MATERIAL ISSUES CONTINUED

MATERIAL ISSUE 5:

MAINTAINING OUR LEGISLATIVE AND REGULATORY COMPLIANCE, AND IN SO DOING, PROTECTING OUR LICENCE TO OPERATE

We recognise that we do business within the legal framework of the various South African government departments. We aim for full compliance with the laws of the land. In terms of this material issue we discuss the most relevant aspects of legislation as they apply to Northam and its operations. Given the nature of our business these remain the MPRDA and the associated Mining Charter.

In the South African context the issue of economic participation in the equity ownership of mining companies is fundamental and is an imperative. In terms of the MPRDA and the ancillary Mining Charter, companies were given 10 years (in 2004) to work towards satisfying the 26% ownership requirement by historically disadvantaged South Africans in the company's equity.

EMPOWERMENT MILESTONES

Northam's empowerment journey started in 2000, when Mvelaphanda Holdings took control of 22% of the group's equity, acquired from the majority shareholder at the time, Anglo Platinum. In a further series of transactions starting in 2007, Mvelaphanda Resources (Mvela Res) lifted its share in Northam to 63%. After a three-way transaction between Mvela Res, Anglo Platinum and Afripalm Resources, Northam's empowerment shares were held in similar numbers (approximately 21% and 22%) between Afripalm Resources and Mvela Res. In 2011 Mvela Res unbundled its holdings to its residual shareholders, Afripalm and Mvela which then became the largest holders in Northam, before these empowerment shareholders were compelled, by prevailing economic and financial circumstances, to dispose of their holdings, leaving Northam with only 4% empowerment equity credits.

The principle of 'once empowered always empowered' remains a highly contestable one in the South African mining context. Northam's view on this issue has for a considerable period of time been to proactively resolve its empowerment status, and to use this as a catalyst for growth and consolidation in the sector.

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.

ENSURING COMPLIANCE

Northam is a public, listed company with a body of shareholders and stakeholders. Ensuring compliance with legislation and observing regulations are critical elements of sound governance and responsible corporate citizenship. The board and its sub-committees are ultimately responsible for oversight of compliance. In line with evolving corporate governance requirements Northam has constituted a nominations committee, with the brief of overseeing senior appointments.

Apart from meeting the ownership requirements of the Mining Charter, management closely monitors compliance with the remaining requirements of the Charter, and achievement of the targets as articulated in its SLPs. Where there are shortfalls, such as in the area of employee housing and accommodation, management engages with the authorities and employees through their representatives to resolve these issues progressively over time.

ACCOMMODATION AND HOUSING

A thorough review of the group's housing facilities and requirements has prompted a renewed housing and accommodation programme, known internally as the Accommodation Strategy 2020. The strategy is overseen by the SE&HR committee, and has recently been approved by the board. The strategy is underpinned also by clear policies, approved by the board in February 2015.

ENVIRONMENT

As a producer of PGMs with underground mining and surface processing operations, Northam is subject to a plethora of laws and regulations to regulate its use of natural resources and to protect the environment against adverse impacts generated by its activities. The HSE committee oversees this function, while operational management is responsible for the day to management of these processes, and for engagement with the relevant authorities in certain areas. The company has not received any censure or incurred any punitive fines for any transgressions in these areas. For details of our environmental compliance, go to *Material issue 6* on page 104.

CUSTOMER HEALTH AND SAFETY

Northam's products and services are subject to a number of voluntary codes and practices and given that Northam's product, both in concentrate and in final form is transported by air, aviation authorities' rules apply, with a strong focus on accompanying verifying information.

Customers are assured that there are no material health and safety complications related to the final products produced and sold by Northam with the exception of nickel sulphate, which is managed as a hazardous material and accompanied by relevant safety and health documentation.

There were zero incidents of non-compliance with voluntary codes concerning the health and safety of products and services in F2015.

Northam is subject to comprehensive laws and regulations to protect the environment against any adverse impacts generated by company activities. Here water samples are being taken at Booysendal.