

The new Northam: continuing to create value for all stakeholders

Application of the KING IV™ principles
for the year ended
30 June 2021

The JSE Limited (JSE) Listings Requirements applicable for integrated reporting purposes stipulate that a listed company's annual report must, at a minimum, include a narrative statement on its application of the principles of the King IV Report on Corporate Governance for South Africa, 2016 (King IV™).

The board applies all sixteen of the relevant King IV™ principles and the application status of each of these principles are outlined in the table below.

Leadership, ethics and corporate citizenship

Leadership and organisational ethics

	Applied	Our response
<p>Principle 1: The board should lead ethically and effectively.</p> <p>Principle 2: The board should govern the ethics of the company in a way that supports the establishment of an ethical culture.</p>	Yes	<p>The board holds that ethics and integrity are fundamental to an effective governance framework and the foundation for developing a culture that supports employee, customer and investor confidence. Accordingly, it strives to set the highest ethical standards for itself.</p> <p>The board fully acknowledges and accepts the significant responsibility for ensuring that the group continues to operate responsibly, sustainably and in an ethical manner, for the benefit of all our stakeholders.</p> <p>Board members are individually and collectively accountable for their ethical and effective leadership of the group.</p> <p>The board has implemented and embedded a robust and effective governance environment, including strong protected disclosure and whistleblowing mechanisms, ensuring that instances of compromised ethical and integrity standards within the organisation are identified, reported and managed transparently.</p> <p>Our code of ethics and conduct Northam's code of ethics and conduct (our code) applies to all directors, officers and employees (full-time and part-time) and governs the interaction between the company and our suppliers and clients.</p> <p>It furthermore covers the use of group assets and confidential information, the group's approach to gender and racial diversity, freedom of association, bribery and corruption, compliance and insider trading. The code of ethics is reviewed regularly and revised accordingly to ensure a progressive ethical culture.</p> <p>The board has delegated to management the responsibility for the implementation and execution of the code of ethics and conduct and supporting policies, as well as effective monitoring, control and assurance thereof, with oversight provided by the social, ethics, human resources and transformation (SEHR&T) committee.</p> <hr/> <p>📄 A copy of our code of ethics and conduct is available on our website at www.northam.co.za/governance/policies-and-procedures</p> <hr/> <p>Embedding ethics in our culture The Board is responsible for setting and steering the culture of the group and it holds management to account for ensuring the group adheres to the highest standards of ethics and integrity. Accordingly, our code seeks to promote continued and strengthening ethical behaviour across the group.</p> <p>It also defines a set of ethical standards and guidelines. These describe the fundamental principles required to maintain ethical dealings with all our stakeholders and peers. They are also aligned with the group's values that govern our everyday business conduct.</p> <p>The continued enhancement of Northam's culture of ethics remains top of mind for the board, the SEHR&T committee and our executive management. This is facilitated in part through the implementation of measures and processes which drive a culture of ethics:</p>

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Leadership, ethics and corporate citizenship (continued)

	Applied	Our response
		<ul style="list-style-type: none"> ▪ Recruitment: Prospective employees are assessed against integrity checks ▪ Consequence management: Our disciplinary processes hold employees accountable for their conduct ▪ Awareness drives: Ongoing communication with employees reiterate the behaviour expected from all employees ▪ Regular review: To ensure a progressive ethical culture, regular reviews of our code are undertaken and updates are made where required. <p>Governance of ethics Board members are individually and collectively accountable for their ethical and effective leadership of the group. During the year under review board members were individually assessed by their peers, with a report in this regard submitted to the chairman.</p> <p>All deliberations, decisions and actions of the board are based on fairness, accountability, responsibility and transparency.</p> <p>Director, prescribed officer and employee interests are managed through formal internal processes. In addition, the director recruitment process includes fit and proper assessments.</p> <p>We have a variety of internal and external mechanisms, including an independent ethics and fraud hotline, available on our website and in our code of ethics and conduct. Reports from the ethics and fraud hotline are a standard agenda item for the audit and risk committee and management updates the committee members at each meeting of transgressions recorded.</p> <p>Employees are encouraged to report any approach made to them or of which they are aware, by any person or entity seeking favour or preference in terms of business dealings with the group.</p> <p>Our independent ethics and fraud hotline is supported by strong investigative capabilities and rigorous disciplinary processes and sanctions.</p> <p>Focus areas during 2021 A review of our code of ethics was performed by <i>the Ethics Institute of South Africa</i>. The outcomes of the review were overwhelmingly positive and areas identified for expansion and or improvement have been addressed.</p> <p>The SEHR&T committee oversaw the proactive roll-out of the refreshed Northam code of ethics and conduct document (code) across the group.</p> <p>Ethics awareness drives, in five different languages, were rolled out across all levels of all our operations. These focussed in particular on the shared responsibility of all Northam's employees in terms of adhering to the code of ethics. Contraventions of our code for which the group has zero tolerance, such as alcohol and drug abuse and job selling, were highlighted.</p> <hr/> <p>➔ Read SEHR&T committee report in our Corporate governance report 2021 on www.northam.co.za</p> <hr/>

