total 30 June 2019**	**30 June 2018**
	R000	R000	R000	R000	R000	R000	R000	R000
PA Dunne (CEO)	7 712	964	7 272	1 542	6 345	–	23 835	25 417
AZ Khumalo (CFO#)	1 387	–	–	–	10 688	11 512	23 587	12 207
AH Coetzee (CFO, effective 1 November 2018)	2 479	310	2 338	496	2 073	–	7 696	–
	11 578	1 274	9 610	2 038	19 106	11 512	55 118	37 624

**Consists of pension contributions calculated at 12.5% of basic salary*
***STI Performance bonus, based on F2019 performance against set targets of which only a part was paid during F2019*
****MTI retention bonus representing 20% of the basic salary accrued during the current year, only paid out after two years if the employee is still in service*
#AZ Khumalo, the former CFO was only in office for 4 months from 1 July 2018 to 31 October 2018

During the year under review, AZ Khumalo stepped down as the CFO, effective 31 October 2018, and AH Coetzee was appointed, effective 1 November 2018, with an annual basic salary of R3.7 million and a guaranteed pension fund contribution of 12.5%. The basic salary disclosed above for AH Coetzee is based on a *pro rata* basis for a period of eight months.

AZ Khumalo received a payment as part of a voluntary separation agreement, as detailed below.

In accordance with the SIP rules, the 267 200 unvested performance and retention shares held by AZ Khumalo vested, as a result of his no-fault termination. A share price of R40.00 per share was used in the calculation to determine the payout.

AZ Khumalo's 700 000 shares relating to the BEE conditional shares however lapsed, due to him leaving the employment of the group before the vesting date, and therefore no benefits accrued to him thereunder.

	R000
A once-off cash payment, which included an amount in lieu of three months' termination notice, as per AZ Khumalo's contract of employment and all accrued outstanding leave balances, as well as a separation payment	9 767
MTI – all outstanding retention amounts due and payable	1 745
Separation payment	11 512
LTI – all outstanding performance and retention shares, consisting of 267 200 shares vested at R40.00 per share and settled in cash	10 688
BEE conditional shares issued in accordance with the LIM	–
	22 200

For remuneration actually paid (cash) in terms of the Companies Act, No 71 of 2008 as amended, please refer to the directors' report included in the annual financial statements, available at www.northam.co.za.

STI performance bonus (F2019)
The short-term bonus scheme is based on a weighted combination of key performance indicators with stretched targets, which are largely under the control of management. By offering bonuses, the committee intends to incentivise management in areas that they are able to influence.

The targets set are a weighted combination of safety performance, linear metres achieved, square metres mined, total tonnes milled, metal produced and unit cash costs. A personal performance rating is also incorporated. The personal performance rating incorporates transformation targets as per the Mining Charter.

The following key performance targets have been set for the STI bonus scheme for the current and next financial year:

		F2020 weighting	F2019 weighting	Achievement actual vs target	Weighted score*
Zondereinde	**Unit**	**%**	**%**	**%**	**%**
Safety	LTIIR	30	30	101.5	32.0
Linear metres (development metres)	m	15	10	109.0	11.9
Square metres	m2	10	10	102.8	11.2
Tonnes milled	t	10	10	99.9	9.4
Equivalent refined metal from own operations	Pt oz	15	15	100.6	15.0
Cash cost per equivalent refined Pt oz	R/Pt oz	15	15	93.2	5.0
Personal performance	Rating	5	10	100.0	10.0
		100	100		94.5

		F2020 weighting	F2019 weighting	Achievement actual vs target	Weighted score*
Booysendal	**Unit**	**%**	**%**	**%**	**%**
Safety	LTIIR	20	20	155.0	25.1
Linear metres (development metres)	m	15	25	98.0	20.0
Square metres	m2	25	15	108.0	17.3
Tonnes milled	t	15	10	105.0	11.4
Equivalent refined metal from own operations	Pt oz	10	10	98.0	8.0
Cash cost per equivalent refined Pt oz	R/Pt oz	10	10	89.0	2.3
Personal performance	Rating	5	10	100.0	10.0
		100	100		94.1

**The weighted score is based on a sliding scale dependent upon achievement against the targets*

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Booysendal and therefore the net equal weighting percentage achieved amounted to 94.3% of BRP.

