

# Corporate governance

## Introduction

The board of Northam affirms its commitment to the principles of openness, integrity and accountability to the full range of the company's shareholders and stakeholders and seeks to uphold and implement the principles of good corporate governance. The pursuit of good corporate governance is guided by the the company's articles of association, the board charter, the listings requirements of the JSE, the South African Companies Act of 1973 (as amended), the second King Report on Corporate Governance in South Africa (2002) (King 2) and the Global Reporting Initiative (GRI) and the new Companies Act, No. 71 of 2008.

## Reporting in compliance with King 2

The directors endorse the Code of Corporate Practices and Conduct (the Code) set out in King 2 as released in March 2002.

The key principles underlying the King 2 recommendations as contained in the Code are reflected in the group'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 group's business is managed on an ethical basis in accordance with prudently determined risk parameters and in conformity with internationally accepted standards.

The board considers that the group complies substantially with the principles of good corporate governance apart from the following instances

Compliance authority	Areas of non-compliance	Remedial steps
King 2	The chairman of the board is not independent	Mr PL Zim, the non-executive chairman of the board, represents the interests of the company's major black empowerment shareholders and is therefore not considered to be independent. Although this situation is in conflict with the recommendations of King 2, it reflects the reality of black economic empowerment (BEE) criteria which prevail in the South African minerals regime. In current circumstances it is the view of the board that it is appropriate that he continues to chair the board. It is likely however that, once the unbundling of the company from the major controlling shareholder is completed, this situation will be resolved.
King 2	The majority of the directors and the chairs of two board sub-committees are not independent	Once again, this reflects the BEE criteria of the country's minerals regime, and is likely to be resolved post the unbundling of the company's major shareholder.
Companies Act (no 71 of 2008)	There is no financial director position	The board is currently in the process of recruiting and appointing a financial director.
Corporate Laws Amendment Act; King 2	The chair of the Audit Committee is not independent	Once the unbundling is completed, it is likely that this situation will be resolved.

## Third King Report on Corporate Governance (King 3)

King 3 was released for public comment on 25 February 2009 and is anticipated to become effective from March 2010. Steps are being put in place at board level to familiarise the directors with the key principles of King 3 and to apply these principles. This will require the reformulation of the terms of reference of certain of the board sub-committees, in particular the Audit Committee, and the better implementation of integrated financial and sustainability reporting.

## New Companies Act

The new Companies Act (Number 71 of 2008) (the Act) was signed by the President on 8 April 2009. The Act is anticipated to become effective on 1 July 2010.

The board is cognisant of the fact that there is always a link between good governance and law and that good governance is not something that exists separate from the law. In this regard, the board

seeks to ensure that the group operates within the legislative and regulatory environment of the country and has established structures and processes with appropriate checks and balances that enable directors to discharge their legal duties and responsibilities.

Through its internal and external legal support structures, the board will ensure that the operations of the group are aligned with new company law regime. The Remuneration, Nomination and Employment Equity Committee of the board is also in the process of appointing a financial director as required by law and the regulatory requirements of the JSE.

## The board of directors – functions and accountability

The board has a unitary structure, comprising 10 members. Board members assume overall responsibility for the company and its activities, including risk management and governance. The board is responsible to the shareholders for setting the direction of the group 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 group. In accordance with the company's articles of association, all directors are, by rotation, subject to retirement and re-election by shareholders at least every three years.

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 group at its expense.

## Composition of the board of directors

The board comprises one executive and nine non-executive directors, four of whom are regarded as being independent since they:

- are not representative of a shareowner who has the ability to control or significantly influence management;
- have not been employed by the company, or the group of which it currently forms part, in any executive capacity for the preceding three financial years;

- are not members of the immediate family of any individual who is, or has been in any of the past three financial years, employed by the company or group in an executive capacity;
- are not professional advisors to the company or the group, other than in a director capacity;
- are not a significant supplier to, or customer of the company or group;
- have no significant contractual relationship with the company or group, and
- are free from any business or other relationship that could be seen to materially interfere with their capacity to act in an independent manner.