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Leadership, ethics and corporate citizenship (continued)

Responsible corporate citizenship

	Applied	Our response
Principle 3: The board should ensure that the company is and is seen to be a responsible corporate citizen.	Yes	<p>The board and the SEHR&T committee assumes and accepts collective responsibility for ensuring that the group is a responsible corporate citizen, in compliance with the Constitution of South Africa, including the Bill of Rights, and has delegated to management the responsibility for proactive stakeholder engagement, community development and environmental stewardship.</p> <p>The group is committed to making a positive contribution to the communities in which we operate and the environment. Our responsible business efforts are therefore focussed on employee welfare and homeownership, addressing the needs of the communities in which we operate, and securing land for nature conservation.</p> <p>The board is furthermore responsible for ensuring that the group's strategic objectives are achieved in a sustainable way.</p> <p>Management updates the board and the SEHR&T committee on a quarterly basis on Northam's performance against the provisions of the Mining Charter.</p> <hr/> <p>📄 Read more about the Northam home ownership scheme, the Zondereinde and Booyensdal community trusts, the Toro Employee Empowerment Trust and the Buttonshope Conservancy Trust in our Sustainability report 2021 on www.northam.co.za</p> <hr/> <p>📄 Read the SEHR&T committee report in our Corporate governance report 2021 on www.northam.co.za</p> <hr/>

Strategy, performance and reporting

Strategy and performance

	Applied	Our response
Principle 4: The board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Yes	<p>Strategy formulation</p> <p>The chief executive officer (CEO) and the management team are tasked with the formulation of the group strategy, business plan and four-year forecast, including key performance measures and targets.</p> <p>Key macro trends in our operating environment are identified, as part of the strategy setting process, by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. The impact of these trends on Northam's strategic objectives are assessed, together with continued engagement with material internal and external stakeholders to consider their needs and expectations.</p> <p>This process highlights any applicable material matters, which are ranked according to the greatest relevance and highest likelihood to have a significant impact on the viability of our business and relationships with stakeholders.</p> <p>Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed.</p> <p>The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.</p> <p>Strategy approval</p> <p>The board approves the group strategy, ensuring that it is aligned with the purpose of Northam, the value drivers of our business and the interests and expectations of our stakeholders. The board also ensures that the group strategy takes cognisance of inherent risks and opportunities that our business faces and the need to achieve sustainable outcomes.</p>

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Strategy, performance and reporting (continued)




	Applied	Our response
		<p>Monitoring strategic execution</p> <p>Quarterly: The board monitors strategic performance against the strategic KPIs and targets at quarterly board meetings and challenges the management team accordingly.</p> <p>Annually: The board is updated annually on the group strategy, which is embodied in the group business plan, five-year forecast, KPIs and targets.</p> <hr/> <p>📄 Read more about our strategy, material issues, risks and business model in our Annual integrated report 2021 on www.northam.co.za</p>

Reporting

	Applied	Our response
<p>Principle 5: The board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium- and long-term prospects.</p>	Yes	<p>The board is committed to clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders, in line with the JSE Listings Requirements and the Companies Act No. 71 of 2008 (Companies Act).</p> <p>It oversees and ensures, through an effective control environment, appropriate management structures and a robust assurance framework, that all external communication and reports are issued in compliance with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.</p> <p>The board, through the audit and risk committee, assumes and accepts the responsibility for the group's financial reporting and sets the direction for how it should be approached and conducted.</p> <p>Northam reports to stakeholders on both its financial and non-financial performance twice a year.</p> <p>Information related to the required disclosures, as set out in King IV™, appears in our board approved integrated reporting suite and on our company website. This includes information on our strategy, long-term goals, medium-to-long-term targets, historical performance, outlook and the group's position for value creation.</p> <hr/> <p>📄 See our results presentations and integrated reporting suite on our website at www.northam.co.za</p>

