CORPORATE GOVERNANCE

Northam is committed to upholding and implementing principles of good corporate governance at all levels of the company. Northam's board of directors seeks to ensure that all deliberations, decisions and actions of the company's business and operational structures are based on good corporate governance and fundamentally sound values including but not limited to integrity, responsibility, accountability, fairness and transparency.

The pursuit of good corporate governance is guided by the company's articles of association, the board charter, the listings requirements of the JSE Limited, the new South African Companies Act (Act No 71 of 2008) which came into full effect on 1 May 2011, the third King report on Corporate Governance for South Africa (King III), the Global Reporting Initiative (GRI) and any other applicable laws and regulations.

Drivers of corporate governance

Laws/Regulations/Codes

- Mineral and Petroleum Resources Development Amendment Act, No 49 of 2008 (MPRDA) and the Mining Charter
- Companies Act, No 71 of 2008
- Employment Equity Act, No 55 of 1998
- Labour Relations Act, No 66 of 1995
- Mine Health and Safety Act, No 29 of 1996
- Basic Conditions of Employment Act, No 75 of 1997
- King III Report and Code on Governance for South Africa 2009
- JSE Listing Requirements (listings requirements)

Responsibility

The ultimate responsibility of the board of directors (the board) is to ensure that Northam Platinum Limited (Northam or the company or the group) is managed in terms of appropriate corporate governance structures and principles in order to secure optimal control the business. It is the board's responsibility to ensure that it has adequate supervision of the business of the company as a whole. This requires that corporate governance processes be implemented and reviewed continuously to ensure that they are in line with best practice.

In order to achieve good corporate governance, the group operates in terms of the structure illustrated above in which the board oversees board sub-committees to

Board of directors

Non-executive directors	Chairman	Executive directors
PL Zim (alternate: AK Gupta) MSMM Xayiya (alternate: MJ Willcox)	**Chairman:** PL Zim (non-executive director)	**Chief executive officer:** GT Lewis
Independent non-executive directors ME Beckett CK Chabedi NJ Dlamini (Dr) R Havenstein ET Kgosi AR Martin	**Chief executive officer:** GT Lewis (executive director) **Lead independent director:** AR Martin	**Financial director:** AZ Khumalo **Business development and corporate strategy director:** BR van Rooyen

Board committees

Audit and risk committee	Health, safety and environmental committee	Remuneration, nomination and employment equity committee
AR Martin (Chairman) ME Beckett R Havenstein ET Kgosi	BR van Rooyen (Chairman) ME Beckett CK Chabedi NJ Dlamini (Dr)	ET Kgosi (Chairman) NJ Dlamini (Dr) R Havenstein
By Invitation Corporate office management Internal audit External audit Mine management	**By Invitation** Corporate office management Mine management	**By Invitation** Corporate office management

which executive directors and senior management are accountable. The corporate governance framework of the group is informed by legislation and regulations such as the new Companies Act, No 71 of 2008 (Companies Act) (effective 1 May 2011), the King III Report and Code Governance for South Africa 2009 (King III) (effective 1 March 2010) and other regulatory bodies such as the JSE Limited (JSE).

Management seeks to comply with recommended corporate governance practices and procedures taking into account the ultimate objective which is to protect the assets of the group for the benefit of all stakeholders.

External drivers of corporate governance

The major external drivers of corporate governance of Northam are the new South African Companies Act, No 71 of 2008, the Mineral and Petroleum Resources Development Amendment Act, No 49 of 2008, the Mining Charter, the Listings Requirements of the JSE, King III and the Global Reporting Initiatives (GRI) on sustainability issues.

From 1 May 2011 the South African corporate business landscape changed markedly with the introduction of the new Companies Act. Given its fairly recent introduction, the full effects of the Act and the changes it has brought are yet to be felt in their entirety. Although most of the provisions of the new Companies Act apply immediately, the transitional arrangements allow for a window period of up to two years, from the date the Act was signed into law, for companies to be fully compliant with the Act. Whilst many of the changes are far reaching, the most significant two changes will require the adoption of a Memorandum of Incorporation to replace the current Memorandum of Association and Articles of Association, and the establishment of a Social and Ethics Committee. The group has drawn up an action plan the ensure compliance with the Act, and will revise its other governance structures where appropriate as required by King II.

The Memorandum of Incorporation, which will be the over-riding governance document for the company, will incorporate the key provisions of both the Memorandum of Association and the Articles of Association. In so far as the Social and Ethics Committee is concerned, the company is busy assessing the extent to which the required functions of this committee already form part of the terms of reference of the existing board committees.

