

CORPORATE GOVERNANCE REPORT

The board of directors subscribes to and promotes the highest standards of integrity and good corporate governance throughout the group. The board and management recognise that, in order to safeguard the interests of stakeholders, all of their actions must be guided by full accountability and transparency.

The board is guided by the board charter, memorandum of incorporation (MOI), the

Companies Act No 71 of 2008 (Companies Act), the equity and debt listings requirements of the JSE (JSE listings requirements), the third King Report on Corporate Governance for South Africa 2009 (King III), the Global Reporting Initiative (GRI) as well as other applicable legislation. The board is also responsible for the corporate strategy of the group, which is executed within the confines of its corporate governance structure.

GOVERNANCE STRUCTURE – AT 30 JUNE 2013

Board of directors		
NON-EXECUTIVE DIRECTORS:	EXECUTIVE DIRECTORS:	INDEPENDENT NON-EXECUTIVE DIRECTORS:
PL Zim (non-executive chairman) JAK Cochrane	GT Lewis (chief executive officer) AZ Khumalo (financial director)	AR Martin (lead independent) ME Beckett NJ Dlamini (Dr) ET Kgosi R Havenstein CK Chabedi

Board committees			
AUDIT AND RISK COMMITTEE:	HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE (HSE):	INVESTMENT COMMITTEE:	SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE (SE&HR):
AR Martin (chairman) ME Beckett R Havenstein ET Kgosi	R Havenstein (chairman) CK Chabedi NJ Dlamini (Dr)	R Havenstein (chairman) CK Chabedi JAK Cochrane NJ Dlamini (Dr) AR Martin	ET Kgosi (Chairperson) ME Beckett NJ Dlamini (Dr) R Havenstein
By invitation: Management Internal audit External audit	By invitation: Management	By invitation: Management	By invitation: Management

BOARD OF DIRECTORS

As at 30 June 2013, the company's board comprised 10 directors, two of whom are executive directors, being the chief executive officer and the financial director. Of the eight non-executive directors, six are independent in terms of King III. Northam has a unitary board led by a non-executive chairman, Mr Lazarus Zim who was appointed in 2007. Mr Zim, although non-executive, is not independent and therefore a non-executive lead independent director, Mr Alwyn Martin, was appointed in 2010. In line with the company's MOI, at least 50% of board members must be 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.

In terms of the company's MOI, one-third of the longest serving non-executive directors retire at each AGM and if eligible, may offer themselves for re-election. At the 2013 AGM, to be held on 6 November 2013, Mr CK Chabedi, Ms ET Kgosi and Mr AR Martin retire from office and being eligible, are available for re-election. Their biographies appear on pages 54 to 55.

BOARD MEETING ATTENDANCE

Date	24 Jul 2012	21 Aug 2012	7 Nov 2012	20 Feb 2013	23 Apr 2013	25 Jun 2013
PL Zim (chairman)	✓	Apology	✓	✓	✓	Ⓢ
GT Lewis (chief executive officer)	✓	✓	✓	✓	✓	✓
AZ Khumalo (financial director)	✓	✓	✓	✓	✓	✓
ME Beckett	✓	✓	✓	✓	✓	✓
CK Chabedi	✓	✓	✓	✓	✓	Ⓢ
JAK Cochrane	✓	Ⓢ	Ⓢ	Apology	✓	Ⓢ
NJ Dlamini	✓	✓	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓	✓
AR Martin (lead independent)	✓	✓	✓	✓	✓	✓
MSMM Xayiya *	Apology	✓	Apology	N/A	N/A	N/A
MJ Willcox **						
(alt to MSMM Xayiya)	Ⓢ	N/A	N/A	N/A	N/A	N/A

* resigned 7 December 2012

** resigned 5 November 2012

Key

✓ attended

Ⓢ participated telephonically

N/A not applicable

CHANGES TO THE BOARD

During the year under review, Mr MJ Willcox resigned as alternate director to Mr MSMM Xayiya on 5 November 2012, and Mr MSMM Xayiya resigned as a director on 7 December 2012. Subsequent to year-end, Dr NJ Dlamini resigned as a director, with effect from 30 September 2013.

BOARD AND COMMITTEE MEETINGS

The board and its committees meet at least once a quarter; *ad hoc* meetings may also be called to consider specific issues. The investment committee meets as and when required, which may be more or less than four times a year. All directors are required to declare their directorships and interests. At each board and committee meeting they are requested to declare any conflict of interest in matters pending.