Governing structures and delegation

Primary role and responsibilities of the board



	Applied	Our response
<p>Principle 6: The board should serve as the focal point and custodian of corporate governance in the company.</p>	Yes	<p>The board is ultimately accountable for the performance and the reputation of the group and ensuring that it continues to operate responsibly, ethically and sustainably.</p> <p>The board operates in terms of a board charter, which defines its functions and responsibilities.</p> <p>Apart from the requirements of statute and common law, the board collectively acknowledges that its key deliverables involve providing the group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing management's operational performance and facilitating an effective governance environment.</p> <p>The board displays adequate alignment with the King IV™ objective in terms of its oversight functions and monitoring, as well as its roles and responsibilities.</p> <p>Board and board committee charters are reviewed regularly and are aligned with King IV™ and the board and committees' areas of responsibility.</p> <p>The audit and risk and SEHR&T committees' oversight functions and disclosures have also been reviewed against King IV™ recommended practices and disclosure requirements for these committees.</p> <p> The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period</p> <p> Read our board charter on our website at www.northam.co.za</p> <p> Read more about the board's responsibilities, board committee reports and board attendance register in our Corporate governance report 2021 on our website at www.northam.co.za</p>

Composition of the board

	Applied	Our response
<p>Principle 7: The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	Yes	<p>The board has 11 members and is specifically constituted in terms of expertise and collective skills required for managing and steering our business into the future.</p> <p>The majority of the board members (73%) are considered independent non-executive directors.</p> <p>We recognise and embrace the benefits of having a diverse board and have approved and implemented a broad board diversity policy, which includes race and gender diversity targets. The board takes responsibility for its composition and the process of attaining the appropriate diversity as per the targets of its charter.</p> <p>The board currently has Historically Disadvantaged Persons (HDP) representation of 55% and 36% of our board members are women. (Northam's targets for HDP and female representation on the board are 50% and 20% respectively).</p>

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Governing structures and delegation (continued)

	Applied	Our response
		<p>18% of our board members hold engineering degrees, 36% are chartered accountants (SA) and the balance have relevant experience in corporate finance, mergers and acquisitions and other associated and requisite disciplines. Six board members, including our chief executive officer, have extensive exposure and experience as CEOs.</p> <p>In order to ensure our directors are not overcommitted, we limit the number of listed directorships our directors may hold.</p> <p>We believe that board refreshment and succession planning is imperative and that it should be done in a systematic and gradual manner, in order to maintain a balance of new insight, depth of experience, continuity and diversity of the board.</p> <p>This mix is reflected in the board tenure spread, with one of the directors having a tenure in excess of 9 years, balanced with four new board appointments in the last 3 years. We will continue to facilitate the transfer of knowledge from long-serving directors to the newer members on the board, to ensure the board comprises an appropriate balance of institutional knowledge going forward.</p> <p>The board furthermore has an agreed succession pipeline, which identifies immediate and planned successors for all directors on the board.</p> <p>The board composition is aligned with the requirements of King IV™ regarding the number of executive versus non-executive directors. Skills, experience, tenure of existing board members and new board appointments are monitored by the nomination committee.</p> <div style="background-color: #f4a460; padding: 5px; border: 1px solid #f4a460;"> <p> The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence</p> </div> <p> Read more about our board composition and our directors' experience, skills, tenure and other directorships in our Corporate governance report 2021 on www.northam.co.za</p>