Eland has been included in the performance targets for F2020, with the following weightings:

Eland	Unit	F2020 weighting %
Safety	LTIIR	20
Tailings storage facility: chrome recovery at 8%	%	15
Tailings storage facility: PGM recovery at 15%	%	15
Linear metres (development metres – barrel development)	m	20
Total metals in concentrate produced from own operations	oz 4E	5
Absolute cash costs including capital and operational costs	R	20
Personal performance	Rating	5
		100

Going forward, corporate office and group service staff (including executive directors) will share 45/45/10 in a weighted score between Zondereinde (45%), Booysendal (45%) and Eland (10%). This split will be reviewed annually as Eland grows to production profile.

The annual STI bonuses accrued as a percentage of the basic salary (BRP) to executive directors were as follows for 30 June 2019:

	STI performance bonus	Basic salary (BRP)	STI performance bonus as a percentage of basic salary (BRP)
	R000	R000	%
PA Dunne (chief executive officer)	7 272	7 712	94.3
AH Coetzee (chief financial officer)*	2 338	2 479	94.3

**AH Coetzee was appointed on 1 November 2018 as an executive director, and the BRP disclosed is for a period of eight months. The annualised BRP amounts to R3.7 million*

STI performance bonuses paid are linked to company performance only to ensure that the employees focus their efforts on creating shareholder value.

MTI retention bonus (F2019)

The medium-term incentive retention bonus has a vesting period of two years and is offered annually. On joining, the first retention bonus paid to an employee is after two years' service and is calculated pro rata, depending on which month of the year the employee joined the group.

The annual MTI retention bonuses accrued to executive directors were as follows for the year ending 30 June 2019:

	MTI retention bonus	Basic salary (BRP)	MTI retention bonus as a percentage of basic salary (BRP)
	R000	R000	%
PA Dunne (CEO)	1 542	7 712	20.0
AH Coetzee (CFO)*	496	2 479	20.0

**AH Coetzee was appointed on 1 November 2018 as an executive director, and the BRP disclosed here is for a period of eight months. The annualised BRP amounts to R3.7 million*

The MTI retention bonus paid, as disclosed in the directors report, relates to the BRP of the executives during the F2017 year.

LTI

The LTI reflected as part of the single figure remuneration has been calculated as follows:

- The F2016 SIP Performance share awards with a performance period ending on 11 November 2018 has been calculated by taking the VWAP at 11 November 2018 (R41.03) multiplied by the actual vesting percentage (76.2%). Therefore the LTI calculated for performance shares are the actual number of performance shares vested in November 2018 multiplied by the VWAP at the vesting date
- The F2019 SIP retention share awards granted during the year has been calculated as the number of retention shares, multiplied by the 30-day VWAP as at 31 October 2018 (R39.66). For LTI calculated relating to retention shares, the number of retention shares granted during the year was used multiplied by the VWAP at grant date

PA Dunne	Award year	Number of awards	Value per award	Vesting %	LTI reflected
					R000
SIP: performance shares	F2016	144 500	R41.03	76.2%	4 517
SIP: retention shares	F2019	46 100	R39.66	100.0%	1 828
Total					6 345

AH Coetzee	Award year	Number of awards	Value per award	Vesting %	LTI reflected
					R000
SIP: performance shares	F2016	41 200	R41.03	76.2%	1 288
SIP: retention shares	F2019	19 800	R39.66	100.0%	785
Total					2 073

The LTI annual share awards for the financial year 30 June 2019, and the performance outcomes for the F2016 share awards (the performance period of which ended on 11 November 2018) are set out on the following pages.

