REPORT OF THE SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE
(INCORPORATING THE REMUNERATION REPORT)

This report is provided by the social, ethics and human resources (SE&HR) committee in terms of Regulation 43(5)(c) of the Companies Act.

BACKGROUND AND COMPOSITION

The SE&HR committee was established in 2012. Prior to the establishment of the nomination committee in February 2015, the committee attended to the board's nomination and succession plans in addition to the social, ethics and human resources obligations.

The members of the committee are Ms TE Kgosi (chairperson), Messrs. M E Beckett and R Havenstein, all of whom are independent non-executive directors. Subsequent to year-end Mr Havenstein resigned as a member of the committee and Messrs Chabedi and Mosehla were appointed.

SE&HR COMMITTEE TERMS OF REFERENCE

The committee's terms of reference is available on the Northam website at www.northam.co.za

SOCIAL AND ETHICS STATUTORY OBLIGATIONS

The main functions of the committee are to oversee the group's compliance with the social and ethics statutory requirements, to manage the group's compliance with transformation matters and its impact on employees, communities, the environment and society as a whole.

The committee has oversight of the group's compliance with the Labour Relations Act (LRA), the basic Conditions of Employment Act (BCEA) and implementation of various forms of remuneration.

For the financial year 2015, the committee performed its duties in terms of these obligations and confirms that:

a) the company complies with labour and employment legislation in South Africa, and as far as possible with the ILO's protocol on decent work. The committee takes into account the Organisation for Economic Co-operation and Development's (OECD) recommendations against corruption and ensures that management has adequate internal controls to counter corrupt conduct. The company complies with the social and economic development goals in terms of the 10 principles set out in the UN Global Compact;
b) sound good corporate citizenship principles are pursued in the promotion of equality, the prevention of discrimination and the development of surrounding communities;
c) the company has taken appropriate measures to minimise the impact of its activities and products on health, public safety and the environment;
d) Northam seeks to promote cordial relationships with all its stakeholders; and
e) generally accepted norms on the environment, labour and human rights have been adhered to. Northam is not aware of, nor is it complicit in any labour or human rights abuses or environmental damage.

EMPLOYMENT AND REMUNERATION OBLIGATIONS

The committee has oversight of the group's compliance with the LRA, the BCEA and implementation of various forms of remuneration; it also ensures that the group applies fair labour practices while providing equitable and transparent remuneration packages that serve to reward individuals for their contributions to the company's defined performance targets. Activities in this set of obligations include:

- statutory legislative and administrative duties;
- Oversight of the reports on the Social and Labour Plans (SLP) which continue to be submitted to the Department of Mineral Resources (DMR) annually;
- Monitoring the human resource development pillars at both Booysendal and Zondereinde mines;
- progress in the transformation of the group's workforce profile especially at senior levels; and
- the home ownership initiative which is progressing with the assistance of the recognised union overseeing the various pillars of this project.

The committee is also responsible for the remuneration philosophy within the Northam group in terms of its mandate from the board.

Remuneration issues dealt with by the committee during the year:

- engagement with shareholders to discuss their concerns with regard to the group's remuneration policies/practice/disclosure:
  - reviewing a number of these (see page 32) and addressing them;
  - consulting third party advisers to improve the disclosure;
- formulation and formalisation of a succession and transformation plan; and
- formulation and formalisation of a housing plan for mine employees.

REMUNERATION REPORT

The SE&HR committee is ultimately responsible for establishing a remuneration policy and for its implementation, to ensure that competent individuals are appointed as senior managers, and to ensure that the group's leadership is adequately rewarded for delivering on the group's strategic targets and for their positive impact on the group's results and performance. In addition the committee is responsible for mandating management on appropriate wage increase thresholds for union negotiations and advises on the scale of fees to be paid to non-executive directors, which are submitted to shareholders for approval.

Employees represented in terms of collective bargaining arrangements

The majority of the group's employees at Zondereinde are contributing members of the National Union of Mineworkers (NUM - primarily in the category 2 to 10 bargaining units). Therefore, their salary levels, annual increases, allowances and benefit packages are negotiated on a collective basis. Northam also engages with other unions representing smaller groups of employees. The group's labour relations policies provide for organisational rights to any union which can meet a 15% representation threshold within a bargaining unit. When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit. Northam's objective is to engage in good faith in order to reach agreement on matters such as wages, substantive conditions of service and other matters of mutual interest. See page 87 and 91 of this report for further information or go to www.northam.co.za

At Booysendal a total of 32% of the workforce is covered by collective bargaining agreements through the contractor companies used at the operation.

In addition to their wages employees also earn various forms of bonuses to incentivise performance.

