

CORPORATE GOVERNANCE REPORT

The board of directors subscribes to high standards of ethical leadership, business sustainability, stakeholder engagement and sound corporate governance. The board and management recognise that effective governance underpins the group's reputation and its performance, and serves to promote full accountability and transparency.

The board ensures that its composition is appropriate in terms of skills, knowledge, experience, independence and gender in accordance with the provisions of its board charter and memorandum of incorporation (MOI), available on the Northam

website at www.northam.co.za. It also takes responsibility for corporate strategy and the management of risk and opportunities of the group which are executed within the confines of its corporate governance structure.

APPLICABLE GOVERNING FRAMEWORKS

Northam complies with the JSE Limited (JSE) listings requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct. The principal applicable frameworks include:

Companies Act	JSE listings requirements	International IR Framework	King III	Mining Charter
The Companies Act 71 of 2008, as amended, by the Companies Amendment Act 3 of 2011 (the Companies Act), and the Regulations promulgated thereunder (the Companies Regulations).	Northam is a public company listed on the JSE and is subject to the JSE listings requirements.	The International Integrated Reporting Framework.	The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King (III)).	Northam is committed to the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter).
www.acts.co.za	www.jse.co.za	www.theiirc.org	www.iodsa.co.za	www.dmr.gov.za

KING III COMPLIANCE

The board is satisfied that every effort has been made in the financial year ended 30 June 2015 to comply with the principles and recommendations of King III. A summary document indicating compliance with the King III principles and recommendations is available on the Northam website at www.northam.co.za

BOARD OF DIRECTORS

Non-executive	Executive	Independent non-executive
PL Zim – chairman KB Mosehla	PA Dunne – chief executive officer AZ Khumalo – chief financial officer	R Havenstein (lead independent) ME Beckett CK Chabedi TE Kgosi AR Martin

BOARD COMMITTEES

Audit and risk committee	Health, safety and environmental committee (HSE)	Investment committee	Nomination committee	Social, ethics and human resources committee (SE&HR)
AR Martin (chairman) ME Beckett R Havenstein TE Kgosi	R Havenstein (chairman) ME Beckett CK Chabedi	R Havenstein (chairman) CK Chabedi AR Martin KB Mosehla	R Havenstein (chairman) PL Zim TE Kgosi AR Martin	TE Kgosi (chairperson) ME Beckett CK Chabedi KB Mosehla
By invitation:	By invitation:	By invitation:	By invitation:	By invitation:
Management Internal audit External audit	Management	Management	Management	Management

BOARD OF DIRECTORS

As at 30 June 2015, the board comprised eight directors, the majority of whom are independent non-executive directors.

Mr PL Zim, who is a non-executive director and the chairman, represents Zambezi Platinum on the board, and is therefore not considered to be independent. Mr AR Martin was appointed the lead independent director, a position he held until after the year end.

Changes to the board

During the year end review, Mr JAK Cochrane resigned as a director on 15 April 2015.

Subsequent to year-end, Mr R Havenstein replaced Mr Martin as the lead independent director on 18 August 2015 and Mr KB Mosehla was appointed a non-executive director on 19 August 2015 representing Zambezi Platinum.

Re-election of directors

In terms of the company's MOI any person appointed to the board during the year shall hold office until the next annual general meeting (AGM) of the company and shall then retire and be eligible for re-election.

Mr Mosehla was appointed a director on 19 August 2015 and, in accordance with the provisions of clause 33.5.4, retires from office and, being eligible and available, has offered himself for re-election and appointment. Accordingly at the forthcoming AGM members will be requested to consider a resolution providing for the election and re-appointment of Mr Mosehla as a non-executive director of the company.

Further, in terms of clause 33.5.1 of the company's MOI one third of the non-executive directors, being those longest in office, must retire from office at each AGM. A retiring director who is eligible and available may offer himself or herself for re-election and appointment.

Accordingly, Mr Beckett and Ms Kgosi retire by rotation, and being eligible and available, offer themselves for re-election. Mr Beckett has indicated he is available to serve on the board for a further year after the AGM on 11 November 2015, in terms of the board's succession plan. Accordingly at the forthcoming AGM members will be requested to consider resolutions providing for the election and re-appointment of Messrs Mosehla, Beckett and Ms Kgosi as non-executive directors of the company.