Performance and retention shares awarded in November 2018 (F2019), which will vest on 31 October 2021:

	Performance awards	Retention awards	Total awards	Value on award date*	% of BRP
	Number of shares	Number of shares	Number of shares	R000	%
PA Dunne (CEO)	138 400	46 100	184 500	7 317	95%
AH Coetzee (CFO)	59 300	19 800	79 100	3 137	84%

**30-day VWAP as at 31 October 2018 (including that date) multiplied by the number of shares awarded, determined at R39.66 per share*

The following performance criteria and targets have been approved to apply to the November 2018 awards, for the three-year rolling period F2019, F2020 and F2021:

Zondereinde

Factor	Targets/Criteria	% weighting
Safety (LTIIR)	An improvement of 10% on the previous financial year's safety record, which will be measured in F2021 compared to F2020	30%
Equivalent refined metal from own operations (oz 4E)	Achieving the budgeted equivalent refined production over the three-year vesting period	30%
Cash cost per equivalent refined oz 4E (R/oz)	Achieving the budgeted cash cost over the three-year vesting period	20%
Absolute total shareholder returns (group)	Exceeding the weighted average cost of capital, determined as 18.5%	10%
Relative shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	10%
		100%

Booysendal

Factor	Targets/Criteria	% weighting
Safety (LTIIR)	An improvement of 10% on the previous financial year's safety record, which will be measured in F2021 compared to F2020	25%
Metals in concentrate produced (oz 4E)	Achieving the budgeted concentrate production over the three-year vesting period	35%
Cash cost per 4E in concentrate produced (R/oz)	Achieving the budgeted cash cost over the three-year vesting period	20%
Absolute total shareholder returns (group)	Exceeding the weighted average cost of capital, determined as 18.5%	10%
Relative shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	10%
		100%

Exceeding the proposed performance criteria and targets requires considerable effort, and will have a direct impact on the group's profitability.

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Booysendal.

The measurement of the performance criteria will be calculated at the end of each three-year financial rolling period over which the shares vest, by applying the achievement percentages below in respect of the individual criteria against the performance shares awarded:

Achievement	% shares to vest
Achieve an aggregate score of less than 90%	Nil
Achieve between 90% and 100% of target	100%
Achieve between 100% and 105%	125%
Achieve in excess of 105%	135%

An achievement of less than 90% of target results in no shares being allocated (vested) at all.

LTI awards granted in November 2015 vested on 11 November 2018 (F2019)

The performance conditions used to determine performance conditions with regards to the LTI awards granted in November 2015 were as follows:

Factor	Targets/Criteria	Zondereinde % weighting	Booysendal % weighting
Safety LTIIR	An improvement of 10% on the previous financial year's safety record	25%	20%
Estimated recoverable metals 4E	Achieving the budgeted metal production	25%	30%
Unit cash costs	Achieving the budgeted unit cost	20%	20%
Absolute total shareholder returns (group)	Weighted average cost of capital (14.7%) plus 1.3%	15%	15%
Relative total shareholder returns (group)	Exceeding the platinum index return of the JSE on an absolute basis	15%	15%
		100%	100%

Performance LTI payments are linked to company performance as well as the share price performance to ensure that the employees focus their efforts on creating shareholder value.

Zondereinde Factor	% weighting	F2016 achievement %	F2017 achievement %	F2018 achievement %	Total %	Vesting allocation %	Weighted vesting %
Safety LTIIR	25%			113%	113%	135%	33.75%
Fatality impact	50% deduction from the safety allocation due to 2 fatalities during F2018						(16.88%)
Production	25%	97%	93%	104%	98%	100%	25.00%
Unit cash costs	20%	105%	95%	97%	98%	100%	20.00%
Absolute total shareholder returns (group)	15%				88%	0%	0.00%
Relative total shareholder returns (group)	15%				117%	135%	20.25%
	100%						82.12%

Booysendal Factor	% weighting	F2016 achievement %	F2017 achievement %	F2018 achievement %	Total %	Vesting allocation %	Weighted vesting %
Safety LTIIR	20%			85%	85%	0%	0.00%
Production	30%	103%	108%	84%	97%	100%	30.00%
Unit cash costs	20%	107%	103%	90%	99%	100%	20.00%
Absolute total shareholder returns (group)	15%				88%	0%	0.00%
Relative total shareholder returns (group)	15%				117%	135%	20.25%
	100%						70.25%

During the year under review, the committee approved a penalty in recognition of a fatality, which impacts on the safety portion of participants' performance shares allocated. This is to be applied as follows going forward:

Number of fatalities	% impact on safety shares
1 (one)	25% less safety shares
2 (two)	50% less safety shares
3 (three) or more	No safety shares

Corporate office and group service staff (including executive directors) share 50/50 in the weighted score of Zondereinde and Booysendal and therefore achieved an allocation of 76.2%.

