

JSE KING III REGISTER

GOVERNANCE PRINCIPLES UNDER KING III

Governance principles under King III		Narration of how the King III principles were applied or explained
1.1	The board should provide effective leadership based on an ethical foundation	The board has developed a Code of Ethics which instils a culture of responsible leadership and high ethical standards. The Code of Ethics was signed by the chairman and the CEO after its last update in April 2012. Management is required to ensure that each employee who joins the team receives a copy of the Code of Ethics, signs it and is bound by its terms.
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	The board has established the Social and Ethics Committee which monitors progress on the company's corporate citizenship responsibilities. More information on DRDGOLD's contribution to the communities around its operations can be found in the business performance section of this report.
1.3 and 2.5	The board should ensure that the company's ethics are managed effectively	To ensure the company's Code of Ethics is upheld the executive officer: legal, compliance and company secretary was mandated to conduct a Code of Ethics awareness campaign at the operations. Fraud and corruption were also addressed, including the application of the Foreign Corrupt Practices Act. In order to assess the level of understanding of the company's policies on corruption and related matters, a questionnaire was distributed to employees for completion. At the time of writing the results of the exercise were being analysed.
2.1	The board should act as the focal point for and custodian of corporate governance	The board meets at least four times a year, and has adopted a Board Charter. Senior managers are invited to the board and committee meetings where they interact, and at which management reports on stakeholder relations.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	During the period under review the board conducted joint Audit Committee and Risk Committee (Risco) meetings to ensure the identification of key performance and risk areas and the alignment of controls. All directors were also invited to the joint meetings. Long-term and short-term strategies for the business are standard agenda items and discussed at all quarterly board meetings. The board has developed a board strategy scorecard which is updated on a regular basis.
2.6	The board should ensure that the company has an effective and independent Audit Committee	See page 89 and page 93 of this report.
2.7	The board should be responsible for the governance of risk	The board has delegated the risk function to Risco as outlined below and Risco reports to the board after every meeting. All members of the board are also members of Risco.
2.8	The board should be responsible for information technology (IT) governance	See principles under chapter 5 below.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	See principles under chapter 6 below.
2.10	The board should ensure that there is an effective risk-based internal audit	See principles under chapter 7 below.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	See principles under chapter 8 below.
2.12	The board should ensure the integrity of the company's Integrated Report	See principles under chapter 9 below.
2.13	The board should report on the effectiveness of the company's system of internal controls	See principles under chapter 10 below.

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2.14	The board and its directors should act in the best interests of the company	The board refers to this fact from time to time when executing its duties. In the Code of Ethics the principles of fairness and justice are endorsed.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, and as defined in the Companies Act	To demonstrate that the board does execute this function, during the 2011 period the board determined that one of its subsidiaries was financially distressed. However, the view was that it could be rescued and a recommendation was made to the subsidiary's board that business rescue proceedings (under chapter 6 of the Companies Act) be instituted. The board continuously considers the solvency and liquidity tests.
2.16	The board should elect a chairman who is an independent NED. The CEO of the company should not simultaneously hold the role of chairman of the board	Geoffrey Campbell is chairman of the board. He is an independent NED. Niël Pretorius holds the position of CEO.
2.17	The board appoints the CEO and establishes a framework for the delegation of authority	The board has appointed a CEO, developed a Board Charter and established a framework for the delegation of authority.
2.18	The board should comprise a balance of power, with a majority of NEDs. The majority of non-executive directors should be independent	There are two executive directors. An additional NED was appointed in April 2014 and there are now five NED on the board. All are independent in accordance with the definitions of King III and the Companies Act. The board is composed of directors with a variety of skills and backgrounds and they complement each other in the execution of their duties.
2.19	Directors should be appointed through a formal process	The board established the Nominations Committee which sits on an <i>ad hoc</i> basis to recruit new directors when needed. According to the MOI, newly-appointed directors must be confirmed at the AGM. The appointment of Johan Holtzhausen, appointed on 25 April 2014, as well as Messrs Meyer and Turk, will be considered and voted on at the company's AGM on 28 November 2014.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	Newly-appointed directors are taken through an induction programme set out in policy documents approved by the board. A formal induction programme for Johan Holtzhausen was conducted on 25 August 2014 in accordance with the company's approved policy. Our sponsors, One Capital, delivered a presentation on directors' duties and responsibilities with respect to the JSE Listings Requirements, Companies Act and King III. In February 2014 the board received a briefing from Paterson and Cooke on the workings of pipelines which form an integral part of the company's core business. An understanding of how the pipeline operates will assist directors to fulfil their duty of care, skill and diligence. On 27 August 2014 the board was given guidance on how the tailings dams operate.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	During the year under review the board was assisted by Themba Gwebu who has been company secretary since April 2005. The board is satisfied that he is suitably qualified and experienced. His CV can be found on page 9 of this report.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	In July 2014 the company appointed Centre for Conscious Leadership to evaluate the effectiveness of the DRDGOLD board and its committees during FY2014. Each director completed a questionnaire and was interviewed. The facilitator then submitted a written report confirming that the effectiveness of the board and its committees was satisfactory.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The committees of the board and their functions are discussed on pages 86 to 95 of this report.