Brief summaries of their *curricula vitae* appear on pages 18 and 19.

Board and committee meetings

The board and its committees meet at least once a quarter and *ad hoc* meetings may also be called to consider specific issues. The investment committee and the nomination committee meet as and when required.

Disclosure of personal financial interests is a standing board and committee agenda item and a register of all directors' company shareholdings, other directorships and information regarding any potential conflict of interest is updated by directors at each meeting. Directors recuse themselves from discussion on any matters in which they may have a conflict of interest. Furthermore, before dealing in the company's shares, directors are required to obtain approval from the chief executive or the chief financial officer and are to inform the company secretary.

Board charter and committees 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 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 board charter and the board committees' terms of reference are available on the Northam website at www.northam.co.za

ATTENDANCE AT BOARD MEETINGS:

Date	12 Aug 2014	25 Aug 2014	5 Nov 2014	18 Feb 2015	21 Apr 2015	23 Jun 2015
PL Zim (chairman)	✓	Recused	✓	✓	✓	✗
PA Dunne (chief executive)	✓	✓	✓	✓	✓	✓
AZ Khumalo (chief financial officer)	✓	✓	✓	✓	✓	✓
ME Beckett	✗	✗	✓	✓	✓	✗
CK Chabedi	✓	Recused	✓	✓	✓	✗
TE Kgosi	✓	Recused	✓	✓	✓	✓
R Havenstein	✗	✓	✓	✓	✓	✗
AR Martin	✓	✓	✓	✓	✓	✓
JAK Cochrane*	✓	✗	✓	✗	n/a	n/a

* resigned 15 April 2015

Key

✓ attended ✗ participated telephonically **Recused** interest in the Northam BEE transaction **n/a** not applicable

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

Audit and risk committee

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS:

Date	11 Aug 2014	22 Sep 2014	3 Nov 2014	16 Feb 2015	20 Apr 2015
AR Martin (chairman)	✓	✓	✓	✓	✓
TE Kgosi	✓	✓	✓	✓	✓
ME Beckett	✓	✓	✓	✓	✓
R Havenstein	☎	✓	✓	✓	✓

Key

✓ attended ☎ participated telephonically

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 members of the committee are independent non-executive directors, and the committee is chaired by an independent non-executive director. 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 and chief financial officer are invitees to these meetings and 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 areas needing special attention. The committee also approves and reviews the risk management report twice yearly, based on management proposals that identify the key risks and appropriate measures in place to mitigate these risks.

HSE committee

ATTENDANCE AT HSE COMMITTEE:

Date	1 Aug 2014	4 Nov 2014	17 Feb 2015	20 Apr 2015
R Havenstein (chairman)	✓	✓	✓	✓
ME Beckett	☎	✓	✓	✓
CK Chabedi	✓	☎	☎	✓

Key

✓ attended ☎ participated telephonically

The HSE committee comprises three independent non-executive directors. The chief executive and chief financial officer are invited to attend committee meetings which are held every quarter.

The 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	8 July 2014	1 August 2014	2 December 2014	6 February 2015
R Havenstein (chairman)	✓	✓	✓	☒
JAK Cochrane*	☒	☒	☒	☒
CK Chabedi	✓	✓	✓	✓
AR Martin	✓	☒	✓	✓

* resigned 15 April 2015

Key

✓ attended ☒ participated telephonically

This committee comprises three independent non-executive directors and was established in 2012 to evaluate and advise the board on all acquisitions and investment-related opportunities. The committee does not have a regular meeting schedule, but meets as required to consider the suitability and compatibility of potential investments and their returns, weighted against the interests of shareholders. Subsequent to year-end Mr Mosehla was appointed a member of the committee. The chief executive and chief financial officer are invited to attend committee meetings.

Nomination committee

In February 2015 the board approved the establishment of a separate nomination committee, in light of the recent amendments to the JSE listing requirements in which the chairman of the board or, if the chairman is not independent, the lead independent director is required to chair these committee meetings. Prior to the establishment of the nomination committee, the SE&HR committee attended to the nomination matters and board's succession plan.

