

# Governance

DRDGOLD's Board of Directors ensures that the principles of good corporate governance as recognised and practised throughout the world are upheld and implemented. All the directors are fully aware that they are the custodians of corporate governance in the organisation and this is reflected in the way they execute their fiduciary duties which is with diligence, integrity and honour. The intention is that this filters down to all employees. The upholding of such ideals puts the company in a position to improve organisational performance and deliver value to shareholders and stakeholders alike. DRDGOLD has set up systems and controls to promote discipline, transparency, accountability, responsibility and fairness for the protection of the interests of shareholders, employees and the communities in which the company operates.

A detailed account of corporate governance matters may be found in the 2009 Annual Report from page 26 to page 34.

## Compliance

DRDGOLD has formulated policies and implemented practices which are aimed at achieving compliance with the King Report on Corporate Governance for South Africa (the King II Report) in as practical a manner as possible. The third King Report was published on 1 September 2009 and will become effective from March 2010. Due cognisance has been taken of this report – in particular the role of the Audit Committee and the integration of sustainability reporting with financial reporting.

As DRDGOLD is listed on the JSE Limited (JSE), the company is compliant with the JSE Listings Requirements. Its secondary listing is on the Nasdaq Capital Market and the company is registered with the Securities and Exchange Commission in the United States of America. Accordingly, DRDGOLD is subject to compliance with the Sarbanes-Oxley Act of 2002 and to certain Nasdaq Rules.

## Board and its committees

The board has an independent, non-executive chairman, Geoffrey Campbell, and four of its six directors (66.7%) are non-executive, three of whom (50% of the board) are independent. One of the board members is an historically disadvantaged South African (HDSA).

The board is committed to achieving the triple bottom line espoused in the King II Report and the black economic empowerment (BEE) targets set by South African legislation. In line with these objectives, it established the Transformation and Sustainable Development Committee (Transco). The terms of reference were approved by the board in August 2008.

The objectives of this committee are to:

- promote transformation within the company and economic empowerment of previously disadvantaged communities, particularly within the areas where the company conducts business;
- strive towards achieving the goal of equality, as required by the South African constitution and other legislation and within the context of the demographics of the country, at all levels in the company and its subsidiaries; and

- conduct business in a manner that is conducive to the attainment of internationally acceptable environmental and sustainability standards.

The chairman of Transco is Edmund Jeneker, an independent, non-executive director. This committee, which has three members, met twice during 2009.

Sustainability issues also fall within the ambit of the Audit, Risk, Remuneration and Nominations committees. The Audit Committee is composed solely of non-executive directors, all of whom are independent. The six-member Risk Committee includes three independent, non-executive directors and one non-executive director, and met four times during the year under review. Four non-executive directors comprise the Remuneration Committee, three of whom are independent. This committee met five times during the year. Two independent non-executive directors make up the Nominations Committee.

## Code of ethics

The following highlights aspects of the group's Code of Ethics, a complete copy of which will be made available on request or can be accessed on the company's website at [www.drdgold.com](http://www.drdgold.com). Any contravention of this code is regarded as a serious matter.

DRDGOLD acknowledges that all employees have a right to work in a safe and healthy environment. All employees are entitled to fair employment practices and have a right to a working environment free from discrimination and harassment.

The group recognises a very real responsibility to contribute to the local communities and the group encourages employees to participate in, among others, religious, charitable, educational and civic activities, provided that such participation does not make undue demands on their work time or create a conflict of interest.

The group expects employees to perform their duties in accordance with the best interests of the group and not to use their position or knowledge gained through their employment with the group for their private or personal advantage.

Employees may not take up outside employment or hold outside directorships without prior approval of management. Directors who hold outside directorships must disclose same at the quarterly board meetings.

Employees should ensure that they are independent of any business organisation having a contractual relationship with the group or providing goods or services to the group.

An employee should neither accept nor solicit any non-minor gifts, hospitalities or other favours from suppliers of goods or services.

While directors and employees are encouraged to invest in and own shares in the group, such investment decisions must not contravene the conflict of interest provisions of this code, any applicable legislation, or any policies and procedures established by the various operating areas of the group. Most importantly, they must not be based on material non-public information acquired by reason of an employee's connection with the group.

