Corporate governance report

The board affirms its commitment to the principles of openness, integrity and accountability and is committed to providing timeous, relevant and meaningful reporting to all stakeholders. It ensures that the company's business is conducted in accordance with high standards of corporate governance and with local and internationally accepted best corporate practice. These standards are entrenched in the company's established systems of internal control by its policies governing corporate conduct, with particular emphasis being placed on the qualitative aspects of corporate governance.

The directors endorse the Code of Corporate Practices and Conduct (the Code) set out in the second report of the King Committee on Corporate Governance (King 2) that was released in March 2002. The directors are mindful of the fact that the company currently has no independent non-executive directors and is taking steps to remedy this situation.

The key principles underlying the King recommendations as contained in the Code are reflected in the company's corporate governance structures, which are reviewed from time to time to take into account organisational changes and international developments. Through this process of review the directors seek to ensure that the company's business is managed on an ethical basis in accordance with prudently determined risk parameters and in conformity with internationally accepted standards.

The directors specifically report as follows:

Board charter

On 6 August 2003, the board adopted a board charter, which regulates how business is to be conducted by the board in accordance with the principles of good corporate governance. The charter sets out the specific responsibilities of the board members collectively, and the individual roles expected of them.

More specifically, the charter confirms the board's responsibility for the adoption of strategic plans, monitoring of operational performance and management, determination of policies and processes to ensure the integrity of the company's risk management and internal controls, as well as director selection, orientation and evaluation.

Risk management

The board is responsible for the total risk management process within the company. Management is accountable to the board and has established various systems of internal control to manage significant risks. These systems support the board in discharging its responsibility for ensuring that the range of risks associated with the company's operations are managed effectively and the interests of stakeholders safeguarded.

As reported last year, the company had developed an integrated risk management framework which identified the significant risks facing the company, as well as factors in mitigation thereof, in order to further assist the board in the discharge of its responsibilities.
While the operating risks cannot be fully eliminated, the company endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethics are applied throughout the company to manage such risks.

Responsibility for annual financial statements

The directors are responsible for the preparation of the annual financial statements and related financial information that fairly present the financial position of the company and the results of its operations and cash flows.

The annual financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice. These financial statements incorporate full and responsible disclosure and are based on appropriate accounting policies that have been consistently applied, except where otherwise reported, and which are supported by reasonable and prudent estimates and judgements.

The external auditors, whose report appears on page 39, are responsible for reporting on these financial statements in conformity with statements of South African Auditing Standards and in the manner required by the Companies Act in South Africa.

Composition of the board of directors

The board comprises eight non-executive directors, details of whom appear on pages 36 and 37.

With the resignation from the board of directors of the company of Mr A S Malone during March 2004, and the subsequent appointment of Mr M E Beckett to the board of Mvelaphanda Resources Limited (one of the company's major shareholders) the company no longer has any independent directors.

Although there is currently no executive director, Mr G T Lewis, the general manager, fulfils the role of chief executive officer. He attends all board meetings and reports directly to the board. In addition he attends all board appointed committee meetings and reports directly to such committees.

All the directors bring to the board a wide range of professional and commercial experience and independent perspectives and judgments.

Although Mr Sexwale, the non-executive chairman of the board, is not an independent director, the board is of the view that it is appropriate that he continues to chair the board, as he represents the company's major empowerment shareholder.

The board is responsible to the shareholders for setting the direction of the company through the establishment of strategic objectives and key policies. The board meets quarterly, or more frequently if circumstances so require, in order to consider issues of strategic direction, approve major capital expenditure projects, review operating performance, and consider other matters having a material effect on the company.

All directors are subject to retirement by rotation and re-election by shareholders at least every three years in accordance with the company's articles of association.

All directors have access to the advice and services of the company secretary and, with the prior approval of the chairman, are entitled to seek independent professional advice concerning the affairs of the company at its expense.

The board has established four standing committees, namely the Audit Committee, the Health, Safety and Environmental Committee, the Nomination Committee and the Remuneration and Employee Equity Committee which operate within defined terms of reference laid down in writing by the board. These committees are chaired by and comprise non-executive directors.

Audit Committee

M E Beckett – Chairman
R H H van Kerckhoven
M J Willcox

The Audit Committee comprises three non-executive directors. The external and internal auditors have free access to this committee. The committee is scheduled to meet five times a year with management as well as with the internal and external auditors to review the interim and preliminary reports, the annual financial statements and accounting policies, the effectiveness of the internal audit function, management information and other systems of internal control, and to discuss the auditors' findings and recommendations.

The committee considers the use of the company's external auditors for non-audit services, where appropriate, and also approves the fees to be paid to the company's internal and external auditors.

Although Mr M E Beckett is no longer regarded as an independent non-executive director (having been appointed to the board of Mvelaphanda Resources, one of the company's major shareholders, during the year) the board considers that the experience and knowledge that he brings to the committee is such that it is appropriate that he continue to chair the committee.

Internal audit function

The internal auditors provide an independent appraisal function with specific responsibility to examine and evaluate the company's systems of internal control in mitigation of identified business risks. The objective is to assist members of management in the effective discharge of their responsibilities. The scope of the internal audit function includes reviews of the reliability and integrity of financial and operating information, the systems of internal control and the means of safeguarding assets. The internal auditors report to the Audit Committee and have unrestricted access to its chairman.