The following amounts were paid out to executive directors relating to the November 2015 performance and retention shares that vested in November 2018:

	Performance awards	Performance awards	Performance awards	Retention awards	Total awards	Value of payment*
	Number of shares	% performance shares vesting	Total number of shares	Number of shares	Number of shares	R000
PA Dunne	144 500	76.2%	110 087	48 700	158 787	6 515
AH Coetzee	41 200	76.2%	31 388	13 900	45 288	1 858

*VWAP on 11 November 2018, last trading day preceding day of the 3 year anniversary of the award, determined as R41.03 per share, multiplied by the number of shares awarded.

Lock-in and incentive mechanism (LIM) – short-term annual incentive (CIBB)

The requirements for the short-term annual incentive relating to the BEE transaction was not met in F2018, and no payment was made to senior managers and executive directors in respect of the previous financial year.

	R per share
60-day VWAP share price as at 30 June 2018	36.35
Share price at year-end	36.68
Required share price for CIBB payment of 15% of BRP	61.04
Required share price, including settlement of the tax liability, for CIBB payment of 30% of BRP	66.82

No payment will be made for the F2019 year, as the requirements for the CIBB were not met during the current financial year; see below:

	R per share
60-day VWAP share price as at 30 June 2019	59.25
Share price at year-end	59.00
Required share price for CIBB payment of 15% of BRP	69.79
Required share price, including settlement of the tax liability, for CIBB payment of 30% of BRP	78.10

Comprehensive table of LTI – outstanding and unvested awards

In line with the requirements of KING IV™, an analysis of all long-term incentives held as at 30 June 2019 is set out below:

	Award year	Vesting date	Opening number of shares	Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/ exercised during the year	Closing number of shares	Value of receipts	Value of MTI/ estimated closing fair value
			1 July 2018				30 June 2019	R000	R000
PA Dunne									
MTI retention bonus	F2018	June 2020							1 422
MTI retention bonus	F2019	June 2021							1 542
LTI retention shares	F2016	November 2018	48 700	–	–	(48 700)	–	1 998	–
LTI retention shares	F2017	November 2019	42 900	–	–	–	42 900	–	2 455
LTI retention shares	F2018	November 2020	46 200	–	–	–	46 200	–	2 644
LTI retention shares	F2019	November 2021	–	46 100	–	–	46 100	–	2 638
LTI performance shares	F2016	November 2018	144 500	–	(34 413)	(110 087)	–	4 517	–
LTI performance shares	F2017	November 2019	127 200	–	–	–	127 200	–	7 278
LTI performance shares	F2018	November 2020	137 000	–	–	–	137 000	–	7 839
LTI performance shares	F2019	November 2021	–	138 400	–	–	138 400	–	7 919
BEE conditional shares issued in accordance with the LIM	F2017	May 2025	1 500 000	–	–	–	1 500 000	–	88 500
Total			2 046 500	184 500	(34 413)	(158 787)	2 037 800	6 515	122 237
AH Coetzee									
MTI retention bonus	F2018	June 2020							409
MTI retention bonus	F2019	June 2021							496
LTI retention shares	F2016	November 2018	13 900	–	–	(13 900)	–	570	–
LTI retention shares	F2017	November 2019	9 200	–	–	–	9 200	–	526
LTI retention shares	F2018	November 2020	10 400	–	–	–	10 400	–	595
LTI retention shares	F2019	November 2021	–	19 800	–	–	19 800	–	1 133
LTI performance shares	F2016	November 2018	41 200	–	(9 812)	(31 388)	–	1 288	–
LTI performance shares	F2017	November 2019	27 100	–	–	–	27 100	–	1 551
LTI performance shares	F2018	November 2020	30 900	–	–	–	30 900	–	1 768
LTI performance shares	F2019	November 2021	–	59 300	–	–	59 300	–	3 393
Total			132 700	79 100	(9 812)	(45 288)	156 700	1 858	9 871