Committees of the board

	Applied	Our response
<p>Principle 8: The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.</p>	Yes	<p>The board has a coherent and comprehensive committee structure with clear and specific committee charters for each committee. The committee structure and the relevant charters are reviewed regularly to ensure effective decision making, discharge of duties and independent judgement, taking into consideration the changing environment within which the group and the board is operating.</p> <p>The composition of membership of the committees and the allocation of roles across committees are regularly considered and reviewed to ensure effective collaboration, efficient use of board resources and a balanced distribution of power across the committees.</p> <p>The chairperson of each committee reports to the board at each board meeting and the minutes of all committee meetings are circulated in the board packs.</p> <p>The current Northam board committees are:</p> <ul style="list-style-type: none"> ▪ Audit and risk ▪ Nomination ▪ Investment ▪ Social, ethics, human resources and transformation, and ▪ Health, safety and environmental. <p>In accordance with shareholder feedback, the board has also decided to establish a separate Remuneration committee during the coming financial year.</p>

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Governing structures and delegation (continued)


	Applied	Our response
		<p>All board committees are free to take independent professional advice, as and when necessary. They also have unrestricted access to all company and group information, records, documents and property and regularly meet with executive and senior management.</p> <p>The composition, mandate and charters of all committees will be reviewed and reassessed, in a structured manner, led by the chairman of the board over the course of the next 12 months.</p> <p>📄 Read about our group governance framework and our board committee reports in our Corporate governance report 2021 on www.northam.co.za</p> <p>📄 See our board committees' charters on our website at www.northam.co.za</p>

Evaluation of the performance of the board


	Applied	Our response
<p>Principle 9: The board should ensure that the evaluation of its own performance and that of its committees, its Chairman and its individual members, support continued improvement in its performance and effectiveness.</p>	Yes	<p>We hold our board members accountable through formal external board evaluations at least every two years.</p> <p>As part of these evaluations, the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these assessments are agreed, and implementation thereof is tracked.</p> <p>The board further regularly evaluates the independence of its independent directors, particularly in respect of the independent directors who have served on the board for an aggregate term exceeding nine years.</p> <p>The board also annually evaluates the performance of the company secretary in terms of her competence, qualification, experience and arm's length relationship with the board. (See Principle 10)</p> <p>During the year under review, the Institute of Directors in Southern Africa (IoDSA) were appointed to conduct a self-appraisal evaluation of the board and its sub-committees. The assessment considered progress on the items highlighted in the 2019 assessment, as well as the governance processes of the group, in order to establish whether these remain fit for purpose.</p> <p>Pleasingly, the assessment indicated that the board and committees are effectively run, appropriately supported and have robust engagements with management.</p> <p>Areas identified for improvement include the need to review the current reporting frameworks and protocols, as well as the composition and mandate of the committees. This will be done over the course of the next 12 months, in a structured manner, led by the chairman of the board.</p>

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Governing structures and delegation (continued)

	Applied	Our response
		<p>Remedial actions addressing the areas identified for improvement are ongoing. Disclosure on environmental social governance (ESG) has been expanded, in the various publications issued by the group.</p> <hr/> <p>📄 These publications are available on our website at www.northam.co.za</p> <hr/> <p>The board will also facilitate additional continued professional development for directors over the course of the next financial year.</p> <div style="background-color: #f4a460; padding: 10px; border: 1px solid #f4a460;"> <p> The board is satisfied that the evaluation process is improving its performance and effectiveness</p> </div>

Appointment and delegation to management

	Applied	Our response
<p>Principle 10: The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	Yes	<p>Chief Executive Officer (CEO)</p> <p>In terms of the board charter, the board appoints the CEO who is responsible for the implementation and execution of the approved strategy, policies and operational planning, and serves as the primary link between management and the board.</p> <p>The CEO, Mr PA Dunne, is accountable to and reports to the board and in terms of best practice, is not a member of the audit and risk, the investment or the nomination committees. Notwithstanding, the CEO does attend meetings of these committees by invitation. The CEO is a member of the health, safety & environmental committee and during the year was appointed as a temporary member of the SEHR&T committee. This temporary appointment is an interim measure in terms of the Composite Transaction and he will be replaced on the committee in due course.</p> <p>The CEO and the chief financial officer's (CFO) performance scorecards, with agreed performance measures and targets, are reviewed and recommended for approval by the SEHR&T committee to the board in June of each year.</p> <p>The CEO and CFO's remuneration is benchmarked biennially, by an independent service provider, against a comparative group of companies in the South African mining industry.</p> <p>The board charter is very clear on the powers which are reserved for the board and those that are to be delegated to management via the CEO. The board also defines the level of materiality and approves a delegation of authority framework.</p> <p>Through the SEHR&T committee, the board ensures that there is succession planning for the CEO and CFO positions and that it is regularly reviewed.</p> <p>The CEO has undertaken to hold no other listed company directorships, apart from Zambezi Platinum (RF) Limited, the previous empowerment shareholder.</p> <p>The CEO has an employment contract that can, subject to fair labour practices, be terminated upon 12 months' notice.</p> <hr/> <p>📄 See our CEO's CV in our Corporate governance report 2021 on www.northam.co.za</p> <hr/> <div style="background-color: #f4a460; padding: 10px; border: 1px solid #f4a460;"> <p> The board is satisfied that the approval framework and the group operating model contribute to role clarity and effective exercise of authority and responsibilities</p> </div>