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2.24 A governance framework should be agreed between the group and its subsidiary boards	Some of the directors of the subsidiary companies are also members of the DRDGOLD executive committee. Regular joint leadership workshops are held by senior management at the corporate office and at the operations. This helps to align the implementation of group strategy. The CEO and CFO ensure that the operational directors know the direction expected from DRDGOLD's perspective and the subsidiary directors also contribute towards group strategy through such interaction.
2.25 Companies should remunerate directors and executives fairly and responsibly	The company's remuneration policy is set out on page 110 to page 113 of this report.
2.26 Companies should disclose the remuneration of each individual director and certain senior executives	This principle is addressed on page 112 to page 113 of this report.
2.27 Shareholders should approve the company's remuneration policy	A non-binding vote on the company's remuneration policy is sought from shareholders at every AGM.
3.1 The board should ensure that the company has an effective and independent Audit Committee	The CVs of the members of the Audit Committee can be found on page 8 and page 9 of this report. The Audit Committee's report is in the AFS 2014. The board is satisfied that the Audit Committee is effective and has recommended to the shareholders that its members be re-elected at the AGM to be held on 28 November 2014.
3.2 Audit Committee members should be suitably skilled and experienced independent non-executive directors	The narration under principle 3.1 above applies here.
3.3 The Audit Committee should be chaired by an independent non-executive director	Robert Hume has been chairman of the Audit Committee from 10 October 2001. His term expires on 30 September 2014 and he has requested that his contract should not be renewed beyond this date. Johan Holtzhausen will take over as chairman of the Audit Committee from 01 October 2014. Both Robert Hume and Johan Holtzhausen are independent NEDs.
3.4 The Audit Committee should oversee integrated reporting	The Audit Committee oversees the preparation of the company's Integrated Report which will be considered by the Audit Committee during September 2014 and recommended to the board for approval.
3.5 The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	The Audit Committee and management provide internal assurance. KPMG Inc. has been mandated to conduct assurance as required.
3.7 The Audit Committee should be responsible for overseeing the internal audit	The head of internal audit reports directly to the Audit Committee as far as internal audit matters are concerned. Some of the internal audit work has been outsourced to Pro-Optima Audit Services Proprietary Limited, an independent company. The budget and scope of work is approved by the Audit Committee. The internal audit report is tabled before the Audit Committee every quarter for consideration.
3.8 The Audit Committee should be an integral component of the risk management process	The risk function is performed by Risco. Members of the Audit Committee attend and participate in the Risco meetings on a quarterly basis.
3.9 The Audit Committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process	The committee is satisfied that KPMG Inc. is JSE-approved. Its engagement partner is Jacques le Roux. At the 2013 AGM it recommended to shareholders that KPMG Inc. be re-appointed as the company's external independent auditors.

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3.10	The Audit Committee should report to the board and shareholders on how it has discharged its duties	The Audit Committee report is in the AFS 2014.
4.1	The board should be responsible for the governance of risk	The board is satisfied that it has adequately dealt with governance of risk. It has established Risco which is chaired by the CEO. The board appointed the CEO as chairman of Risco because it believes the risks prevailing in a mining company include those relating to safety and these can result in loss of life. By appointing the CEO as chairman, Risco has someone with hands-on involvement in the company to steer the meetings in the right direction. This procedure ensures all critical risks are identified and addressed.
4.2	The board should determine the levels of risk tolerance	The board, at quarterly Risco meetings, and according to a previously agreed format, reviews the major risks to show the individual risk levels.
4.3	The Risk Committee (Risco) or Audit Committee should assist the board in carrying out its risk responsibilities	Risco is responsible for overseeing risk management. Its functions are set out on page 88 to page 93 of this report.
4.4	The board should delegate to management the responsibility of designing, implementing and monitoring the risk management plan	The board appointed the first group risk manager in 2002. The risk manager reports to Risco.
4.5	The board should ensure that risk assessments are performed on a continuous basis	The group risk manager conducts risk assessments for the group. These assessments are documented into a 'risk map' which is tabled before Risco every quarter for discussion. It is thus reviewed and updated regularly, and risk rankings are updated every quarter.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	The current methodology assesses all major risks considering the impact, likelihood and control efficiencies of each risk. These risks as well as potential risks are reviewed quarterly to ensure as wide as possible coverage.
4.7	The board should ensure that management considers and implements appropriate risk reports	The company's implementation of appropriate measures during the period under review included the following: quarterly meetings with Ergo's Exco and quarterly CEO meeting with senior management.
4.8	The board should ensure continual risk monitoring by management	Management tables its 'risk map' at every Risco meeting. This enables the board to monitor the implementation of measures intended to respond to areas of risk.
4.9	The board should receive assurance regarding the effectiveness of the risk management process	Risco provides assurance to the board.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	The group risk manager attends regular meetings at the operations to identify current, imminent or envisaged risks and reports these to Exco. Material and imminent risks are reported to shareholders via SENS. Risks facing the company and envisaged risks are reported in the Integrated Report and in Form 20-F, filed with the SEC.
5.1	The board should be responsible for IT governance	The board has appointed the group risk manager to report to Risco on information technology (IT) governance issues. The IT governance policies have been established and are being implemented. Risco discusses management reports on IT governance on a regular basis.