One of the items that required an immediate response was the need to obtain shareholder approval for the granting of financial assistance by Northam to its subsidiaries, which is required in terms of section 45 of the Companies Act.

To this end the company held a general meeting on 18 August 2011 to seek shareholder approval by proposing an appropriate special resolution in terms of section 45 of the new Companies Act, No 71 of 2008. This resolution was approved by the requisite majority.

Mineral and Petroleum Resources Development Amendment Act, No 49 of 2008 (MPRDA) and Mining Charter

There have been recent amendments to this Act and the Mining Charter which have been motivated by the South African government in an attempt to clarify certain rules and regulations governing the mining industry in South Africa. This Act and the Charter have far-reaching implications for mining companies in South Africa by way of licensing requirements for mining companies which hinge on a continuing black economic empowerment (BEE) shareholding, and other Mining Charter compliance. Other elements of the mining charter which govern human resource development, training, mine community and migrant labour, procurement, employment equity and women in mining, housing and enterprise development and downstream beneficiation have also been the subject of a review.

The group seeks to continuously and incrementally comply with the requirements of this Act and the Mining Charter. These are considered to be business imperatives with compliance targets to be met by 2014, especially in terms of equity ownership levels, affirmative action employment equity.

Labour Relations Act, No 66 of 1996, Basic Conditions of Employment Act, No 75 of 1997 and Employment Equity Act, No 55 of 1998

All companies in South Africa are required to comply with these Acts which are designed to achieve fair practice, employment equity and to address some of the historical imbalances in relationships between employers and employees and between races in South Africa.

In the second half of the financial year, the Zondereinde and corporate divisions of the group were inspected by the Department of Labour for compliance with the Employment Equity Act and it reported its satisfaction with the progress made by Northam in complying with the legislation.

King III Report and Code on Governance for South Africa 2009

King III is a new recommended corporate governance framework which listed companies are required to

CORPORATE GOVERNANCE cont.

"comply or explain" their adherence to. In order to assist the board in identifying areas needing corporate governance improvement in the group, the audit and risk committee of the board was tasked with employing external advisors to identify gaps in the company's adherence to King III. This exercise was undertaken and completed in March 2011. The necessary action plans are being drawn up to ensure compliance, as far as is reasonable, taking into account cost and benefit of implementation, with King III by "closing the gaps" identified in the King III Gap Analysis Report.

JSE Listing Requirements

Being a listed entity, Northam is obliged to comply with all the listing requirements of the JSE. The listing requirements also state that a company should comply with King III or explain any areas where it does not comply with the King III recommendations. However, there are many other rules and regulations that a listed company has to comply with in terms of the JSE listing requirements. At the end of each year, the company secretary has to certify to the JSE that the company has complied with all the listing requirements of the JSE. Northam has complied with the listing requirements for the calendar year to December 2010.

Internal drivers of corporate governance

The main internal drivers are two charters that govern the board and the audit and risk committee and the terms of references for the board's sub-committees. These govern the running of the board and committees. The audit and risk committee is governed by an audit and risk committee charter, whilst the remuneration, nomination and employment equity committee (Remco) and the health, safety and environmental committee are governed by terms of reference.

These governance documents will be revised in the light of changes that may be required by both the Companies Act and King III.

In addition there are several internal policies documents which have bearing on the corporate governance of the company. These are: the Code of Ethics, the Ethics 24-hour whistle-blowing hotline, and the Approval Framework.

Code of ethics

An updated code of ethics policy was approved by the board and rolled out in October 2010. This code applies to both directors and employees and governs the interaction between these groups and the company's, suppliers, contractors, and customers and covers the use of company assets and confidential information.
A breach of the code of ethics could result in disciplinary action and/or civil or criminal action being taken against a perpetrator.

Insider trading

In terms of both the insider trading rules of the JSE and the company's rules on share investments, neither directors nor employees are allowed to deal in the company's shares if they are in possession of non-public information or during closed periods. This also applies to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares. Employees are reminded of the company's closed periods from time to time.

Ethics 24-hour whistle-blowing hotline

In May 2011 the Northam ethics hotline number, 0800 15 25 39 became effective. This whistle-blowing line is monitored 24 hours a day in all official languages by an external party, in terms of which anyone (whistle-blower) can anonymously report corruption, fraudulent activity or other problems for investigation. All whistle-blowers are protected against any form of victimisation provided disclosures are made in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

Donations

The company's policy is not to donate to political parties. Employees are not to accept gifts, hospitality or favours from suppliers or contractors of more than a nominal value. All gifts and entertainment details are recorded in a register for record purposes.