BOARD CHARTER AND COMMITTEE TERMS OF REFERENCE

The board of directors' charter articulates the objectives and responsibilities of the board. Each of the board committees operates in accordance with written terms of reference, which are regularly reviewed by the board. The board takes ultimate responsibility for the group's adherence to sound corporate governance standards and sees to it that all business decisions and judgements are made with reasonable care, skill and diligence. The revised board of directors' charter and the board committees' terms of reference are available on the Northam website at www.northam.co.za.

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

- determining the group's strategy and related plans and objectives;
- delegating adequate powers to the chief executive officer and financial director in order to execute the group's strategy, achieve group objectives and run the group's business;

- implementing, maintaining and monitoring corporate governance practice with the company;
- determining the board's charter and the terms of reference of board committees;
- identifying and managing the risks of the group;
- ensuring board committees are mandated for specific tasks and that these committees are effective;
- reviewing performance of executive directors and senior management;
- approving the budget of the group, including capital and project expenditure;
- ensuring that there are effective risk and internal controls over all the business processes of the company, including that of information technology;
- considering and approving Northam's interim results, announcement of financial results, the annual financial statements, the sustainability report and the annual integrated report;
- reporting to shareholders and other stakeholders of the group;
- ensuring compliance with legislation and corporate governance rules; and
- ensuring the effectiveness of the board, board committees and their members.

ANNUAL PERFORMANCE EVALUATION OF BOARD AND COMMITTEES

An annual evaluation of the board; assessment of the board chairman and re-appointment thereto; individual director assessments including the executive directors, and the independence test prescribed by King III for directors classified as "independent" were undertaken during the year under review. Each of the board committees also conducted annual evaluations.

COMPANY SECRETARY

During the financial year, and in compliance with the JSE listings requirements, the board evaluated

the performance of the company secretary and is satisfied that the company secretary is competent, suitably qualified and experienced. Furthermore, since she is not a director, nor is she related to or connected to any of the directors, thereby negating a potential conflict of interest, she maintains an arm's length relationship with the board.

The company secretary oversees corporate governance matters within the group in line with King III and the Companies Act and keeps board members and the chairman informed of relevant developments and their duties in this area.

The company secretary seeks to ensure compliance with all statutory and listing requirements relating to the group and ensures that minutes of meetings are kept for shareholder, board and committee meetings in terms of the Companies Act.

COMPLIANCE WITH KING III

The areas identified by the gap analysis conducted under the auspices of the audit and risk committee in 2011 as requiring attention, and the progress made to address these gaps, have been documented in previous annual integrated reports. King III is not a prescriptive document but is rather a series of recommendations which may be adopted on an "apply or explain" basis. Furthermore, Northam believes in going beyond compliance through the adoption, integration and embedding of the spirit and principles of governance as opposed to simply responding to and complying with rule sets and recommended codes. In terms of this, Northam does not apply King III in every aspect but in most recommendations. The group carefully considers each and every aspect of King III and complies as far as is practicable.

In terms of the above, Northam's compliance with the King III principles and recommendations, is available on the Northam website at www.northam.co.za.

COMPANIES ACT

On 1 May 2011 the Companies Act was introduced to regulate the corporate business landscape in South Africa. Companies were given a two year window period to implement the provisions of the Act. At the annual general meeting (AGM) in November 2012, shareholders approved the adoption of the company's MOI, in order to align it with the Companies Act, pursuant to which the authorised and issued ordinary share capital of the company was converted from ordinary shares having a nominal or par value of 1 cent each to ordinary shares not having a nominal or par value. The MOI of Northam's subsidiary companies were also updated in October 2012.

JSE LISTINGS REQUIREMENTS

As a listed entity Northam is required to comply with the JSE's listings requirements and certification of this is submitted to the JSE at the end of each calendar year. Northam's submissions are currently up to date.

SOUTH AFRICAN EMPLOYMENT EQUITY ACT OF 1998

In compliance with Section 21 of the Employment Equity Act 55 of 1998, the Company is obliged to file with the Department of Labour, the employment equity statistics for its South African workforce. A report was filed with the Department of Labour on 27 September 2012, covering the period 1 July 2011 to 30 June 2012. A copy of the report is available on the Company's website at www.northam.co.za.

