



Mark Wellesley-Wood



Ian Murray



David Baker



Geoffrey Campbell



Robert Hume

## ► DIRECTORS

### EXECUTIVE DIRECTORS

#### Mark Michael Wellesley-Wood<sup>(1)</sup> (53)

*Executive Chairman*

*Member (Risk Committee)*

Mr Wellesley-Wood was appointed Non-Executive Chairman in May 2000 and appointed Chairman and Chief Executive Officer in November 2000. He resigned as Chief Executive Officer and was appointed Executive Chairman on 19 December 2003. Mr Wellesley-Wood holds a degree in Mining Engineering from the Royal School of Mines, Imperial College London and an MBA from City Business School. He is a Chartered Engineer, a Member of the Institution of Mining and Metallurgy, a former Member of the Stock Exchange in London, a Fellow of the Securities Institute and a Member of the Society of Investment Professionals. He is a former member of the London Stock Exchange and has been involved in all aspects of raising finance and financial advice for mining companies since 1977. Mr Wellesley-Wood is also a Director of Oxus Gold Limited, WCS Limited and Emperor Mines Limited. He was Chairman of the Unwins Wine Group Limited from December 2001 to December 2003 and now serves on its Major Shareholder Committee.

#### Ian Louis Murray<sup>(2)</sup> (38)

*Chief Executive Officer and Chief Financial Officer*

Mr Murray was appointed Manager Corporate Finance in 1997, Alternate Director in July 1999, Chief Financial Officer in November 2000 and Deputy Chief Executive Officer in January 2003. He resigned as Chief Financial Officer in

January 2003 but re-assumed that position on 30 June 2003 upon the resignation of Mr JH Dissel. On 19 December 2003 he was appointed Chief Executive Officer and Chief Financial Officer. Mr Murray obtained his B.Comm degree from the University of Cape Town, with distinction, in 1988, passed the Board Exam of the South African Institute of Chartered Accounts (SAICA), in 1989, the Chartered Institute of Management Accountants (CIMA) qualification exam in 1990 and obtained his Advanced Taxation Certificate from the University of South Africa in 1993. He is consequently a member of SAICA and CIMA. Prior to joining DRDGOLD, he was Group Financial and Administration Manager of Bioclones (Pty) Limited, a subsidiary of SA Breweries, from August 1995 to January 1997. Mr Murray is also a director of Net-Gold Services Limited and G.M. Network Limited (GoldMoney.com).

### NON-EXECUTIVE DIRECTORS

#### David Christopher Baker<sup>(3)</sup> (45)

*Independent Non-Executive Director*

*Member (Audit and Risk Committee)*

Mr Baker was appointed as Non-Executive Director in 2002. Mr Baker is a qualified metallurgist and started his career at the CRA Broken Hill mine in Australia. During 1986 he joined Capel Court Powell in Sydney as a mining analyst and later joined James Capel in London in a similar position. In 1992, Mr Baker joined Merrill Lynch Investment Management as director Global Natural Resources where as portfolio manager he successfully managed the Mercury Gold Metal Open Fund from

its launch in 1995. In 2001, Mr Baker helped establish Baker Steel Capital Manager LLP, a boutique investment house that specialises in managing clients' funds in the natural resource market. At August 2004, the company had 10 employees and over US\$450 million under management, with offices in both London and Sydney. Mr Baker is also a director of Baker Steel Limited, Emperor Mines Limited, Northcliffe Holdings Pty. Ltd and Serpent Investment Pty. Ltd.