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5.2 IT should be aligned with the performance and sustainability objectives of the company	The IT structure and process is designed to serve the surface retreatment nature of our operations. DRDGOLD has embarked on a compliance project intended to cover the core areas of the company's business such as environmental management, surface resources etc. The testing phase of the environmental module is complete and will go live in the near future. Modules for other business performance areas are under development.
5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework	Risco has delegated the day-to-day management of the IT responsibility to the CFO who has been given the responsibility to appoint the chief information officer who is responsible for the management of IT.
5.4 The board should monitor and evaluate significant IT investments and expenditure	The function of IT investment and expenditure rests with the CFO who ensures that an updated and effective IT system is in place.
5.5 IT should form an integral part of the company's risk management	This principle falls under the discussion of risk management.
5.6 The board should ensure that information assets are managed effectively	This responsibility has been undertaken by management. The company complies with the Promotion of Access to Information Act which, <i>inter alia</i> , provides that an information officer be appointed and a manual be developed. These tasks have been completed. Other records are managed by appropriate sections e.g. the company secretary's office, the finance department etc.
5.7 Risco or the Audit Committee should assist the board in carrying out its IT responsibilities	Risco has been tasked to oversee IT risks and management from a board perspective.
6.1 The board should ensure that the company complies with applicable laws and consider adherence to non-binding rules, codes and standards	The company has established a legal division which is headed by the executive officer: legal, compliance and company secretary. The executive officer and the senior legal advisor ensure continuous research so that new laws are identified for purposes of compliance. Seminars, conferences, and subscription to law journals assist in keeping the company up to date with legal developments. The company also receives updates from a panel of SA and USA law firms that provide legal advisory services from time to time.
6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	When new directors are appointed they are taken through an induction process which involves training in the laws, rules, codes and standards applicable to DRDGOLD and its operations. The board meeting agendas incorporate the company secretarial report which contains regular updates on laws and rules that apply to the company.
6.3 Compliance risk should form an integral part of the company's risk management process	This forms part of DRDGOLD's risk management process.
6.4 The board should delegate to management the implementation of an effective compliance framework and process	The company currently applies the approach set out under principle 6.1 above and believes that it applies here as well. Although the company is of the view that the process stated under 6.1 above serves the purpose, the compliance framework is under development.
7.1 The board should ensure that there is an effective risk-based internal audit	The board is satisfied an effective risk-based internal audit exists. The head of the group's internal audit is also the group risk manager which enables the two functions to be properly aligned. To strengthen the internal audit function further, Pro-Optima Audit Services Proprietary Limited, an independent internal audit firm, was appointed to provide additional internal audit services.
7.2 Internal audit should follow a risk-based approach to its plan	The internal auditors also focus on risk when preparing their annual plan which is tabled before the Audit Committee for consideration and approval. Risco also has the opportunity to comment as members are invited to the Audit Committee meetings.

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7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	The system of internal controls is discussed on page 89 of this report.
7.4	The Audit Committee should be responsible for overseeing internal audit	The Audit Committee oversees internal audit by, <i>inter alia</i> , approving its audit plan on an annual basis. The board is of the view that there is no need for independent assurance because the internal auditors participate in the internal audit process.
7.5	Internal audit should be strategically positioned to achieve its objectives	The head of the internal audit reports directly to the Audit Committee. He is also the group risk manager. The Audit Committee and Risco conduct joint meetings to ensure the alignment of their functions. Internal audit reports quarterly to the Audit Committee.
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	The board recognises the importance of stakeholder perception. Investor relations is a standard agenda item. The operational report delivered by the CEO also addresses stakeholder relations when needed. Road shows are conducted annually. The senior legal advisor is the direct contact for government relations. All material information is released on SENS and on the company website as and when it is reasonably possible. At the operational level, teams are established to interact regularly with the community. Matters addressed include the effects of surface retreatment on residents, such as dust pollution, slime spillage etc. The company also retains the services of an investor relations company.
8.2	The board should delegate to management to deal pro-actively with stakeholder relationships and the outcome of these dealings	
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	
8.4	Companies should ensure the equitable treatment of shareholders	
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	All material information is released on SENS and the NYSE simultaneously. Immediately thereafter it is posted on the company website.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	The company has structures through which disputes are resolved. For example, the company belongs to the local dust-monitoring forum – attended by, <i>inter alia</i> , community representatives, government officials and NGOs. This provides an opportunity for dust-related complaints which may be linked to our operations to be resolved. The agreement which the company enters into has dispute-resolution clauses.
9.1	The board should ensure the integrity of the company's Integrated Report	The board considers and approves the Integrated Report on an annual basis. The company has taken another step on the integrated reporting journey and sustainability information is no longer contained in a separate report as in the past, but is now woven, or 'integrated', into this Integrated Report, published in September 2014.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	
9.3	Sustainability reporting and disclosure should be independently assured	