In terms of the company's articles of association no fewer than 50% of the directors are required to be historically disadvantaged persons (HDPs) as defined in the Mineral and Petroleum Resources Development Act (Act 28 of 2002). To this end the board has appointed additional non-executive directors who qualify as HDPs, thus bringing the total number of such directors to six. Biographical details of the directors appear on pages 34 to 37.

### Board meetings – attendance

During the year five board meetings were held. The attendance by directors is shown in the table below.

Date of meeting	22 August 2008	5 November 2008	4 February 2009	23 April 2009	29 June 2009
PL Zim	✓	Apology	✓	✓	✓
GT Lewis	✓	✓	✓	✓	✓
ME Beckett	Apology	✓	✓	Apology	✓
KC Chabedi <sup>(1)</sup>	n/a	n/a	n/a	n/a	✓
NJ Dlamini	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓
AR Martin <sup>(2)</sup>	n/a	n/a	n/a	n/a	Apology
PC Pienaar <sup>(3)</sup>	Apology	✓	✓	✓	n/a
MSM Xayiya <sup>(4)</sup>	n/a	n/a	n/a	n/a	Apology
BR van Rooyen	✓	✓	✓	✓	✓

Notes:

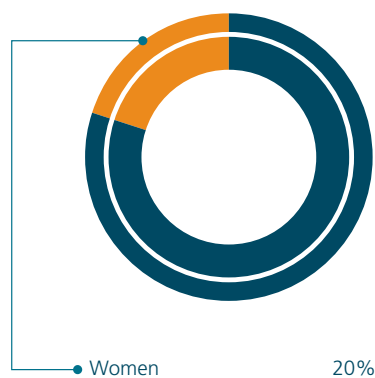
<sup>(1)</sup> Mr KC Chabedi was appointed as a non-executive director on 22 June 2009.

<sup>(2)</sup> Mr AR Martin was appointed as a non-executive director on 22 June 2009.

<sup>(3)</sup> Mr PC Pienaar resigned as a director on 4 June 2009.

<sup>(4)</sup> Mr MSM Xayiya was appointed as a non-executive director on 22 June 2009.

Board representation: women



Board representation: HDPs



# Corporate governance (continued)

Mr PL Zim, the non-executive chairman of the board, represents the interests of the company's major black empowerment shareholders and is therefore not considered to be independent. Although this situation is not aligned with the recommendations of King 2, it reflects the reality of black economic empowerment imperatives which prevail in the South African minerals regime. In current circumstances it is therefore appropriate that he continues to chair the board.

## The board charter

The board charter 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 group's risk management and internal controls, as well as director selection, orientation and evaluation.

## Board evaluation

The board recognises that improved performance and effectiveness may be achieved through regular and timely appraisals both of the board as a collective and of its individual members. Plans are being put in place for the regular evaluation of the board's independence and performance. This process will commence during the F2010, coordinated by the office of the company secretary and will be conducted by an independent professional party, subject to legislation and in accordance with the recommendations of King 2 and as informed by the principles and guidelines espoused in King 3.

## Responsibility for annual financial statements

The directors are responsible for the preparation of the annual financial statements and related financial information. The annual financial statements set out in this report fairly present the financial position of the group and the results of its operations and cash flows and have been prepared in accordance with International Financial Reporting Standards. 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 41 are responsible for reporting on these financial statements in conformity with International Standards on Auditing and in the manner required by the Companies Act in South Africa.

## Board committees

The board has established three standing committees, namely the Audit Committee, the Health, Safety and Environmental Committee and the Remuneration, Nomination and Employee Equity Committee all of which operate within defined terms of reference laid down in writing by the board. These committees are chaired by and comprise non-executive directors. The chief executive, and members of management, are invited to attend as appropriate.