#### Geoffrey Charles Campbell<sup>(1)</sup> (43)

*Senior Independent Non-Executive Director*

*Chairman (Remuneration Committee), Member (Audit Committee)*

Mr Campbell was appointed as Non-Executive Director in 2002. and as Senior Independent Non-Executive Director in December 2003. Mr Campbell is a qualified geologist and started his professional career working on gold mines in Wales and Canada. In 1986 he joined Sheppards Stockbrokers in London as a mining analyst. In 1988 he joined the Australian stockbrokers, Ord Minnett, and spent some time working for its sister company, Fleming Martin in New York as a senior research analyst. In 1995 Mr Campbell joined Merrill Lynch Investment Managers to run the Gold and General Fund, one of the largest gold mining investment funds. He was also Research Director for Merrill Lynch Investment Managers, responsible for co-ordinating the investment research across the entire group. Mr Campbell is currently the managing director of Boatlaunch Limited.



Moltin Paseka Ncholo



Douglas Blackmur



Anton Lubbe



Deon van der Mescht

## NON-EXECUTIVE DIRECTORS (Continued)

### Robert Peter Hume<sup>(2)</sup> (64)

*Independent Non-Executive Director  
Chairman (Audit Committee)*

Mr Hume was appointed Non-Executive director in 2001. Mr Hume has 41 years' experience in the auditing field of which the last 18 years were as partner in the East London office of KPMG. Since retirement in 1999, he has spent five years as investment manager at Sasfin Frankel Pollak in East London. Mr Hume is also a director of King Consolidated Holdings Limited.

### Moltin Paseka Ncholo<sup>(2)</sup> (41)

*Non-Executive Director*

Dr Ncholo was appointed Non-Executive Director in 2002. Awarded his doctorate in philosophy in 1992, Dr Ncholo was admitted as an advocate of the High Court of South Africa in 1994. Prior to becoming the Chairman of Khumo Bathong Holdings (Pty) Ltd and East Rand Proprietary Mines Ltd in 1999, he was Director-General of the Department of Public Service and Administration in the South African Government. Dr Ncholo is a Director of Crown Gold Recoveries (Pty) Ltd (CGR).

### Douglas John Meldrum Blackmur<sup>(3)</sup> (60)

*Independent Non-Executive Director  
Chairman (Risk Committee), Member  
(Remuneration Committee)*

Professor Blackmur was appointed as a Non-Executive Director in October 2003. He holds a doctorate in industrial relations from the University of Queensland and has a career which spans more than 35 years, primarily in the academic and human resources fields. He currently holds the position of Professor of Management at the University of the Western Cape.

## ALTERNATE DIRECTORS

### Anton Lubbe<sup>(2)</sup> (45)

*Alternate Director*

Mr Lubbe was appointed an Alternate Director to Mr Murray on 30 June 2003. He holds a BSc (Mining) degree with distinction (Wits), Graduate Diploma in Engineering (Wits) and an MBA from the University of Wales. Mr Lubbe started his career with Blyvooruitzicht Gold Mining Company Limited in 1980 and has held numerous management positions in the mining industry. In January 2003, he became General Manager of Hartebeestfontein Mine and was promoted to Divisional Director: Growth and Technical Services in March 2003.

### Deon van der Mescht<sup>(2)</sup> (41)

*Alternate Director*

Mr van der Mescht was appointed an Alternate Director to Mr Wellesley-Wood on 30 June 2003. He started his career as a learner official at Evander Gold Mines Ltd in the early 1980s. Shortly thereafter, he obtained his National Higher Diploma in Metalliferous Mining. In 1998, he became a Production Manager at Buffelsfontein Mine and in January 2002 was appointed General Manager of Blyvooruitzicht Mine. Appointed General Manager: South African Operations in March 2003, and as Divisional Director: South African Operations in July 2003. Mr van der Mescht resigned from the Group on 5 August 2004.

<sup>(1)</sup> British  
<sup>(2)</sup> South African  
<sup>(3)</sup> Australian



Grant Dempsey



Johann Engels



Richard Johnson



Wayne Koonin



Michael Marriott

## ► MANAGEMENT

### DIVISIONAL DIRECTORS

#### Grant Dempsey (43)

*Divisional Director: Consulting Engineer*  
Appointed Divisional Director Consulting Engineer in May 2004, Mr Dempsey has 26 years' experience in the mining industry.