On 18 February 2015 the following members were appointed: Messrs. Martin (lead independent director as chairman), Zim, Cochrane, Havenstein and Ms Kgosi. Mr Cochrane resigned as a member on 15 April 2015. Subsequent to year-end Mr Havenstein was appointed as lead independent director and chairman of the nomination committee. Mr Martin has stepped down as lead independent and will remain as a member.

The committee does not have regular meetings but meets as and when required. The main functions of the committee are to recommend director nominees to the board, for approval by Northam shareholders at the AGMs of the company and to ensure that the interests of shareholders are properly protected in relation to the leadership and management of the company. The chief executive and chief financial officer are invited to attend committee meetings.

SE&HR committee

ATTENDANCE AT SE&HR COMMITTEE MEETINGS:

Date	1 Aug 2014	8 Sep 2014	4 Nov 2014	17 Feb 2015	20 Apr 2015	7 May 2015	22 Jun 2015
TE Kgosi (chairperson)	✓	✓	✓	✓	✓	✓	✓
R Havenstein	✓	✓	✓	✓	✓	✓	✓
ME Beckett	☒	☒	✓	✓	✓	☒	☒

Key

✓ attended ☒ participated telephonically

This committee's members are three independent non-executive directors. The chief executive and chief financial officer are invited to attend committee meetings and the committee meets at least once every quarter.

The main functions of the SE&HR committee are remuneration, transformation and labour matters in terms of the Mining Charter and as set out in the Companies Act, the monitoring of the group's performance in terms of social and ethics statutory requirements. Subsequent to year-end Mr Havenstein resigned as a member of the committee and Messrs Chabedi and Mosehla were appointed. Prior to the establishment of the nomination committee in February 2015, the SE&HR committee also attended to the board's succession plan and nomination matters.

The SE&HR committee's report may be found on page 26 of this annual integrated report.

CORPORATE GOVERNANCE REPORT CONTINUED

EXECUTIVE COMMITTEE

The executive committee is not a sub-committee of the board. It was formed in November 2014 and is chaired by Mr PA Dunne, the chief executive. The other members of the committee are Messrs AZ Khumalo, chief financial officer; FR Rautenbach, manager – projects and strategy; LC van Schalkwyk, chief commercial officer; CA Smith, executive: human resources, and Ms PB Beale, company secretary.

The members meet on a monthly basis to discuss and deal with operational matters, recommend strategies and monitor implementation of capital programmes.

Performance reviews of the board and sub-committees

The board and sub-committees undertake an annual series of assessments in order to monitor performance and identify areas for improvement. In April 2015 the board appointed an independent firm to conduct an independent board performance review, led by the chairman. In the past these reviews have been conducted in-house on an annual basis, but in terms of international trends, an independent review may be considered again once every three to five years.

The sub-committee's annual evaluations were facilitated by the company secretary and led by the chairperson of each committee.

In compliance with King III, the board chairman and lead independent director were reappointed at the November 2014 board meeting. Subsequent to year-end Mr Havenstein replaced Mr Martin as lead independent director.

Independence test in terms of King III

Annual independence tests for Messrs Beckett, Chabedi, Havenstein, Martin and Ms Kgosi were conducted in June 2015. The board considered the minority interests held by some of the directors in Northam and also the tenure of those directors who have been on the board beyond nine years. The board is satisfied that there are no relationships or circumstances which affect, or appear to affect the independence of the abovementioned directors.

Company secretary

In compliance with the JSE listings requirements, the board 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, and 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 new directors undergo an appropriate induction process. 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.

Approval framework

The approval framework 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



HDSA ownership levels in the company are pegged at 35.4% following the conclusion of our R6.6 billion BEE transaction.

to limit the potential damage that any unauthorised expenditure or corruption could inflict on the group.

Black economic empowerment (BEE) transaction

HDSA ownership levels in the company are pegged at 35.4% following the conclusion of the R6.6 billion BEE transaction referred to on page 4 of this integrated report.

Code of ethics

The group's code of ethics is reviewed from time to time by the board and applies to both directors and employees of the group. It governs the interaction between the group and its suppliers, contractors, and customers. It also 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

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.

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) 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.

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.

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. Northam's submissions are currently up to date.

Reporting to stakeholders

The board is aware of the requirements for the group to engage with analysts, shareholders and stakeholders alike about the group'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.