Conflicts of interests

At every board and committee meeting, members of the board or committees are requested to declare their interests in matters before the board or committee. All board and committee members are required to report any conflicts of interest that may arise in the course of their duties in order to avoid corruption.

Approval framework

An updated approval framework was considered by the audit and risk committee, recommended to and approved by the board in April 2011. This document governs the delegation of authority and value limits within the group. This is necessary to ensure that all transactions that occur are approved appropriately. This enables management to limit the potential damage that any unauthorised expenditure or corruption could inflict on the company.

Board of directors

The group ensures that fit and proper directors are appointed to the board as they are the primary executors of corporate governance. The board, through its Remco, adequately assesses the abilities of potential and new directors before they are appointed. Such directors are expected to be knowledgeable and be up to date on mining industry affairs in general, the business affairs of the group and to add value to the company's business propositions. To this extent, directors interact regularly with management and have access to management information.

The board runs the group within a corporate governance framework in line with King III. It is at board level that strategy, risk, performance and sustainability are fused in order to satisfy the various stakeholder interests of the group.

Board responsibilities

The key responsibilities of the board in terms of its charter are as follows:

- determine the group's strategy, plans and objectives of achieving this strategy;
- delegate adequate powers to the chief executive officer, financial director and other executive directors in order to execute the strategy and run the group's affairs;
- implement, maintain and monitor corporate governance;
- determine the charters and / or terms of reference of board committees;
- identify and monitor the risks of the group;
- ensure board committees are mandated for specific tasks and that they are effective;
- review performance of executive directors and senior management;
- approve the budget of the group;
- ensure that there are effective risk and internal controls over all business processes of the company, including information technology;
- consider and approve the interim report and preliminary announcement of results, the annual financial statements, the sustainability report and the annual and integrated report of the group;
- approve capital expenditure and projects of the group;
- have ultimate responsibility to report to the shareholders and other stakeholders of the group;
- ensure complete compliance with legislation and corporate governance rules;
- ensure board, committees and board member effectiveness.

Approval of the annual integrated report and sustainability report

For the first time this year, in response to the recommendations of King III, Northam has produced an integrated annual report, which seeks to provide stakeholders a broader view of the group's performance in terms of both financial and non-financial results. Integrated reporting provides greater context for performance data, clarifies how sustainability fits into the company's operations and helps to demonstrate how sustainability is woven into the decision-making structure of the group. Both the annual integrated report and the sustainability report are reviewed for approval by the audit and risk sub-committee of the board.

Board meetings

The board and its committee meet at least once a quarter; ad hoc meetings may also be called to consider specific issues.

Board composition

The board consists of 11 members, 3 of whom are executive directors, being the chief executive officer, the financial director and the business development and corporate strategy director. Of the 8 non-executive directors, 6 are independent. In line with the company's current articles of association, at least 50% of board members are historically disadvantaged persons. It is the responsibility of the board to ensure that its composition is appropriate in terms of skills, knowledge, experience and gender in line with legislation and best corporate governance practice.

Due to the black economic empowerment imperatives of the South African corporate environment, the chairman of Northam has traditionally been appointed on the basis of being a representative of the major black economic empowerment shareholder of the company, which over the past three years represented in excess of 50% of shareholding This percentage decreased following the unbundling by Mvelaphanda Resources Limited

CORPORATE GOVERNANCE cont.

Attendance of board meetings:

	19 Aug 2010	02 Nov 2010	23 Feb 2011	21 Apr 2011	28 Jun 2011
PL Zim (chairman)	✓	✓	✓	Apology	✓
GT Lewis (chief executive officer)	✓	✓	✓	✓	✓
AZ Khumalo (financial director)	✓	✓	✓	✓	✓
ME Beckett	✓	✓	T	Apology	✓
NJ Dlamini	✓	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	T
BR van Rooyen	✓	Apology	✓	✓	✓
MSMM Xayiya	✓	Apology	Apology	✓	Apology
CK Chabedi	✓	✓	✓	✓	X
AR Martin (lead independent)	✓	✓	✓	✓	✓
AK Gupta (alternate to PL Zim)	✓	X	✓	X	X
MJ Willcox (alternate to MSMM Xayiya)	X	Apology	✓	X	Apology

Key:

✓ *– attended* X *– did not attend* T *– participated telephonically*

(Mvela Resources) of its shareholding in Northam and the subsequent scheme of arrangement, which was effective on 6 June 2011, whereby Northam acquired the entire issued capital of Mvela Resources. Mvela Resources, the vehicle through which the BEE holding was previously held. Mvela Resources, which was previously the holding company of Northam, is now a subsidiary of Northam. Due to this decrease in BEE shareholding.