Audit and risk committee members are elected at each AGM in line with the Companies Act and King III. To this end, shareholders will be required, at the forthcoming AGM to approve the necessary resolution appointing the committee. The committee is chaired by an independent non-

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

Attendance at audit and risk committee meetings

Date	20 Aug 2012	13 Sep 2012	5 Nov 2012	18 Feb 2013	22 Apr 2013
AR Martin (Chair)	✓	✓	✓	✓	✓
ET Kgosi	✓	✓	✓	✓	✓
ME Beckett	✓	Ⓢ	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓
KC Chabedi (by invitation)*	N/A	✓	N/A	N/A	N/A

* representative from the HSE Committee to review the 2012 sustainable development report.

Key

✓ attended

Ⓢ participated telephonically

N/A not applicable

executive director, who in this instance is also the lead independent director. All members of this committee are independent. The board is satisfied that members of the audit and risk committee have the requisite 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's input on focus areas needing attention. The committee also approves and reviews the risk management report twice yearly, based on management proposals that identify key risks and state the measures in place to mitigate these risks.

Audit and risk committee terms of reference

The key responsibilities of the committee's terms of reference are as follows:

- review and recommend to the board for approval the interim report and preliminary announcement of results, the annual financial statements, annual integrated report and the sustainability report;
- appoint and evaluate external auditors and their terms of engagement;
- appoint and evaluate the internal auditors and their mandate;
- approve the remuneration of external and internal auditors;
- ensure the independence of external and internal auditors;
- approve non-audit work which may be performed by the external auditors which includes tax compliance services, assurance related work in respect of any corporate actions and opinions not related to any prohibited services;

- ensure that company risks are properly assessed and monitored by management and that a risk register is maintained, and to ensure that such risks are adequately mitigated;
- ensure that internal controls of the company are implemented, effective and monitored; and
- ensure a cordial working relationship between management and external and internal auditors.

The risk assessment of the audit and risk committee also involves a review of the role of the information technology (IT) systems within the business, ensuring that IT risk and controls support business continuity. The committee reviews the risk register, which incorporates the legislation and regulatory compliance report, to ensure risks of the business are identified and mitigated against by management and laws and regulations are complied with by the group. It is also the responsibility of this committee to review the company's internal control policies on behalf of the board. The committee's report is available on page 69 of this document.

External audit

The group's external auditors, Ernst & Young Inc., have unrestricted access to the audit and risk committee. In accordance with the Companies Act,

the committee reviewed and was satisfied that Mr M Herbst of Ernst & Young is independent of the Northam group of companies, in his capacity as the newly appointed designated auditor for the 30 June 2013 financial year. The committee noted the resignation of the previous designated auditor, Mr C Maongera. This committee is required to satisfy itself annually regarding the independence of the external auditors and to approve 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 annually satisfies itself that the internal audit function is independent and effective. Internal audit also has unrestricted access to the audit and risk committee.

The annual approved scope of internal audit covers the following:

- testing the effectiveness of internal controls;
- checking IT risks and controls and ensuring their effectiveness; and
- checking the reliability and integrity of financial information.

HEALTH, SAFETY AND ENVIRONMENTAL (HSE) COMMITTEE

Attendance at HSE committee meetings

Date	20 Aug 2012	6 Nov 2012	19 Feb 2013	23 Apr 2013
R Havenstein (Chair)	✓	✓	✓	✓
NJ Dlamini	☎	Apology	✓	✓
CK Chabedi	✓	✓	☎	✓

Key

✓ attended ☎ participated telephonically

This committee's members are three independent non-executive directors. The chief executive officer is a permanent invitee to meetings of this committee. The committee meets every quarter.

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 employees and communities in the areas in which the group operates. This committee has oversight of policies, records and reporting systems pertaining to typical occupational safety and other endemic health issues associated with the mining industry.

INVESTMENT COMMITTEE

Attendance at investment committee meetings

Date	27 Aug 2012	14 Nov 2012	28 Nov 2012	13 Mar 2013	27 May 2013	24 Jun 2013
R Havenstein (Chairman)	✓	✓	✓	✓	✓	✓
JAK Cochrane	☎	☎	☎	Recused	Recused	Recused
CK Chabedi *	N/A	N/A	N/A	✓	✓	☎
NJ Dlamini	☎	✓	☎	✓	☎	Apology
AR Martin	✓	✓	✓	✓	☎	✓
MSMM Xayiya **	Apology	Apology	Recused	N/A	N/A	N/A
MJ Willcox *** (alt to M Xayiya)	☎	N/A	N/A	N/A	N/A	N/A

* appointed 20 February 2013

** resigned 7 December 2012

*** resigned 5 November 2012

Key

✓ attended ☎ participated telephonically N/A not applicable

This committee was established in April 2012 to evaluate and advise the board on all investment-related opportunities. The committee which is not a permanent committee considers the suitability and compatibility of potential

investments and their returns, weighted against the interests of shareholders. It is composed of five non-executive directors, four of whom are independent. The executive directors are invited to committee meetings.