#### Johann Engels (50)

*Divisional Director: Group Human Resources*  
Appointed Group Human Resources Manager in July 2002, Mr Engels has 27 years' experience in the mining industry. Mr Engels is an Alternate Director of Rand Mutual Assurance Ltd.

#### Richard Johnson<sup>(1)</sup> (53)

*Divisional Director: Australasia*  
Appointed Divisional Director: Australasia in June 2003, Mr Johnson has 21 years' experience in the mining industry.

#### Wayne Gregory Koonin (34)

*Divisional Director: Group Finance*  
Mr Koonin was appointed Divisional Director: Group Finance in October 2003. A member of the South African Institute of Chartered Accountants, he has eight years' experience as a Financial Director at board level across a number of industries, including coal mining. Mr Koonin is a Director of Rand Refinery Limited and is a member of their Audit Committee.

#### Michael Marriott (49)

*Divisional Director: South African Operations*  
Mr Marriott was appointed General Manager: Special Projects in March 2004 and Divisional Director: South African Operations in August 2004. He has 31 years' experience in the gold mining industry.

### SENIOR MANAGEMENT

#### William Thomas Beer (52)

*Chief Administration Officer*  
Mr Beer was appointed Chief Administration Officer in January 2002 and has 22 years' management experience.

#### Ilja David Graulich (32)

*General Manager: Investor Relations*  
Mr Graulich was appointed General Manager: Investor Relations in February 2003. He is a former financial journalist and has six years' experience across a number of media sectors. He was previously Mining Editor of a pre-eminent South African financial newspaper. Mr Graulich is a Director of Net-Gold Services Limited and an Alternate Director of G.M. Network Limited (GoldMoney.com) and of Rand Refinery Limited.

#### Daniel Johannes Pretorius (37)

*Group Legal Counsel*  
Appointed Group Legal Counsel in February 2004, Mr Pretorius has 11 years' experience in the mining industry.

#### Andrea Isolde Townsend (37)

*Group Company Secretary*  
Appointed Group Company Secretary in October 2003, Ms Townsend is a qualified attorney. She has four years' experience in legal practice and 10 years' experience in the corporate legal and company secretarial fields in the financial services industry.

<sup>(1)</sup> Zimbabwean



William Beer



Ilja Graulich



Daniel Pretorius



Andrea Townsend

We are committed to high standards of corporate governance throughout the Group and we support the principles as set out in the King II Report

## ▶ CORPORATE GOVERNANCE

### INTRODUCTION

The Board of Directors believes that corporate governance is about how we exercise best business practice throughout the organisation. It is the means by which we enhance our organisational performance and deliver value to shareholders and stakeholders alike. The systems put in place serve to enhance transparency and accountability by providing checks and balances throughout the organisational structure.

We are committed to high standards of corporate governance throughout the Group. We support the principles as set out in the King II Report and except where otherwise stated, DRDGOLD's practices and policies remained in compliance with these principles for the entire year under review.

The Company is registered with the Securities and Exchange Commission (SEC) in the United States of America and its ordinary shares are quoted on the NASDAQ SmallCap Market in the form of an American Depository Shares (ADS) Programme, administered by the Bank of New York. Accordingly, DRDGOLD is bound by the Sarbanes-Oxley Act of 2002 and is instituting the policies and procedures for implementing the requirements of that Act. The Company's shares are also quoted on the London Stock Exchange and as such the Company must comply with the Combined Code as provided by the Listing Rules of the United Kingdom Listing Authority. Furthermore, the Company's shares are quoted on the JSE Securities Exchange South Africa, which is its primary listing, the Port Moresby Stock Exchange and the Australian Stock Exchange

and the Company must comply with the Listing Rules of these Exchanges.