Employees – mineworkers*

ANALYSIS OF AVERAGE PAY FOR NORTHAM EMPLOYEES
1 JULY 2015

	% of total monthly average	**Entry level Cat 02-08 employee**
Basic monthly wage	55.0	7 370
Employer provident / retirement fund	6.9	921
Medical benefit	6.4	860
Housing benefit / allowance	20.7	2 771
Holiday leave allowance	4.6	614
Average overtime	1.9	254
Average bonus	4.5	618
Total monthly average (underground employee)	**100.0**	**13 408**
Per annum (underground employee)		160 894

** See page 91 for more on employee remuneration.*

Executive directors, management and non-union staff

Executive directors, corporate and operational management members are treated individually in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades. Salaries are reviewed annually, effective 1 July. Salary increases are determined individually, according to individual performance, retention and market-matching criteria.

All non-union staff, managers and executives have detailed job profiles which stipulate the key performance areas of their positions. These serve as the basis for performance management and measurement and performance-linked salary increases and bonuses.

Remuneration takes the form of:

- appropriate salary packages, including those of the executive directors which incorporate basic remuneration pay (BRP) including death, disability, medical aid and pension contribution benefits;
- various allowances;
- various short term incentive bonus schemes depending on the grade of the employee; and
- a long term incentive scheme launched in 2011 which replaced the share option scheme (see page 31).

REMUNERATION POLICY

The group's remuneration policy is designed to support its strategic goals in a way that aligns the interests of employees, managers, executives and directors with those of shareholders. Through fixed and variable remuneration, the group aims to attract, retain, incentivise and reward top quality staff at all levels, particular where scarce or critical skills are involved.

The remuneration policy is not intended to be a 'one size fits all' statement of rules and procedures, but rather to serve as the basis for a flexible approach to the variable and changing needs of the dynamic and competitive mining employment environment. The policy is underpinned by the following key principles:

- attracting and retaining core skills, such as artisans, engineers and management;
- harmonising working conditions, salaries and wages throughout the group;
- compliance with all statutory and regulatory requirements and a commitment to applying best practice guidelines in all aspects of remuneration and benefits, and
- offering remuneration packages that are competitive, fair, and reasonable in all respects and at all levels.

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(INCORPORATING THE REMUNERATION REPORT) CONTINUED

Features of the remuneration practices

As a general principle, employment contracts are concluded on a permanent basis (i.e. for an indefinite period), except where fixed-term or short term temporary contracts are required for specific projects. The notice period for the termination of employment contracts is typically one month, but for critical positions this can be extended by mutual agreement to a maximum of one year.

Northam's objective is to provide a market-competitive basic salary plus compulsory medical aid and retirement fund membership. Various fixed and variable allowances are paid at certain job/grade levels or to certain job categories. The job grading system follows the Paterson model. Remuneration experts are consulted as circumstances dictate.

Job grades, salary scales and employee benefits are benchmarked against mining industry standards and are reviewed annually. The midpoints of the group's salary scales are compared with industry percentiles and adjusted annually, in line with the changing size, structure, financial performance and general circumstances of the group over time.

The group's salary scales have a range of between 12.5% and 80% which allow an overlap on scales which have steps of 15% between grade ranges to allow for the appropriate positioning of individuals according to qualifications, experience, performance, growth, development and market imperatives. However, in a competitive market where skills are scarce, market comparisons at the top global the range must be considered and paid.

The committee approves salary increases for all categories of staff in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of remuneration policy are approved by the committee prior to implementation.

Severance payments upon termination of service are governed by legislation, agreements with unions, individual contract and/or group policy and practice. In the case of retrenchment, the group's most common policy at all job levels is to pay the contractual notice period (if not worked) and severance pay in line with legislation, which is the Basic Conditions of Employment Act, being one week's remuneration per completed year of service with the group.

Group employees are not provided with any special retirement benefits other than the standard benefits in terms of one of the group's recognised retirement funds, with the exception of employees in Category 9 and above who were in service with the group on 31 December 1998. In respect of these employees, a contribution is made to a post-retirement healthcare fund. These contributions cease when the employee leaves the service of the group for any reason. All components of the group's remuneration system are subject to regular internal and external audits, as well as routine monitoring by the South African Revenue Services. The committee is satisfied that the group is compliant with all pertinent regulations.

Executive directors' service contracts

The chief executive Mr PA Dunne has a service contract with the company which is subject to a notice period of one year. The chief financial officer, Mr AZ Khumalo has a service contract with the company which is subject to a notice period of three months. Severance pay is governed by employment (labour) legislation and there are no special severance package arrangements in terms of these contracts except that they are governed by legislation. The executive directors' remuneration is determined on an annual basis by the committee.