As indicated previously, the terms of reference of these committees are currently being reviewed in order to align their functions more closely with the requirements of King 3, and in particular those which relate to integrated reporting.

## Audit Committee

The Audit Committee comprises four non-executive directors:

**Chairman: Mr ME Beckett (non-executive)**

- **Mr R Havenstein (independent non-executive)**
- **Ms ET Kgosi (independent non-executive)**
- **Mr AR Martin (independent non-executive)**

The board considers that the members of the Audit Committee are suitably qualified and experienced and possess the necessary level of financial literacy and the requisite knowledge of corporate law based on practical experience that has a bearing on, and is relevant to, the matters that the committee has to deal with.

The Audit Committee operates according to established terms of reference approved by the board. The committee is scheduled to meet five times a year with management and the internal and external auditors in order to:

- review the interim and preliminary announcement of annual results;
- review the annual financial statements and accounting policies;
- review the effectiveness of the internal audit function, management information and other systems of internal control;
- discuss the auditors' findings and recommendations;
- consider the use of the group's external auditors for non-audit services, where appropriate; and
- approve the fees to be paid to the group's internal and external auditors.

The Audit Committee is cognisant of the need to consider information technology (IT) risk as a crucial element of the oversight of risk management of the company. As such the committee plays an oversight role regarding IT risks and controls, business continuity and data recovery related to IT and information security and privacy.

Following the proposed unbundling of the company's controlling shareholder, Mvela Resources, Mr Beckett's status will become that of independent, non-executive director. In view of this anticipated development, Mr Beckett's position of chair of the Audit Committee remains in place.

## External audit

The external auditors have free access to the Audit Committee. The Audit Committee is satisfied that the external auditors are sufficiently independent and objective in the performance of their duties and responsibilities. The Audit Committee is required to approve the provision of non-audit services by the group's external auditors. No non-audit services were provided by the group's external auditors during the year under review.

Following the proposed unbundling of the company's controlling shareholder, Mvela Resources, Mr Beckett's status will become that of independent, non-executive director. In view of this anticipated

## Audit committee:

During the year six meetings were held, with the attendance by the directors shown in the table below.

Date of meeting	20 August 2008	12 September 2008	12 November 2008	2 February 2009	4 February 2009	21 April 2009
ME Beckett	✓	✓	✓	✓	✓	Apology
Mr R Havenstein <sup>(1)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
ET Kgosi	✓	✓	✓	✓	✓	✓
NB Mbazima <sup>(2)</sup>	Apologies	n/a	n/a	n/a	n/a	n/a
Mr AR Martin <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a

### Notes:

<sup>(1)</sup> Mr R Havenstein was appointed as a member of the Audit Committee on 22 June 2009.

<sup>(2)</sup> Mr NB Mbazima resigned as a director and a member of the Audit Committee on 20 August 2008.

<sup>(3)</sup> Mr AR Martin was appointed as a director and a member of the Audit Committee on 22 June 2009.

development, Mr Beckett's position of chair of the Audit Committee remains in place.

## Internal audit function

The internal auditors provide an independent appraisal function with specific responsibility for examining and evaluating the group'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 company's internal audit function is undertaken on an outsourced basis by KPMG Services (Proprietary) Limited. The internal auditors have free access to the Audit Committee.

## 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 group 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.

## Financial statements

The Audit Committee has reviewed the financial statements, the accounting policies adopted and applied by the group and the internal controls of the company and is satisfied that the financial statements have been prepared to the required level of accuracy and integrity in accordance with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Policies (GAAP).

## Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee (HSE) comprises four non-executive directors:

**Chairman: Mr BR van Rooyen (non-executive)**

- Mr ME Beckett (non-executive)
- Dr NJ Dlamini (independent non-executive)
- Mr KC Chabedi (non-executive)

The committee, which is scheduled to meet four times a year, is tasked with overseeing compliance by the group with the various health, safety and environmental laws that affect the group, as well as advising the board on issues relating thereto.