- The MTI is calculated using the annual BRP for that particular year multiplied by 20%, which is only paid two years subsequent to the date when it accrues, with no performance conditions attached
- LTI retention shares' estimated fair value is determined using 100% of the number of retention shares outstanding multiplied by the 30-day VWAP of the share price at year-end, which amounted to R57.22 per share
- If the LTI performance shares vest within the next 12 months, an estimation is made of the percentage at which the performance shares will vest multiplied by the 30-day VWAP closing share price; if the LTI performance share vest after a period of 12 months the full number of performance shares will be multiplied by the 30-day VWAP closing share price
- The fair value of the LIM shares is calculated using the closing share price at year-end multiplied by the full value of the number of BIP shares outstanding. The mechanics of these 10-year BEE transaction incentive BIP shares are fully explained on page 143 of this report. The performance conditions for these shares is based on an "all or nothing" contingency. At the estimated target Northam share price of R202.02 per share in May 2025, this would save Northam shareholders a dilution of value, hence the incentive for management to perform by growing the business of Northam and thus its share price. In six years (May 2025), a once-off payout can only be made if the share price of Northam is at an estimated target price then of at least R202.02 (that is 10 years after the inception of the BEE transaction). Below that share price there will be no payment due, hence these shares had no value on the award date. The BIP was approved by shareholders in 2016. The closing share price of Northam as at 30 June 2019 was R59.00 per share
- Subsequent to year-end the prime interest rate changed and the Northam share price is now required to be R199.28 per share for the conditions of the LIM to become effective

Below are details of AZ Khumalo's separation payment relating to his LTI incentives:

	Award year	Vesting date	Opening number of shares	Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using the closing share price value)
			1 July 2018				30 June 2019	R000	R000
AZ Khumalo									
LTI retention shares	F2016	November 2018	24 350	–	–	(24 350)	–	974	–
LTI retention shares	F2017	November 2019	20 900	–	–	(20 900)	–	836	–
LTI retention shares	F2018	November 2020	22 100	–	–	(22 100)	–	884	–
LTI performance shares	F2016	November 2018	72 250	–	–	(72 250)	–	2 890	–
LTI performance shares	F2017	November 2019	62 000	–	–	(62 000)	–	2 480	–
LTI performance shares	F2018	November 2020	65 600	–	–	(65 600)	–	2 624	–
BEE conditional shares issued in accordance with the LIM	F2017	May 2025	700 000	–	(700 000)	–	–	–	–
Total			967 200	–	(700 000)	(267 200)	–	10 688	–

If a participant's employment with Northam is terminated prior to the vesting date by reason of a no-fault termination, then all retention and performance shares that have not vested shall, irrespective of the extent to which the performance conditions have been met, vest on the date of termination of employment.

In respect of the LIM shares (BEE conditional shares), if the date of termination of employment occurs prior to or on 18 May 2020, then all such BEE conditional shares that have not vested will lapse immediately on the date of termination of employment.

An analysis of all long-term incentives held as at 30 June 2018 follows:

	Award year	Vesting date	Opening number of shares	Number of shares granted during the year	Number of shares forfeited during the year	Number of shares vested/ exercised during the year	Closing number of shares	Value of receipts	Estimated closing fair value (using the closing share price value)
			1 July 2017				30 June 2018	R000	R000
PA Dunne									
LTI retention shares	F2015	November 2017	37 900	–	–	(37 900)	–	1 986	–
LTI retention shares	F2016	November 2018	48 700	–	–	–	48 700	–	1 786
LTI retention shares	F2017	November 2019	42 900	–	–	–	42 900	–	1 574
LTI retention shares	F2018	November 2020	–	46 200	–	–	46 200	–	1 695
LTI performance shares	F2015	November 2017	112 400	–	(702)	(111 698)	–	5 853	–
LTI performance shares	F2016	November 2018	144 500	–	–	–	144 500	–	5 300
LTI performance shares	F2017	November 2019	127 200	–	–	–	127 200	–	4 666
LTI performance shares	F2018	November 2020	–	137 000	–	–	137 000	–	5 025
LIM shares	F2017	May 2025	1 500 000	–	–	–	1 500 000	–	55 020
Total			2 013 600	183 200	(702)	(149 598)	2 046 500	7 839	75 066
AZ Khumalo									
Options		12 October 2017	62 500	–	–	(62 500)	–	233	–
Clawback rights options		12 October 2017	2 450	–	–	(2 450)	–	25	–
LTI retention shares	F2015	November 2017	37 900	–	(18 950)	(18 950)	–	993	–
LTI retention shares	F2016	November 2018	48 700	–	(24 350)	–	24 350	–	893
LTI retention shares	F2017	November 2019	20 900	–	–	–	20 900	–	767
LTI retention shares	F2018	November 2020	–	22 100	–	–	22 100	–	811
LTI performance shares	F2015	November 2017	112 400	–	(56 670)	(55 730)	–	2 926	–
LTI performance shares	F2016	November 2018	144 500	–	(72 250)	–	72 250	–	2 650
LTI performance shares	F2017	November 2019	62 000	–	–	–	62 000	–	2 274
LTI performance shares	F2018	November 2020	–	65 600	–	–	65 600	–	2 406
LIM shares	F2017	May 2025	700 000	–	–	–	700 000	–	25 676
Total			1 191 350	87 700	(172 220)	(139 630)	967 200	4 177	35 477