Further re-inforcing its resolve to continue pursuing a policy of global best practice in business management and corporate governance, the Group achieved the following milestones during the year under review:

- ▶ The separation of the combined role of Chairman and Chief Executive Officer with the appointment of Mr Wellesley-Wood as Executive Chairman and Mr Murray as Chief Executive Officer (CEO).
- ▶ The adoption of a Vision and Core Value Statement in line with the present and longer-term direction of the Group. The full text of the statement is to be found on page 2 of this report.
- ▶ The adoption of a Code of Ethics, a brief description of which is to be found on page 47 of this report.
- ▶ The establishment of a Risk Committee, discussed in more detail on pages 45 to 46 of this report.
- ▶ The adoption of a directors' share dealing policy, which regulates the dealing in shares by Directors and Company Secretaries.
- ▶ The appointment of a Senior Independent Non-Executive Director in the person of Mr Campbell.

### THE BOARD OF DIRECTORS

The Board of Directors currently comprises two Executive Directors and five Non-Executive Directors. The Chief Executive Officer has an alternate director. All the Non-Executive Directors are

independent, with the exception of Dr Paseka Ncholo. The Directors are identified on page 4 of this report.

In accordance with the King II Report on corporate governance, as encompassed in the JSE Listing Rules, and in accordance with the Combined Code, the responsibilities of Chairman and Chief Executive Officer were separated on 19 December 2003. Mr Wellesley-Wood is now Executive Chairman and Mr Murray was appointed as CEO. A Senior Independent Non-Executive Director, Mr Campbell, was appointed during the year under review. In future, the evaluation of the Chairman's performance will be considered by the Non-Executive Directors led by the Senior Independent Non-Executive. An additional Non-Executive Director, Professor Blackmur, was appointed on 21 October 2003. Subsequent to year-end Mr van der Mescht, Divisional Director: South African Operations and an alternate member of the board, resigned on 5 August 2004. The Group has not yet established a nominations committee and it is current policy that details of a prospective candidate are distributed to all Directors for formal consideration at a meeting of the Board. A prospective candidate would be invited to attend a meeting and be interviewed before any decision is taken.

All of the Directors bring to the Board a wide range of expertise as well as significant financial, commercial and technical experience and, in the case of the Non-Executive Directors, independent perspectives and judgement.

The Board is responsible for setting the direction of the Group through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined, written delegations to management for the detailed planning and implementation of such objectives and policies. The Board retains full and effective control over the Group, meeting on a quarterly basis with additional ad hoc meetings being arranged when necessary, to review strategy and planning and operational and financial performance. The Board further authorises acquisitions and disposals, major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision in terms of its terms of reference. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within the Group and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various sub-committees of the Board, including special committees tasked to deal with specific issues.

While the Executive Directors are involved with the day-to-day management of the Group, the Non-Executive Directors are not, nor are they full-time salaried employees.

The Directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of the Group. The Board operates in a field which is technically complex and the Directors are continuously exposed to information which enables them to fulfil their duties. To assist new Directors, an induction programme has been established by the Group, which includes background materials, meetings with senior management, presentations by the Group's advisors and site visits.

The Directors are assessed annually, both individually and as a Board, as part of an evaluation process, which is driven by an independent consultant. In addition, the Remuneration Committee formally evaluates the Executive Directors and the Alternate Directors on an annual basis, based on objective criteria.

All Directors, in accordance with the Company's Articles of Association, are subject to retirement by rotation and re-election by shareholders. In addition, all Directors are subject to re-election by shareholders at the first Annual General Meeting following their appointment. The appointment of new directors is approved by the Board as a whole. The names of the Directors submitted for re-election are accompanied by sufficient biographical details in the notice of the forthcoming Annual General Meeting to enable shareholders to make an informed decision in respect of their re-election.

All Directors have access to the advice and services of the Company Secretary, who is

responsible to the Board for ensuring compliance with procedures and regulations of a statutory nature. Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Group's expense, should they believe that course of action would be in the best interests of the Group.