Although Mr BR van Rooyen is not an independent non-executive director (being a director of Mvelaphanda Resources, the group's major shareholder) 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. It is likely however, that this situation will be resolved once the aforementioned unbundling is completed.

## HSE committee:

During the year four meetings were held, with the attendance by the directors being as follows:

Date of meeting	22 August 2008	4 November 2008	3 February 2009	21 April 2009
BR van Rooyen	✓	✓	✓	✓
ME Beckett	Apology	✓	✓	Apology
KC Chabedi <sup>(1)</sup>	n/a	n/a	n/a	n/a
NJ Dlamini (Dr)	✓	✓	✓	✓

### Notes

<sup>(1)</sup> Mr KC Chabedi was appointed a director and a member of the committee on 22 June 2009.

# Corporate governance (continued)

## Remuneration, Nomination and Employee Equity Committee

The Remuneration, Nomination and Employee Equity Committee comprises four non-executive directors:

**Chairman: Ms ET Kgosi (independent, non-executive)**

- Dr NJ Dlamini (independent non-executive)
- Mr R Havenstein (independent non-executive)
- Mr BR van Rooyen (non-executive)

The committee is scheduled to meet three times a year and functions in accordance with established terms of reference approved by the board.

The committee, in consultation where necessary, with management, ensures that the group's employees are fairly rewarded for their contribution to the group's performance. The group's remuneration philosophy is to ensure that 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.

The group operates a bonus scheme for its senior executives and managers including executive directors, which is subject to certain safety, production and financial targets being met. The committee approves the parameters for this scheme and any bonuses payable are limited to 40% of an individual's basic remuneration package. No bonuses are paid to non-executive directors.

The group also operates a number of short-term incentive schemes for other employees. In addition, the committee approves the mandate with 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 group's share incentive scheme.

The committee is also tasked with advising the board regarding the size, composition and effectiveness of the board and board-appointed committees, as well as advising the board with regard to the appointment of proposed candidates to serve on the board.

### Remuneration, Nomination and Employee Equity Committee:

During the year two meetings were held, with the attendance by the directors being as follows:

(Remcom)

Date of meeting	8 May 2009	12 June 2009
ET Kgosi	✓	✓
NJ Dlamini	✓	✓
R Havenstein	✓	✓
BR van Rooyen	✓	✓

## Code of ethics

The group is committed to the highest ethical standards in its dealings with all its stakeholders, and to this end has adopted a code of ethics (the Code) which governs the relationship between the group and its employees, the group and the environment, the group and its suppliers and customers, as well as the group and the community. In promoting the code, the group 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;
- applying the highest ethical standards in its dealings with customers and suppliers;
- improving the quality of community life;
- creating a climate free of conflict, discrimination and harassment of whatever nature;
- engaging constructively and creatively with government bodies, labour organisations and non-governmental organisations; and
- providing a channel through which grievances or breaches of the code can be dealt with without fear of victimisation.

Employees who contravene the Code are liable to face disciplinary action, and depending on the nature of the contravention, may also face civil or criminal action.

The code of ethics is currently being updated and reviewed.

## Communication

The group has a policy of communicating openly and regularly with its shareowners, employees and other stakeholders. The depth and frequency of communications with shareowners exceed the statutory requirements and include press releases, briefings and a website. Briefings, newsletters, posters and other appropriate media are used to communicate with employees. The group encourages proactive two-way engagement with stakeholders by way of hosting visits, open days, conducting surveys and through other communication channels.

## Dealings in the group's shares and closed periods

The group maintains a closed period 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 group's shares. Outside of any closed periods, directors and employees are required to obtain approval prior to dealing in the group's shares.

## Risk management

Risk management is approached from the premise that it is inseparable from the company's strategic and business processes and that risk management should be practiced by all staff in their day-to-day activities. The board is aware of the principles of risk management contained in King 3 and will continuously review its risk management structures, systems, processes and procedures to ensure that these are aligned to the principles contained in King 3. The board appreciates the important role played by internal auditing in the process of risk management and endorses the need for internal auditing to be risk-based as opposed to being compliance-based.