The internal audit function is undertaken on commercial terms by Anglo Platinum Management Services (Proprietary) Limited.

Internal control

The directors are responsible for maintaining adequate accounting records and have general responsibility for taking reasonable steps to safeguard the assets of the company and installing systems to prevent fraud and other irregularities. To enable the directors to meet these responsibilities, management has been delegated with the responsibility of setting standards and implementing systems of internal control aimed at providing reasonable assurance as to the reliability of the annual financial statements, that assets are safeguarded and that the risk of error, fraud or loss is reduced in a cost effective manner.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls has occurred during the year under review.

Accordingly the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

Health, Safety and Environmental Committee

B R van Rooyen – Chairman
M E Beckett
R G Mills (Alternate: Dr J R Johnston)

The Health, Safety and Environmental Committee comprises three non-executive directors. The committee, which is scheduled to meet four times a year, is tasked with overseeing the compliance by the company with the various health, safety and environmental laws that affect the company, as well as advising the board on issues relating thereto.

Although Mr B R van Rooyen is not an independent non-executive director, the board considers that the experience and knowledge that he brings to the committee is such that it is appropriate that he continue to chair the committee.

Nomination Committee

T M G Sexwale – Chairman
R Havenstein
E Molobi

This committee was established last year, and comprises three non-executive directors. The committee, which meets at least once a year, is tasked with advising the board regarding the size, composition and effectiveness of the board and board appointed committees, as well as advising the board regarding the appointment of proposed candidates to serve on the board. Mr A S Malone, having resigned as a director of the company on 1 March 2004, automatically relinquished his membership of the committee. No meetings were held during the reporting period.

Remuneration and Employee Equity Committee

E Molobi – Chairman
R Havenstein
T M G Sexwale

The Remuneration and Employee Equity Committee comprises three non-executive directors and is scheduled to meet four times a year. The committee in consultation, where necessary, with management, ensures that the company's employees are fairly rewarded for their contribution to the company's performance. The company's remuneration philosophy is to ensure salaries and related benefits are competitive relative to other mining companies. Specifically, the committee, on behalf of the board, approves the employment contracts and remuneration packages of senior management, ratifies the appointment of senior management other than directors, and approves any short-term incentive schemes and bonuses, including the offer of options in terms of the rules of the Northam Share Option Scheme. In addition, the committee approves the mandate in regard to negotiations with trade unions and oversees implementation of and compliance with the requirements of the Employment Equity Act and the administration of the company's share incentive scheme.

Mr A S Malone, the chairman of this committee and an independent non-executive director, resigned from the board of directors of the company on 1 March 2004 and accordingly his membership of the committee terminated. Mr E Molobi was appointed chairman in place of Mr Malone on 29 March 2004. Although Mr Molobi is not an independent non-executive director, the board considers that the experience and knowledge that he brings to the committee is such that it is appropriate that he chair the committee.

Communication

The company has a policy of communicating openly and regularly with its shareowners, employees and other stakeholders. Communications with shareowners exceed the statutory requirements and include press releases, briefings and a website. Communications with employees and other stakeholders are in the form of an in-house news publication and regular briefings.

Code of ethics*

The company is committed to the highest ethical standards in its dealings with all its stakeholders, and to this end has adopted a code of ethics which governs the relationship between the company and its employees, the company and the environment, the company and its suppliers and customers, as well as the company and the community.

In promoting the code, the company is committed to:

- Defending the right of employees to a safe and healthy working environment;
- Conducting its business in such a way that promotes the recognition of the environment as a strategic asset for both current and future generations;
- Applying the highest ethical standards in its dealings with customers and suppliers;
- Supporting communities to improve the quality of their lives;
- Creating a climate free of conflict, discrimination and harassment;
- Engaging constructively and creatively with government bodies, labour organisations and non-governmental organisations (NGOs);
- Providing a channel through which grievances or breaches of the code can be dealt with without fear of victimisation.

* The unabridged code of ethics appears on the company's website www.northam.co.za

Closed periods

The company maintains a closed period of six weeks prior to the publication of its interim and final results. During this time and other periods as determined, directors and employees are precluded from dealing in the company's shares. Outside of any closed periods, directors and employees are required to obtain approval prior to dealing in the company's shares.

Attendance at board and committee meetings

The attendance by the directors at board meetings and the various committee meetings during the year under review is reflected in the following table:

	Board meetings	Audit Committee meetings	HSE Committee meetings	Remuneration and Employment Equity Committee meetings
Number of meetings held	5	5	4	2
Attendance per director				
M E Beckett	4	4	3	n/a
D T G Emmett	5	n/a	4	n/a
R Havenstein	5	n/a	n/a	2
A S Malone (1)	1	n/a	n/a	1
E Molobi	4	n/a	n/a	1
T M G Sexwale	5	n/a	n/a	1
R H H van Kerckhoven	5	4	n/a	n/a
B R van Rooyen	5	n/a	4	n/a
M J Willcox	5	1	n/a	n/a
J R Johnston (2)	n/a	n/a	1	n/a

(1) Mr A S Malone resigned as a director on 1 March 2004.
(2) Alternate member to Mr D T G Emmett on the Health, Safety and Environmental Committee.

T M G Sexwale
Chairman

M E Beckett
Chairman – Audit Committee

Johannesburg
21 September 2004