The chairman of the board, Mr Lazarus Zim who was appointed in 2007, although non-executive, is not independent in terms of King II recommendations and therefore a non-executive lead independent director, Mr Alwyn Martin, was appointed on 28 June 2010.

There have been no changes to the board since last year, except that Mr BR van Rooyen who was previously a non-executive director, was appointed an executive director from 01 June 2011.

The position of the chairman is subject to retirement and rotation in terms of the company's articles of association. Further, in terms of the articles of association, one-third of the non-executive directors who are longest serving in office, retire at each annual general meeting (AGM), and if eligible, may offer him/herself for re-election. At the 2011 AGM, to be held in November 2011, Messrs Chabedi, Martin and Xayiya retire from office and being eligible, are available for re-election. Their biographies appear on pages 44-45. All directors are required to declare their directorships and interests. At each meeting they are also required to declare any conflict of interest in matters pending before the board.

Lead independent director

Mr A Martin's role is to chair any meetings where the chairman may be absent, conflicted or on issues such as succession and the chairman's performance evaluation.

Board and performance evaluation

The board and its directors have been evaluated, the latest evaluation being in September 2011. Results of the evaluation are used by the board to determine performance improvements going forward. An internal evaluation process was undertaken to facilitate the evaluation of the board and each director.

Specific areas covered in the board's evaluation are:

- composition of the board and board committees;
- effectiveness of each board member;
- effectiveness of board meetings;
- relationship between senior management and the board;
- board transparency and accountability;
- performance criteria and succession.

The executive directors and company secretary were assessed by Remco in June 2011. (In terms of King III, the company secretary is also assessed by the board and the financial director by the audit committee.)

Strategic intent

Northam has recently adopted a strategic intent document, which is to remain known as a reliable supplier of PGM metals of London and Zurich 'good delivery' status, to continue providing returns to our providers of capital through capital appreciation and dividend payments, while continuing to offer sustained employment opportunities and economic benefits to all our stakeholders. This is a living document which is bound to change from time to time as the group's strategy changes.

Board committees

Audit and risk committee

The new Companies Act and King III both require that audit committee members be elected by shareholders at the annual general meeting. To this end shareholders will be requested, at the forthcoming annual general meeting, to approve the necessary resolution appointing the committee. The audit committee is chaired by an independent non-executive director, who in this instance is also the lead independent director. All the members of this committee are independent. The board is satisfied that members of the audit and risk committee have the requisite financial skills, understanding of corporate law and adequate practical experience relevant to the business of Northam. They also understand the International Financial Reporting Standards framework in terms of which Northam must report as a listed company.

The chief executive officer and financial director are permanent invitees to these meetings and, at appropriate times, both external and internal auditors are invited to attend. At least once a year, the external and internal audit plans are reviewed and approved for the year ahead. The internal audit plan is approved after management input regarding the focus areas needing attention. The committee also approves and reviews the risk register twice a year based on management proposals that identify the key risks and state the measures in place to mitigate of these risks.

The committee's charter will be revised in the light of changes that may be required by both the Companies Act and King III. In terms of the current charter, the responsibilities of the committee, which meets at least five times a year, are:

- appointment and evaluation of external auditors and their terms of engagement;
- appointment and evaluation of the internal auditors and their mandate;
- approving the remuneration of external and internal auditors;
- ensuring the independence of external and internal auditors;
- approval of non-audit work which may be performed by the external auditors;
- approving the external audit and internal audit plan;
- reviewing interim and preliminary results of the company;
- reviewing and recommending to the board for approval the interim report and preliminary announcement of results, the annual financial statements, annual integrated report and the sustainability report;
- ensuring that the risks of the company are adequately assessed and monitored by management through a risk register, and ensuring that such risks are properly mitigated;
- ensuring that internal controls of the company are implemented, effective and monitored;
- ensuring a cordial working relationship between management and external and internal auditors.