ELEMENTS OF REMUNERATION FOR EXECUTIVE DIRECTORS AND SENIOR OFFICIALS

Fixed remuneration: cost to company

Executive directors are paid market-related salary packages on a cost to company basis which represents their guaranteed pay. Increases are generally offered and determined annually by the committee in July. Increases take account of the prevailing inflation rate and include a merit component of no more than 2% in addition to the inflation rate.

Mr PA Dunne was not offered a salary increase in July 2014 since his contract with Northam started in March 2014. Mr AZ Khumalo received a 13.2% increase to make up for the lack of an increase (unrelated to personal performance) between F2013 and F2014.

EXECUTIVE DIRECTORS - TOTAL REMUNERATION OUTCOMES AND REMUNERATION MIX F2015

Executive director	Basic Remuneration %	Bonus %	Retention shares %	Performance shares %	*Total %
P A Dunne	75	25	0	0	100
AZ Khumalo	32	18	35	15	100

** Refer to directors' report on page 124 for directors' remuneration in rand terms.*

Mr Dunne did not have any retention or performance shares vesting as his tenure at the company remains below the three-year vesting period. On a relative basis Mr Khumalo's retention share percentage is high on account of closed periods in place in F2014 when the retention shares could not be paid. These were therefore paid in F2015.

VARIABLE REMUNERATION: SHORT TERM INCENTIVES

Employee bonuses

The group has a variety of bonus schemes for employees. Bonuses are not guaranteed and are based on agreed formulae. Executive directors and senior management may earn a bonus based on the extent to which they have achieved the targets and objectives set for them by the committee and/or the board of directors. Bonuses are payable half-yearly.

Short term incentive – executive directors, senior officials' bonus scheme

The board of directors, through the committee, determines the performance targets and objectives of the chief executive and the chief financial officer, conducts their performance assessments and decides the quantum of their performance bonuses. The chief executive also has input into the evaluation of the chief financial officer.

The chief executive and the committee determine the performance targets and objectives of senior managers, conduct their performance assessments and determine the quantum of performance bonuses for approval by the board of directors.

Bonuses are paid subject to the achievement/meeting of targets, and an individual performance rating. Variability of the bonus amounts per grade is based on the relative BRPs of executive directors and senior officials.

Annual bonuses actually paid as a percentage of basic remuneration in F2015 were as follows:

Executive director	*2015 bonus as % of pay
PA Dunne	33.8
AZ Khumalo	55.2

** Refer to directors' report on page 124 for director's remuneration in rand terms.*

Mr PA Dunne only earned the senior officials' bonus and no retention bonus as he has not been with the company for more than two years whilst Mr AZ Khumalo earned both bonuses. Both bonuses are described below.

Typically, the bonus scheme is based on a weighted combination of targets which are largely under the control of management. The committee intends for bonuses to incentivise management in areas/targets that they are able to influence so they are incentivised to manage the group for best performance for the benefit of shareholders. These targets are usually a weighted combination of safety performance, linear metres achieved, square metres achieved, total tonnes milled, recoverable metals produced, cash or total operating costs, personal performance which includes transformation (referring to social employment quotas/criteria that must be met in terms of employment legislation in South Africa).

SHORT TERM INCENTIVES – DETAILS OF THE EXECUTIVE DIRECTORS' AND SENIOR OFFICIALS' BONUS SCHEME

Committee approved formula	Achievement (excess or shortfall of actual over target), rated in terms of achievement factors (i.e. below 90% achievement = zero achievement factor and above 110% = 125% achievement factor) by (x) weighting of key performance area (scoring) x BRP x weighting of the two mines (on production) – this is calculated half yearly and per annum – all annualised = bonus of executive directors and senior management. See table below.
Payment frequency	Bonuses are paid twice annually based on the actual results achieved for each of six months ending December and June. 75% of the calculated bonus is paid for each six-month period with the final 25% being calculated on the results for the full year.
Performance conditions	Set during the financial year by the committee and the board. Corporate office bonuses are paid on a weighted basis based on the two mines' Zondereinde and Booysendal's performance. Performance criteria and weightings for F2015 and F2016 – see table below.
Minimum and maximum possible bonus opportunity	Minimum can be zero and maximum 125% of BRP.
Proposed changes for 2016	Only on the Booysendal weighting of targets as indicated in the table below. This change in certain targets reflects the anticipated steady-state production levels in F2016.
Remuneration committee discretion	In consultation with chief executive, the committee may vary both the formula, targets and or the amounts payable.