The independence of the Non-Executive Directors (except for Dr Paseka Ncholo) complies with the relevant definitions and requirements of the various listing authorities mentioned above. The majority of the Non-Executive Directors have options in terms of the Group's Share Option Scheme, but the Company does not believe that this interferes with their independence. Particulars regarding Directors' remuneration and Share Options, as well as their interest in the issued ordinary share capital of the Company, are set out in full on pages 52 to 54 of this report.

DRD (Isle of Man) has established a Board of Directors. This Board comprises three Non-Executive Directors, Mr Gisborne, Mr Matthews and Mr Campbell. Mr Wellesley-Wood is the Executive Chairman, with Mr Murray as his alternate. Subsequent to year-end, DRD Isle of Man has established a branch office in Singapore, to facilitate further expansion in the Asia Pacific region.

## **BOARD MEETINGS AND RESOLUTIONS**

Board meetings are held quarterly in South Africa or internationally. The structure and timing of the Company's

## ▶ CORPORATE GOVERNANCE

board meetings, which are scheduled over two or three days, allows adequate time for the Non-Executive Directors to interact without the presence of the Executive Directors.

An agenda and supporting papers are distributed to all directors prior to each board meeting. Appropriate explanations and motivations are provided for items of business requiring resolution at the meeting. This ensures that relevant facts and circumstances are brought to the attention of Directors. In terms of good governance, the Directors can conduct unrestricted inspections of all Company property, information and records.

In addition to the quarterly board meetings, there is provision in the Company's Articles of Association for decisions to be taken between meetings by way of Directors' written resolutions. These resolutions are circulated to the Directors in a round robin fashion, supported by full motivations and explanations, and the directors are afforded five days to apply their minds to the matter at hand before they approve the resolution.

### BOARD COMMITTEES

The Board has established a number of standing committees to enable it to properly discharge its duties and responsibilities and to effectively fulfil its decision-making process. Each committee

acts within written terms of reference which have been approved by the Board and under which specific functions of the Board are delegated. Each committee has defined purposes, membership requirements, duties and reporting procedures. Minutes of the meetings of these committees are circulated to the members of the committees and made available to the Board. Remuneration for Non-Executive Directors for their services on the committees concerned is determined by the Board. Currently in the case of each committee this comprises: Chairman US\$4 000 per annum; members US\$2 000 per annum. The committees are subject to regular evaluation by the Board with respect to performance and effectiveness.

Details of attendance by Directors at the five Board meetings held during the 2004 financial year are set out below:

		23 Jul 2003	21 Oct 2003	26 Jan 2004	23 Mar 2004	26 Apr 2004	27 Apr 2004
M M Wellesley-Wood	Executive Chairman	✓	✓	✓	✓	✓	✓
I L Murray	Chief Executive Officer and Chief Financial Officer	✓	✓	✓	✓	✓	✓
G C Campbell	Senior Independent Non-Executive	✓	✓	✓	✓	✓	✓
D C Baker	Independent Non-Executive	✓	✓	✓	✓	✓	✓
D J M Blackmur	Independent Non-Executive	N/A	✓	✓	✓	✓	✓
R P Hume	Independent Non-Executive	✓	✓	✓	✓	✓	✓
M P Ncholo	Non-Independent Non-Executive	✓	✓	A	✓	✓	A
A Lubbe	Alternate	✓	✓	✓	✓	✓	✓
D T van der Mescht	Alternate <sup>(1)</sup>	✓	✓	✓	✓	✓	✓

All meetings were held in Johannesburg, with the exception of the April board meeting, which was held in London.

A Absent

✓ Includes attendance through teleconference or videoconference facilities

<sup>(1)</sup> Resigned on 5 August 2004

The following information reflects the composition and activities of these committees:

### **Executive Committee**

The Executive Committee reviews current operations in detail, develops strategy and policy proposals for consideration by the Board and implements its directives. The Committee meets on a weekly basis and when members are not able to attend personally, telephonic facilities are made available to include them in relevant proceedings and to permit participation in decisions and conclusions reached.