PART 3

Non-executive directors' fees

Below is an analysis of non-executive fees in respect of board and board committee services for the 2019 financial year.

	Board	Audit and risk committee	Health, safety and environmental committee	Investment committee	Social, ethics, human resources and transformation committee	Nomination committee	*Ad hoc* fees	Additional meetings held during 2018 – approved at the November 2018 AGM	Total
	R000	R000	R000	R000	R000	R000	R000		R000
KB Mosehla	435	–	–	88	–	90	–	47	660
R Havenstein	374	146	142	88	–	122	39	47	958
DH Brown	329	159	–	120	–	–	–	–	608
CK Chabedi	329	–	108	88	127	–	–	65	717
HH Hickey	329	202	–	–	–	–	–	47	578
NY Jekwa	329	13	–	–	107	–	–	–	449
MH Jonas*	219	–	–	–	–	–	–	–	219
TE Kgosi	329	146	–	–	164	90	56	18	803
TI Mvusi	329	–	–	–	–	–	–	–	329
JJ Nel*	219	13	–	–	–	–	–	–	232
JG Smithies	329	–	108	–	–	–	–	–	437
	3 550	679	358	384	398	302	95	224	5 990

**MH Jonas and JJ Nel were appointed as independent non-executive directors, with effect from 6 November 2018*

Remuneration payable in terms of non-executive director's fees will be in proportion to the period during which the office of the non-executive director or such director's relevant role on the board or a committee thereof, has been held during the financial year, irrespective of the number of meetings held.

In terms of section 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their services as a director in accordance with a special resolution approved by the shareholders and if not prohibited in the company's Memorandum of Incorporation (MOI). The MOI does not prohibit the payment of such remuneration.

Shareholders are reminded that a request was made for the approval of payments to non-executive directors for the attendance of meetings during the 30 June 2018 financial year in excess of the anticipated number of meetings as listed below:

	Number of meetings anticipated for 2018	Actual number of meetings held during 2018	Proposed fee per additional meeting approved at the November 2018 AGM
			R
Board meetings	5	6	46 900
Social, ethics, human resources and transformation committee meetings	4	5	18 300

Accordingly, at the forthcoming AGM, shareholders will be requested to consider a special resolution providing for the increase in the non-executive directors' fees for the year ending 30 June 2020, as set out in the notice of the AGM.

Shareholder engagement

We value our continued engagement with various stakeholders and we endeavour to maintain our relationships in order to continue to receive constructive feedback and input.

This remuneration report was approved by the board of directors of Northam Platinum Limited on 20 August 2019.

On behalf of the committee.

TE Kgosi
Chairperson

20 August 2019

KING IV™ status

The board is satisfied that, during the 2019 financial year, every effort was made to apply and explain all aspects of KING IV™, as appropriate.

The audit and risk committee, the health, safety and environmental committee, the investment committee, the nomination committee and the social, ethics, human resources and transformation committee are all satisfied that Northam has complied with the KING IV™ principles during the 2019 financial year and is taking steps to ensure continued adherence to the obligations placed upon the group in this regard.

Our KING IV™ apply and explain statement is available on our website at www.northam.co.za/governance

On behalf of the board.

KB Mosehla
Non-executive chairman

R Havenstein
Lead independent director

20 August 2019

NORTHAM

PLATINUM LIMITED