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EXECUTIVE DIRECTORS' AND SENIOR OFFICIALS' BONUS SCHEME – ELEMENTS OF BONUS – PAYABLE FOR YEAR END JUNE 2015:

Key performance area	Unit	Weighting %	Achievement actual vs target %	Achievement factors applied %	Score by applying weighting %
Safety	TIIR	30	115.1	125.0	37.5
Linear metres	m	10	88.0	0.0	0.0
Square metres	m^2	10	92.0	20.0	2.0
Total tonnes milled	tonnes	10	87.0	0.0	0.0
Recoverable metals	kg	15	88.0	0.0	0.0
Total cash cost	R000s	15	106.5	120.0	18.0
Personal performance	Rating	10	0.0	0.0	0.0
Net weighting of BRP for period and for mine/unit					57.5

Applicable formula: see table above.

The table below indicate the performance targets or criteria set for the F2015 and F2016 bonuses:

		Weighting % Zondereinde		Weighting % Booysendal	
Performance criteria	**Unit**	**F2015**	**F2016**	**F2015**	**F2016***
Safety (LTIIR/RIIR or TIIR)	TIIR	30	30	20	25
Linear metres/capital development decline metres	m	10	10	30	20
Square metres	m^2	10	10	10	10
Total tonnes milled	tonnes	10	10	5	10
Sweeping and vamping	tonnes	–	–	5	5
Total recoverable metals	kg	15	15	5	5
Total cash cost	R000s	15	15	15	15
Personal performance	rating	10	10	10	10
		100	100	100	100

** Changes in the Booysendal mine criteria reflect anticipated steady state levels in F2016.*

The group has a variety of bonus schemes for employees.

Based on the cost to company, being the basic remuneration package plus pension contribution, the average group bonus paid under this scheme was 50.4% of group cost to company remuneration in F2015.

From F2015, executive directors and corporate office staff bonuses have been paid on a weighted basis based on the two mines' Zondereinde and Booysendal's performance.

Short term incentives: Retention bonus scheme – including executive directors

The bonus is designed to retain skills within the company. Accordingly, any employee who is discharged or resigns before such bonus becomes payable forfeits the total amount accumulated.

An amount equal to 20% of the annual BRP is accumulated monthly over 24 months and paid after two years' service in terms of this scheme. On retirement or retrenchment all accumulated bonuses are payable to employees. Employees taking early retirement will receive this bonus on a proportional basis in line with the same percentages as the Share Incentive Plan rules.

All officials within the D3 Patterson grading and higher, including executive directors, are eligible to participate in the scheme. In F2015 the average group retention bonus paid was 10.5% of the group cost to company remuneration.

LONG TERM INCENTIVE: SHARE INCENTIVE PLAN AND SHARE OPTION PLAN FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The group currently operates the Northam Share Incentive Plan (SIP). The Northam Share Option Scheme has been discontinued owing to its dilutive nature. The share options issued before its discontinuance will be allowed to run their course until 2017. Details of the options issued under the Scheme are more fully disclosed in Annexure 5 on page 196.

Remuneration of executive directors in terms of both basic pay and the Northam SIP shares are disclosed on page 124 and page 200 of this report.

The SIP was introduced in 2011 in order to attract, incentivise and retain skilled senior managers. The target group for the SIP includes all senior officials and executives in job grades D1 and above. The committee approves the annual allocation of shares based on an approved formula, as well as any changes to the SIP rules.

LONG TERM INCENTIVE – DETAILS OF THE SHARE INCENTIVE PLAN

Instruments used	• Conditional shares with a three-year vesting period
	  • retention shares (without performance conditions) – no more than 20% of the total award; and
	  • conditional shares with performance conditions – at least 80% of the total award
	• Forfeitable shares
	
	Participants do not have to pay for any awards received under the SIP.

Eligibility levels	Executive directors and all senior officials in Patterson D grade and above
Performance conditions and performance measurement	See table below for typical combination of performance conditions, each factor weighted accordingly. From F2015 onwards include a rate of return performance target/factors with a weighting of at least 30%.
Vesting period	Three years for all shares
Company and individual limits	Total company limit of approximately 19.9 million shares and approximately 2.0 million shares per cycle for individuals
Minimum and maximum possible share payout	Minimum is the value of retention shares (as they have no performance conditions attached) and maximum largely depends on operational performance of the company when targets are measured against actual performance for conditional shares. This determines the shares eventually allocated, (which are normally lower than those awarded because of the performance conditions test) as well as the share price when shares vest. On measurement of the achievement of these targets/factors, each factor's achievement rank depends on the extent of achievement for each factor over the three-year period, ranging from: • a ranking of 1 (which represents a 90 to 100% achievement of target). This could mean, for example, a 100% award of conditional shares, • this rises up to a ranking of 4, which, for example might be an achievement of over 105%, which may equate to a share number allocation of up to 135% of the original award.