Directors and employees are expected to treat all information pertaining to the group, which is not in the public domain, in the strictest confidence and may not divulge such information to any third party without permission, even after the termination of their services with the group.

The company has an anonymous whistle-blower hotline to deal with complaints from within or outside the company and the Group Risk Manager provides the Audit Committee with a regular report on the whistle-blowing programme.

## Risk management

Responsibility for risk management at DRDGOLD starts with the Board of Directors. The overall objective of the Risk Committee is to assist the board in the discharge of its duties relating to risk management and control responsibilities, assurance issues, health, safety and environmental compliance, and the monitoring and reporting of all these matters. Responsibility for the quality, integrity and reliability of the group's risk management rests with the Risk Committee which facilitates communication between the board, the Audit Committee, internal auditors and other parties engaged in risk management activities.

The Risk Committee meets every quarter and reports back to the board. Additional *ad hoc* meetings may be arranged as and when required. Certain members of executive management are invited to attend Risk Committee meetings on a regular basis, including the Group Risk Manager, the Group Financial Manager and the Group Legal Counsel.

The Risk Committee ensures that:

- an effective risk management programme is implemented and maintained;
- risk management awareness is promoted among all employees;
- risk programmes (financing/insurance) adequately protect the company against catastrophic risks;
- regular risk assessments are conducted;
- the total cost of risk in the long term is reduced;
- the protection of DRDGOLD's assets is promoted throughout the group;
- the health, safety and well-being of all stakeholders is improved; and
- DRDGOLD's activities are carried out in such a way that the safety and health of employees is ensured.

In addition to strategic and corporate risks, the committee also reviews the effectiveness of the operational risk programmes. A heat map, which brings together all the risks that the group faces, is tabled at every meeting.

It is widely recognised that integrating risk management philosophy and practice into the culture of the organisation is an ongoing process. In order to be effective, it must be a continuous, dynamic and developing process that addresses risk across the spectrum – from strategic to operational risk. Thus a variety of surveys, benchmarks, reviews and activities are conducted throughout the year and these are the building blocks of the risk management programme.

This detailed risk management programme has been in place at DRDGOLD for a number of years and its effectiveness has ensured that it forms an integral part of the management of the company. The risk register contains all the relevant information from across the group and this is updated on a quarterly basis.

The process of conducting hazard identification and risk assessment for the operations is based on:

- baseline assessment – covering the whole operation in a systematic way in respect of all risks;
- issues-based assessment – specific assessments carried out prior to the start of an activity; and
- continuous assessment – health, safety and environmental assessments form part of daily activities.

DRDGOLD staff members involved in operational risk management, use risk management information and detailed analyses to assist in decision-making. DRDGOLD, therefore, employs the latest technology and information wherever required.

The system to manage risk involves all significant business and operational risks which could undermine the achievement of business objectives and the preservation of shareholder value. The significant risks facing DRDGOLD, including those at an operational level, have been identified. People have been assigned to each risk and the results of their work to improve controls are reviewed by senior management through regular risk meetings.

In addition to the above initiatives, DRDGOLD also employs third-party consultants to benchmark its operations against other mining operations throughout South Africa and more than 300 different mining companies worldwide.

## Communication with stakeholders

DRDGOLD gives substance to its commitment to transparency through the implementation of an integrated and sustained programme of communication directed at its various stakeholders. These include employees, unions, communities, government and regulators, non-governmental organisations, suppliers, contractors, customers and members of the public.

Effective, two-way communication with the communities within which it operates is an area of growing importance to the group. While, increasingly, much of this communication is required by regulation and statute and takes the form of formal consultation with interested and affected parties, operational management has come to recognise the value of community understanding of and support for management's actions, and of the role that effective communication plays in securing these.

## Significant legal issues or fines

DRDGOLD did not incur any fines during the year under review in respect of non-compliance with laws or regulations. The company is engaged in some legal actions, the details of which appear on pages 113 to 114 of the 2009 Annual Report.