The Committee comprises: WT Beer; G Dempsey; J Engels; M Marriott; D van der Mescht (resigned 5 August 2004); IL Murray; ID Graulich; R Johnson; WG Koonin; A Lubbe; DJ Pretorius; AI Townsend; MM Wellesley-Wood. The Committee is chaired by Mr Murray or Mr Wellesley-Wood in his absence.

### **Audit Committee**

*RP Hume (Chairman); DC Baker;  
GC Campbell*

The Audit Committee comprises solely Non-Executive Directors, all of whom are independent. The primary responsibilities of the Audit Committee, as set out in the Audit Committee Charter, are to assist the Board in carrying out its duties relating to selection and application of accounting policies, internal financial controls, financial reporting practices, identification of exposure to significant financial risks and the preparation of accurate financial reporting and financial statements in

compliance with all applicable legal requirements and accounting standards.

The Audit Committee meets quarterly with the external auditors, the Company's Internal Audit Practitioner, the Chief Financial Officer and the Divisional Director: Group Finance. The Committee reviews the audit plans of the internal auditors to ascertain the extent to which the scope of the audit can be relied upon to detect weaknesses in the internal controls and reviews the annual and interim financial statements prior to approval by the Board.

The Committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors as well as the remuneration and terms of engagement of the external auditors. The Committee pre-approves all services provided by the external auditors and has implemented a policy regarding the provision of non-audit services by external auditors, and pre-approval thereof. The Company's external audit function is currently being undertaken by KPMG Inc.

The Company's internal audit function has been outsourced to Pro Optima Audit Services (Pty) Ltd. The appointment of the internal auditors is considered by the Committee, and the final appointment is then confirmed by the Board. Internal audits are performed at all of the Group's operating units and are aimed at reviewing, evaluating and improving the effectiveness of risk management, internal control and governance processes. Material deficiencies, instances of non-compliance, high-risk

exposure and development needs are brought to the attention of operational management for resolution. All internal audit reports are then submitted to the Committee for approval. The Committee members have access to all records of the internal audit team. The internal audit function is currently undergoing an independent evaluation by an external third party company, to ensure best practice and to provide strategic input on this key function.

The Group's internal and external auditors have unrestricted access to the Chairman of the Audit Committee and, where necessary, to the Chairman of the Board and Chief Executive Officer. All important findings arising from audit procedures are brought to the attention of the Committee and, if necessary, to the Board.

The Board has obtained assurance from management and the internal auditors that there have been no significant breakdowns in the internal control systems during the year under review.

The Group's disclosure control procedures necessary to ensure compliance with the United States of America Sarbanes-Oxley Act of 2002 are being implemented. A dedicated sub-committee, which reports to the Audit Committee and then to the Board, has been established for this purpose.

In terms of the new NASDAQ Corporate Governance standards, which were approved by the SEC in November 2003, the Company must disclose in the Form 20-F whether any member of its Audit Committee is a financial

## ► CORPORATE GOVERNANCE

expert as defined and, if not, the reasons why not. It must be noted that no member of the audit committee currently has US GAAP experience and as such the Group is not compliant with this requirement. We have retained the services of Ernst & Young to assist management on all matters relating to US GAAP for which we require additional expertise.

### ANNUAL FINANCIAL STATEMENTS

The Directors are required by the South African Company's Act, 1973, to maintain adequate accounting records and are responsible for the preparation of the annual financial statements which fairly represent the state of affairs of the Group at the end of the financial year, and the results of operations and cash flows for the year, in conformity with South African Statements of Generally Accepted Accounting Practice (SA GAAP). The Directors are of the opinion that these financial statements, contained on pages 51 to 104 of this report, fairly present the consolidated financial position of the Group as at 30 June 2004, and the consolidated results of operations and the cash flow information of the Group for the year then ended.