The board takes responsibility for the total risk management process and its effectiveness within the group. 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 group's operations are managed effectively and the interests of stakeholders safeguarded. Through the Audit Committee the board oversees the process of risk management and regularly reviews the adequacy and effectiveness of the group's risk management processes and internal controls. The internal audit function - which is outsourced - tests the group's internal controls in accordance with an agreed yearly audit plan and reports quarterly to the Audit Committee on the adequacy and effectiveness of the tested controls, systems, processes and procedures.

The group has developed an integrated risk management framework which identifies the significant risks facing the group, 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 group endeavours to minimise them by ensuring that appropriate infrastructure, controls, systems and ethics are applied throughout the group to manage such risks.

The major risks and steps taken to mitigate and/or manage these risks are listed below:

Country regulatory risk	Response
<p>The mining sector in South Africa is subject to changes in regulatory requirements, potentially resulting in financial demands being made on the group. These changes could include but are not limited to, beneficiation provisions, royalties, health levies and other taxes and licenses.</p> <p>In addition, South African operations are subject to the requirements of the Mining Charter which seeks, <i>inter alia</i>, to:</p> <ul style="list-style-type: none"> <li>• promote equitable access to South Africa's mineral resources for all</li> <li>• substantially and meaningfully expand opportunities for historically disadvantaged South Africans (HDSAs), including women, to enter the mining and minerals industry and to benefit from the exploration of South Africa's mineral resources;</li> <li>• utilise the existing skills base for the empowerment of HDSAs;</li> <li>• expand the skills base of HDSAs in order to serve the community;</li> <li>• promote employment and advance the social and economic welfare of mining communities and areas supplying mining labour;</li> </ul>	<p>The group is particularly conscious of these dynamics and ensures that there is ongoing dialogue and relationship building with both governmental and non-governmental stakeholders. Sectoral lobbying and stakeholder expectation management is further handled via industry bodies. Whilst the group believes that it has made significant progress towards meeting the charter requirements, any regulatory changes to these, or failure to meet existing requirements, could adversely affect its ability to convert its old mining rights to new order mining rights in South Africa. For further information on progress in these areas see the Sustainable Development report, issued in tandem with this document.</p>

The development of the risk management framework entailed the identification of all the activities carried out in the various processes, the assessment of the impact of the inherent risks within those activities and/or processes and measures taken or to be taken to mitigate such risks. The risk matrix is subject to annual review by management in conjunction with the group's internal auditors.

## Sustainable development

The board appreciates that sustainability is both an ethical and economic imperative for business in the 21st century, both in terms of risk and the opportunities it presents. The parallels between good governance and good leadership are evident, and entails defining strategy, providing direction and establishing the ethics and values that will influence and guide practices and conduct with regard to sustainability performance.

Policies, practices and performance relating to sustainable development form an integral part of the management of the company. Responsibility for these matters lies with the Board, although the direction of major elements of sustainability has been delegated to the Health, Safety and Environment Committee.

Northam subscribes to the notion of integrated reporting: while the company has produced a separate Sustainable Development Report in compliance with GRI's G3 guidelines, this report has been produced to complement the annual financial report and in a way that is accessible to a broader range of stakeholders.

As required by GRI, Northam has declared a C+ level of reporting and intends incrementally increasing its level of compliance with GRI to B+ in the coming financial year. Certain key performance indicators and the company's compliance with GRI have been verified by external auditors PricewaterhouseCoopers.