SOCIAL, ETHICS AND HUMAN RESOURCES (SE&HR) COMMITTEE

Attendance at SE&HR committee meetings

Date	24 Jul 2012	20 Aug 2012	6 Nov 2012	19 Feb 2013	22 Apr 2013	24 Jun 2013
ET Kgosi (Chairperson)	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓	✓
NJ Dlamini	✓	Ⓢ	✓	✓	✓	Apology
ME Beckett	✓	✓	✓	✓	✓	Ⓢ

Key

✓ attended Ⓢ participated telephonically

This committee is composed of four independent non-executive directors. It meets at least every quarter.

The functions of the SE&HR committee as set out in the Companies Act include monitoring the company's activities and compliance with relevant legislation, legal requirements and international codes of practice regarding:

- social and economic development, including the company's standing in terms of the goals and purposes of the United Nations (UN) Global Compact's 10 principles; the OECD recommendations regarding corruption; the United Kingdom Bribery Act; the Employment Equity Act; the Broad Based Black Economic Empowerment Act; the Mineral and Petroleum Resources Development Amendment Act (MPRDA), and the Mining Charter;
- good corporate citizenship;
- the environment, health and public safety;
- labour and employment; and
- the company's standing in terms of the International Labour Organisation's (ILO) protocol on decent work and working conditions.

Apart from these statutory requirements, the aims of the SE&HR 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 adequate transformation in compliance with the Mining Charter in a manner which will enhance the group's performance;
- to ensure the appointment of competent directors and senior managers; and
- to advise on salaries, bonus schemes and share incentive plans.

BLACK ECONOMIC EMPOWERMENT (BEE) AND COMPLIANCE

There have been no further developments with regard to the Northam Black Economic Empowerment (BEE) shareholding. Shareholders are referred to the announcement dated Friday, 3 August 2012 wherein they were advised of a restructure of the group's BEE shareholding. Since then, the group has proposed an 'A' class share scheme to be held by BEE trusts. The proposal is aimed at restoring the group's BEE shareholding to 26%. Shareholders will be informed of progress in due course.

CODE OF ETHICS

The group's code of ethics was reviewed and updated by the board in April 2013. This code applies to both directors and employees and governs the interaction between the group and its suppliers, contractors, and customers and covers the use of group 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. The code of ethics is available on the Northam website at www.northam.co.za.

INSIDER TRADING

The company has clear rules and guidelines in place which seek to ensure that employees do not contravene the JSE's rules on insider trading. 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. These rules also extend to close relatives of directors and employees. Directors and employees are required to obtain prior approval for dealing in the company's shares and are routinely advised of the company's closed periods.

ETHICS 24-HOUR WHISTLE-BLOWING HOTLINE

Northam's ethics hotline number 0800 15 25 39 became effective in 2011 and is monitored by an external party (KPMG), 24 hours a day in all the official languages of South Africa. Anyone (whistle-blower) may 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 has a long-standing policy which prohibits, *inter alia*, donations of a political nature.

Furthermore, employees may not accept gifts, hospitality or favours from suppliers or contractors of more than a nominal value. All gifts and entertainment details are recorded in a gift register for record purposes.

CONFLICTS OF INTEREST

Members of the board and its committees are requested to declare their interests in any matters to be discussed at every board and committee meeting. 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

The approval framework was reviewed and updated by the board in April 2013. This document governs the delegation of authority and value limits within the group and is necessary to ensure that all transactions are approved appropriately. This enables management to limit the potential damage that any unauthorised expenditure or corruption could inflict on the company.

REPORTING TO STAKEHOLDERS

The board is acutely aware of the requirements for the company to engage with analysts, shareholders and stakeholders alike about the company's financial performance, operational developments and sustainability indicators.

Along with the print and electronic publication and dissemination of results on a half-yearly basis, the company regularly hosts visits, presentations, briefings and meetings with interested shareholders, institutions and other stakeholders. Feedback is a critical element of such engagement processes and is communicated to the relevant executive directors for discussion at board level.