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Governing structures and delegation (continued)

	Applied	Our response
		<p>Company secretary The company secretary, Ms PB Beale, provides professional and independent guidance to board members on corporate governance, the execution of their legal duties and keeps the board abreast of relevant changes in legislation and corporate governance best practice.</p> <p>The company secretary further supports and coordinates the functioning of the board and its committee meetings.</p> <p>The company secretary has unfettered access to the board, is not a board member and maintains an arm's length relationship with the board and its members. She reports to the board via the chairman on all statutory duties and functions performed in connection with the board. Regarding other duties and administrative matters, she reports to the CEO.</p> <p>The performance of the company secretary forms part of the board's evaluation process.</p> <p>The board can confirm that it is satisfied that the company secretary:</p> <ul style="list-style-type: none"> ▪ is competent, suitably qualified and experienced ▪ has the requisite skills, knowledge and experience to advise the board on good governance ▪ maintains an arm's length relationship with the board of directors, and ▪ has effectively discharged her responsibilities for the year under review.

Governance functional areas

Risk governance

	Applied	Our response
Principle 11: The board should govern risk in a way that supports the company in setting and achieving its strategic objectives.	Yes	<p>The board's responsibility for risk governance is expressed in the board charter, the terms of reference of the audit and risk committee and the risk policies and plans of the group.</p> <p>The board is aware of the importance of risk management as linked to the strategy, performance and sustainability of group. It sets the group's risk appetite and tolerance levels annually as part of its review of the group's risk strategy.</p> <p>The board furthermore oversees the risk management process, which is aligned with the principles of KING IV™. Each of the board committees, in particular the audit and risk committee, is responsible for evaluating all material risks in terms of its mandate.</p> <p>Risks to the sustainability of the company's business are identified and managed within acceptable parameters and an approved and defined risk appetite.</p> <p>The duty to identify, assess, mitigate and manage risks within the existing and ever changing risk profile of our operating environment is delegated to management. Mitigating controls are formulated to address risks and the board is kept up to date with progress on the risk management plan.</p> <p>The board and the board committees also continuously monitor and challenge risk management exposures and responses through the regular submission and review of executive management risk reports.</p>

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Governance functional areas (continued)

	Applied	Our response
		<p>📄 Read our audit and risk committee report in our Corporate governance 2021 on www.northam.co.za</p> <hr/> <p>Enterprise risk management Northam's well-defined enterprise risk management policy is a systematic approach to decision-making, based on the principles of cooperation, participation, mitigation and sustainability, adopted to achieve more effective risk management and support good governance practices.</p> <p>Our risk management philosophy is underpinned by:</p> <ul style="list-style-type: none"> ▪ The ability to identify risks which may hamper or promote performance ▪ The appetite to accept and/or tolerate a certain amount of risk in pursuit of strategic goals ▪ The development of a risk register and the assessment of both the likelihood of those risks occurring, as well as the consequence severity, which implies the impact of each risk ▪ Internal and external influencing factors to the risks ▪ The status of management's interventions in responding to risks ▪ Regular updates of the risk register and re-evaluation of identified risks <p>The group internal audit function performs periodic assessments of the effectiveness of the group's risk management function and highlights any deficiencies to management.</p> <hr/> <p>📄 Read about our risks and opportunities in our Annual integrated report 2021 on www.northam.co.za</p>