## Corporate governance (continued)

Country regulatory risk	Response
<ul style="list-style-type: none"> <li>promote beneficiation of South Africa's mineral commodities beyond mining and processing, including the production of consumer products.</li> </ul>	
Financial and market risk	Response
<p>As a producer of platinum group metals, the group is subject to market fluctuations in both commodity prices and exchange rates. These fluctuations may have an adverse impact on the group's earnings and cash flows. Rising prices for raw materials, driven by strong global demand for fuel, steel and certain chemicals, have also impacted on production costs.</p>	<p>Through its association with the International Platinum Association and the Platinum Guild International the group promotes the use of PGMs in a wide range of sectors thus helping to sustain a strong demand for PGMs. The group's response to production cost pressures is to ensure that price increases granted to suppliers remain within the consumer price index (CPI), whilst working towards achieving greater production efficiencies in order to contain the increase on unit costs.</p>
Infrastructural services supply risk	Response
<p>The group is dependent on the reliable supply of power in order to conduct its operations. South Africa's national electricity utility, Eskom, currently has very little surplus generating capacity and requires the mining industry in South Africa to achieve a 10% reduction in the overall power consumption.</p>	<p>The group has engaged with Eskom so that it is given advance warning of any possible outages in order to secure employees' safety and protect its assets. It is not always possible to determine the cost of power disruptions, which are likely to persist until at least 2013. Northam has put a number of measures in place to reduce power consumption. The most significant of these are:</p> <ul style="list-style-type: none"> <li>the reduction of underground water consumption and the consequential reduction in power consumption for pumping and refrigeration;</li> <li>the intermittent use of diesel powered fans to replace electrical powered surface fans as required;</li> <li>various initiatives to reduce domestic power consumption in the mine offices, hostels and the village.</li> </ul>
Ore reserve	Response
<p>The ore body within the group's mining lease area is characterised by pot-holing which, when encountered, could result in a loss of available reserves. The nature of these pot-holes is such that they cannot be reliably predicted.</p>	<p>The highly competent geological staff constantly monitors the geological conditions to attempt to predict pot-holes ahead of the face.</p>
Environmental and social	Response
<p>In keeping with the rest of the mining sector in South Africa, the group has to ensure that it complies with constantly changing environmental laws and regulations as well as increasing community and social obligations. Compliance with changing regulatory standards and community expectations can result in increased costs which would negatively impact cash flows and earnings.</p>	<p>The group's approach has been to engage with its various stakeholders on an ongoing basis in order to develop sound relationships with those affected by its mining operations. In addition the group seeks to comply with all environmental legislation, particularly new legislation, in order to ensure the sustainability of its operations.</p>
Health	Response
<p>The occupational illnesses associated with mining operations are those caused by, inter alia, excessive exposure to heat, dust, noise, radiation and gasses. Consequently, the mining industry is subject to stringent health and safety laws and regulations that are subject to change from time to time. The group complies fully with these laws and regulations. In the event of changes to health and safety legislation the group may incur additional costs in order to comply with any new laws and regulation. In addition, the industry as a whole is experiencing the effects of medical pandemics such as HIV/AIDS and TB. These medical conditions adversely affect productivity and costs.</p>	<p>The group seeks to comply fully with applicable health and safety legislation and to ensure that all the employees adhere to group safety standards. HIV/AIDS and TB have been aggressively targeted with a strong focus on prevention through education initiatives and community involvement, as well as a monitored employee wellness programme which includes the provision of anti-retroviral therapy (ART) for those who are affected.</p>

Human resources	Response
On a global basis the mining industry continues to face a contraction in the availability of required skills. This may have a negative impact on both productivity and employment costs.	The group pursues a broad-based strategy with regard to attracting and retaining appropriate skills, encompassing highly competitive compensation models, attractive career development opportunities and skills development programmes.

## Risk financing response

Risk financing forms an integral part of the group's risk management philosophy. In this regard the group ensures that it has adequate insurance cover to safeguard it against major losses. The cover is arranged in respect of both material damage and business interruption, and is split between the South African and international insurance markets.

Should the group suffer a major loss, future earnings could be affected.

**PL Zim**  
Chairman

**ME Beckett**  
Chairman – Audit Committee

Johannesburg  
18 September 2009