Permitted non-audit related services, which external auditors may perform, include: tax compliance services, assurance related work in respect of any corporate actions and opinions not related to any prohibited services. It is the responsibility of this committee, in terms of risk management, to identify risks associated with the group and review the company's internal control policies. As part of its risk assessment the audit and risk committee also reviews the role of the information technology systems ensuring that IT risk and controls support business continuity.

Attendance of audit and risk committee:

	13 Aug 2010	16 Sept 2010	01 Nov 2010	21 Feb 2011	19 Apr 2011
AR Martin (Chairman)	✓	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓
ME Beckett	T	T	✓	Apology	Apology
R Havenstein	✓	✓	✓	✓	✓

Key:

✓ *– attended* T *– participated telephonically*

CORPORATE GOVERNANCE cont.

External audit

The external auditors, Ernst & Young Inc have unrestricted access to the audit and risk committee. The audit committee is required to satisfy itself on an annual basis as to the external auditors' independence and approves their audit plan and fees.

Internal audit

The internal audit function of the company is outsourced to KPMG Services (Proprietary) Limited. The audit and risk committee satisfy themselves annually that the internal audit function is independent and effective. The internal auditors also have free access to the chairman of the audit and risk committee.

The annual approved scope of internal audit covers the following:
- testing the effectiveness of internal controls;
- checking the IT risks and controls and ensuring their effectiveness; and
- checking the reliability and integrity of financial information.

Health, safety and environmental committee

The HSE committee is charged with ensuring the group's performance on such sustainability issues as safety, health and the environment at the mines, especially as they affect the employees and communities in the areas the group operates. This committee has oversight of records and adequate reporting systems pertaining to typical occupational safety and other endemic health issues associated with the mining industry.

Until recently the chairman of this committee, Mr BR van Rooyen, was a non-executive director. As a result of his appointment as an executive director on 6 June 2011 this position is under review. In the interim Mr van Rooyen continues to bring the requisite experience and gravitas to the position. The chief executive officer is a permanent invitee to this committee. The committee meets every quarter.

Remuneration, nomination and employment equity committee

This committee is composed of three independent directors and one executive director chaired by an independent. It meets at least once every quarter.

The aims and objectives of the committee are:
- to enable the board to establish and implement a remuneration policy which empowers the company to source, reward and retain skilled personnel;
- to ensure that the company transforms adequately in order to comply with the MPRDA and Mining Charter in a manner that will enhance the group's performance; and

Attendance of health, safety and environmental (HSE) committee

	19 Aug 2010	01 Nov 2010	21 Feb 2011	19 Apr 2011
BR van Rooyen (Chairman)	✓	✓	✓	✓
ME Beckett	✓	✓	Apology	T
NJ Dlamini	✓	✓	✓	✓
CK Chabedi	✓	X	✓	✓

Attendance of remuneration, nomination and employment equity committee

	19 Aug 2010	28 Oct 2010	22 Feb 2011	11 Apr 2011	18 Apr 2011	27 Jun 2011
ET Kgosi (Chairman)	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	Apology	✓	T
NJ Dlamini	✓	✓	✓	T	✓	✓
BR van Rooyen	✓	✓	✓	✓	Apology	✓

Key:

✓ *– attended* X *– did not attend* T *– participated telephonically*

- to ensure competent individuals are nominated and appointed as directors and senior managers of the group.

In order to do this, the committee has set and continuously reviews three forms of remuneration:
1. Salaries;
2. Various bonus scheme;
3. A share option scheme.

The committee further mandates management on the wage negotiating percentages.

The committee advises on the appropriate composition and size of the board. Details of the group's remuneration policy are contained in Annexure 4 on page 14 of the notice of annual general meeting and abridged annual report.

Company secretary

The company secretary ensures compliance with all statutory and listings requirements relating to the group and ensures that minutes of meetings are kept for shareholder, board and committee meetings in terms of the new Companies Act, No 71 of 2008. The company secretary liaises with external stakeholders such as shareholders.

In line with King III and the new Companies Act, the company secretary co-ordinates corporate governance issues within the group and keeps board members and the chairman informed of appropriate developments and their duties in this area.

Stakeholder reporting

In line with Northam being a good corporate citizen and in order to comply with the various elements of the corporate governance framework as described above, the board mandates management to produce a sustainability report in which it outlines its responsibility not only to shareholders but to other interested parties which contribute to the sustainable development of the group. These stakeholders are the communities in the areas in which Northam operates, the government, employees, creditors, customers and the environment. A separate sustainability report is produced at each financial year-end, a summary of which forms part of this annual integrated report.