Technology and information governance

	Applied	Our response
Principle 12: The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.	Yes	<p>The board and the audit and risk committee are responsible for the oversight of the group's information and technology (IT) strategy and policy, as well as ensuring that supporting governance structures and processes are robust. This includes setting the direction of the policy, challenging IT risk assessments and evaluating the effectiveness of the IT function.</p> <p>The group has established an IT steering committee, which is chaired by the CFO.</p> <p>The IT steering committee is responsible for the oversight, maintenance and protection of the group's technology and information resources. It meets at least four times per year and the CFO provides feedback to the audit and risk committee.</p> <p>Measures have been implemented to ensure that various aspects of the group's IT infrastructure and information management are enhanced from a security perspective and incorporated into the Northam IT security strategy.</p>

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Governance functional areas (continued)



	Applied	Our response
		<p>The IT steering committee exercises oversight of the management of information to ensure the following:</p> <ul style="list-style-type: none"> ▪ Information is leveraged group-wide to sustain and enhance the group's intellectual capital ▪ An information architecture that supports confidentiality, integrity and availability of information remains in place ▪ Integration of information risks into organisation-wide risk management ▪ Proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events ▪ Protection of privacy of personal information ▪ Continuous monitoring of information security ▪ Compliance with relevant laws <p>The IT steering committee exercises oversight of the management of technology to ensure the following:</p> <ul style="list-style-type: none"> ▪ Integration of technology risks into organisation-wide risk management ▪ Integration of people, technologies, information and processes across the group ▪ Arrangements are in place to provide for business resilience ▪ Technology architecture enables the achievement of our strategic and operational goals ▪ Management of the performance of, and the risks pertaining to, third-party and outsourced service providers ▪ Appropriate responses to developments in technology, including the leveraging of potential opportunities and the management of disruptive effects on the organisation and our business model, are identified and implemented ▪ The assessment of value delivered to the organisation through investments in technology and information

Compliance governance

	Applied	Our response
<p>Principle 13: The board should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.</p>	Yes	<p>The board is accountable for compliance and continually provides guidance on and oversight of the management of compliance risk.</p> <p>The Northam compliance policy together with the risk management policy and framework assist the board and managing executives in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring legal and regulatory compliance implications are integrated into material strategic, financial and operational decisions.</p>

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Governance functional areas (continued)


	Applied	Our response
		<p>The audit and risk, SEHR&T and the health, safety and environmental committees are responsible for overseeing compliance with laws, regulations, rules, codes and standards, including those relating to broad-based black economic empowerment, employment equity, environmental management, health and safety, HIV/Aids, the United Nations Global Compact Principles and the relevant Organisation for Economic Co-operation and Development (OECD) recommendations.</p> <p>Compliance with all material laws, legislation and regulations applicable to the group are monitored and reported to the board and the relevant board committees responsible for oversight.</p> <p>Ethics is monitored through various means, including an independent ethics and fraud hotline available on our website and through attestation to our code of ethics and conduct. Ethics and fraud hotline reports are a standard agenda item for the audit and risk committee, and management updates the committee at each meeting of transgressions recorded, actions taken, as well as associated sanctions applied.</p> <p>The board receives assurance on the effectiveness of the group compliance activities through the feedback reports from internal audit.</p> <div style="background-color: #f4a460; padding: 5px; border: 1px solid #f4a460;"> <p> There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review</p> </div> <p> See the board committees' reports in our Corporate governance report 2021 on www.northam.co.za</p>

Remuneration governance



	Applied	Our response
<p>Principle 14: The board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.</p>	Yes	<p>Responsible remuneration</p> <p>Northam manages remuneration on a total remuneration basis, which incorporates a combination of remuneration elements (both financial and non-financial) to allow the group to attract, motivate and retain appropriately skilled and experienced individuals who will enable the business to meet its strategic objectives.</p> <p>We have developed organisation wide remuneration guiding principles and the board is committed to ensuring that remuneration of executive management is fair and responsible in the context of general market conditions, company performance, industry pay levels, the economic outlook and overall employee remuneration.</p> <p>The board established and approved the group remuneration policy in line with applicable laws and regulations and oversees the implementation thereof.</p> <p>This policy is reviewed annually, which includes benchmarking remuneration levels against industry peers and organisations of similar complexity. The board, through the SEHR&T committee continued to actively seek feedback on our remuneration policy and the implementation thereof through various interactions with shareholders during the F2021 reporting period.</p> <p>The SEHR&T committee assists the board in overseeing all aspects of the group's remuneration practices. It sets the requirements for policies, relating to remuneration, and oversees the operational implementation of the applicable requirements.</p> <p>The CEO's and CFO's remuneration has been benchmarked by an independent service provider against a comparative group of companies in the South African mining industry.</p>