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(INCORPORATING THE REMUNERATION REPORT) CONTINUED

Executive directors and senior management – November 2011 allocation – vesting November 2014

Factor and weighting and year		Safety 30%	Recoverable Metals 40%	Unit cash cost 30%	Total
F2012	Score achievement – actual vs target	42%	97%	104%	
F2013	Score achievement – actual vs target	113%	96%	100%	
F2014	Score achievement – actual vs target	74%	79%	93%	
Total	Score achievement – actual vs target	74%	91%	100%	
Achievement per factor		0.0%	100%	100%	
Weighted		0.0%	40%	30%	70%
Percentage shares to be paid					70%
Executive directors – number of shares	59 000#				41 300*

** Final numbers of shares vested paid out in December 2014.*

 # The initial/original number of shares awarded or granted to directors. The initial award is largely based on the share price at the time of grant.

The first three-year cycle post the launch of the SIP in 2011 was completed in November 2014. The performance conditions were measured with the result determining the allocations of shares that vested and which determined the payout. The retention awards of F2011 however vested in 2013. For Zondereinde mine and corporate office (including executive directors) 70% of the awards were allocated and paid. For Booysendal this amounted to 78%.

The awarding of shares is determined by means of a share option formula, approved by the committee, which was provided to Northam by external experts after a review of industry share schemes in 2011. The formula takes into account factors such as the share price on award or grant date and the vesting period of the shares to be awarded. Both retention shares (without performance conditions) and performance shares (with performance conditions) are awarded. However retention shares are limited to a maximum of 20% of the total number of awarded shares for all grades of staff including executive directors. Usually the awarded shares are not the shares that eventually vest, but the allocated shares (that is, the awarded shares after measurement against the performance conditions, three years later) that vest.

Consultations with shareholders on long term incentives

The committee, with the assistance of management, has consulted with shareholders and experts on the changes to the SIP rules. As a result, the following changes were approved by shareholders:

No	Area of change	AGM Date	Description of change
1	Choice for employees	Nov 2013	Employees given the choice to receive cash or shares. If shares are chosen, then these are to be bought in the market and not issued, to avoid dilution
2	Maximum number of shares available for award	Nov 2014	Limited to the then 5% of issued share capital, which equals 19.9 million shares
3	Limit of retention shares	Nov 2014	Retention shares (shares without performance conditions) limited to no more than 20% of award.
4	Maximum award for single employee	Nov 2014	Limited to 0.5% of issued shares per cycle, which is approximately 2 million shares
5	No dilution	Nov 2014	Shares to be offered to employees to be bought in the open market not issued
6	Vesting period for retention shares	Nov 2014	Period extended to three years from two years
7	Measurement of performance conditions period	Nov 2014	Measurement to be done for each three-year period, not for each year over three years
8	Change in performance criteria	Nov 2014	Added a rate of return target to the criteria with a weighting of at least 30% for F2015 going forward

F2015 three-year award performance targets/factors set in November 2014 as follows:

- an improvement of 10% over the previous financial year's safety record, with a weighting of 25%;
- estimated recoverable metals meeting production volumes, weighted at 25%;
- unit cash costs – achieving the budgeted unit costs for the current year or less with a weighting of 20%;
- a rate of return measure;
  - absolute total shareholder return (group) in excess of 15% (cost of capital +2%); and
  - relative total shareholder return (group) – Northam share price performance exceeding the platinum index return on the JSE (each with a weighting of 15%) with the sum of the weightings totalling 100%.

An achievement of less than 90% of target results in no shares being allocated at all. Every year the committee, with the assistance of management, assesses the allocation of both retention and conditional performance shares per employee.

For quantum of shares awarded to executive directors in November 2014 (for F2015) see Annexure 5 on page 200.

EMPLOYEE PARTICIPATION SCHEMES

Toro Employee Empowerment Trust

The group operates an employee profit share scheme for eligible employees at the Zondereinde mine in terms of which 4% of after-tax profits are contributed to a registered trust fund (The Toro Employee Empowerment Fund). Eligible employees receive payment at the end of each five year cycle, with the first payments having been made in F2013. Consideration is being given to extending the scheme to the Booysendal mine employees.

BEE shareholding in Northam

Employees and communities are participants in the recently approved BEE transaction in terms of which communities hold 5% of Northam shares and employees 3% of Northam (this is an addition to the 4% share of profits by employees through the Toro Trust).

Ms TE Kgosi

Chairperson

25 September 2015