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Governance functional areas (continued)

	Applied	Our response
	Yes	<p>Shareholder engagement and voting on the remuneration policy and implementation report</p> <p>The group is committed to maintaining regular, transparent and informative dialogue with our shareholders, aimed at building relationships based on trust and mutual understanding.</p> <p>At the Northam Annual General Meeting (AGM) held on 27 November 2020, the advisory non-binding ordinary resolutions relating to the group's remuneration policy and implementation report received 72.93% and 72.96% respectively. This is below the requisite support of 75% of votes. We have engaged with our shareholders on these resolutions and they have expressed the need for current executive share retention schemes to have performance criteria. We have adjusted our schemes accordingly.</p> <p>In line with feedback received, it was also decided that, going forward, there will no longer be a retention element in the company's remuneration. In addition, a separate independent remuneration committee will also be constituted in the new financial year. The independent remuneration committee will continue to ensure that remuneration across the group is in alignment with the group's strategy and facilitates sustainable value creation for all stakeholders.</p> <p>The group will table our 2021 remuneration policy, as well as the Remuneration report, for approval by shareholders as a non-binding resolution at our upcoming Northam Holdings AGM.</p> <p> See our Remuneration report 2021 on www.northam.co.za</p>

Assurance

	Applied	Our response
<p>Principle 15: The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the company's external reports.</p>	Yes	<p>Assurance</p> <p>The board is accountable for combined assurance and sets the direction for the group assurance services and functions by means of the combined assurance policy and framework. The board delegates to the audit and risk committee the responsibility for overseeing that our combined assurance activities are effective in achieving its objectives.</p> <p>Our combined assurance framework establishes integrated and coordinated assurance activities between the four lines of assurance across all levels of the organisation. There is continued and on-going focus on increased collaboration and sharing of information as well as reducing duplication of activities.</p> <p>The internal audit function has been outsourced to KPMG Services Proprietary Limited (KPMG). The responsibilities normally associated with that of a chief audit executive have been allocated to the director in charge of the internal audit function.</p> <p>We provide additional details on the internal and external audit functions, as well as the key areas of focus for the year under review, in our audit and risk committee report.</p> <p> Read the audit and risk committee report in our Corporate governance report 2021 at www.northam.co.za</p> <p> The board is satisfied that our assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision-making</p>

Stakeholder relationships

Stakeholders

	Applied	Our response
<p>Principle 16: In the execution of its governance role and responsibilities, the board should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.</p>	Yes	<p>The board, assisted by the SEHR&T committee, is ultimately responsible for the monitoring of the quality of stakeholder relationships and the effectiveness of our stakeholder engagements.</p> <p>Northam's board approved stakeholder policy regulates the process of engaging and communicating with all defined stakeholders who include, amongst others, both shareholders and employees</p> <p>The board has delegated to management the responsibility for implementation and execution of stakeholder relations policy. Management has developed a strategy and formulated policies for the management of relationships within each defined stakeholder grouping.</p> <p>Along with the 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 through the executive committee for discussion at board level.</p> <p>Stakeholder risks are incorporated into the risk management process and are identified, assessed, mitigated and reported on in the same way as all other risks to the group.</p> <hr/> <p>📄 Read more about our stakeholders and how we engage with them in our Annual integrated report 2021 on www.northam.co.za</p> <hr/> <p>📄 See The board and our stakeholders section in our Corporate governance report 2021 on www.northam.co.za</p> <hr/> <p>📄 Read the SEHR&T committee report in our Corporate governance report 2021 on www.northam.co.za</p>

Conclusion

Northam Platinum Holdings' corporate governance philosophy, frameworks, standards, policies and practices support the achievement of each of the King IV™ principles and enable the board and management to conclude that the group is currently achieving the desired King IV™ governance outcomes in all material respects.

NORTHAM

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smart platinum mining