The Directors have reviewed the Group's business plan and cash flow forecast for the year to 30 June 2005. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the Directors are satisfied that the Group is a going concern and has adequate resources available to ensure its continued operational existence.

To comply with requirements for reporting by non-US companies registered with the SEC, the Group has prepared a set of financial statements (Form 20-F) in accordance with US Generally Accepted Accounting Principles (US GAAP). This report will be available from the Bank of New York on the worldwide web at [www.sec.gov](http://www.sec.gov) to holders of the Company's securities listed in the form of American Depositary Shares on the NASDAQ SmallCap Market. A condensed consolidated income statement, balance sheet, cash flow statement and brief footnotes based on US GAAP are included on pages 105 to 111 in this report. A condensed reconciliation between SA GAAP and US GAAP is supplied as supplementary information on page 110.

### Remuneration committee

*GC Campbell (Chairman); DJM Blackmur*

The Remuneration Committee, which comprises exclusively Independent Non-Executive Directors, is primarily responsible for approving the remuneration policies of the Group and the terms and conditions of employment of Executive Directors and officers. Items considered by the Committee include salaries, performance-based incentives and the eligibility and performance measures of the Durban Roodepoort Deep (1996) Share Option Scheme applicable to Directors and senior management.

The Committee's objective is to evaluate and recommend to the Board competitive packages which will attract and retain executives of the highest calibre and encourage and reward superior performance. The Committee also aims to ensure that

criteria are in place to measure individual performance. The Committee approves the performance-based bonuses of the Executive Directors based on such criteria. The Company's Divisional Director: Human Resources provides the Committee with access to comparative industry surveys, which assist in formulating remuneration policies. As and when required the Committee may also engage the services of independent consultants to evaluate and review remuneration policies and related issues. The Committee has in the past year engaged the services of such consultants to review the employment contracts of the Executive Directors.

The Committee meets quarterly, but may meet more often on an ad hoc basis if required. The Committee may from time to time call for independent consultants to brief members on pertinent issues.

During 2002 the Company engaged the services of Deloitte and Touche Human Capital to assist in the drafting of a remuneration policy. This policy is to be approved by the Board and will be available on the Company's website. The policy can be described as being based on a reward system comprising four principal elements:

1. Basic remuneration, as benchmarked against industry norms;
2. Bonuses or incentives, which are measured against agreed outcomes or KPIs, and are usually linked to the annual budget of the Group;

3. Short-term rewards, which can be described as “soft” rewards for exceptional performance (like the granting of travel vouchers); and
4. Long-term retention, which is the rationale underlying the share option scheme and share scheme for senior managers which is linked to criticality of skill and strategic value.

These four elements interact in a matrix, which aims to reward all employees for their efforts and provides a transparent framework which is reviewed and approved by the Remuneration Committee.

## REMUNERATION REPORT

### Executive Directors' remuneration

The remuneration of the Executive Directors comprises a basic salary, a semi-annual performance bonus, participation in the share option or share scheme and other optional benefits. The total Executive Directors' remuneration for the year-ended 30 June 2004 was R8.7 million (for the year-ended 30 June 2003 it was R16.4 million). Full details are provided in a table on page 53 of this report.

- ▶ **Basic salary:** Each Executive Director receives a basic salary as recommended by the Remuneration Committee in accordance with the remuneration policy. All salaries are reviewed annually, with the salaries of Executive Directors being benchmarked to external market surveys.
- ▶ **Semi-annual performance bonus:** Executive Directors' service contracts provide that the Executive shall be eligible for a discretionary bonus based on agreed

KPIs. This bonus is approved by the Remuneration Committee.

- ▶ **Share option or share scheme:** The Company has developed a share scheme which has been approved by the Remuneration Committee and will be tabled for approval by the shareholders at the November 2004 Annual General Meeting. Awards of share options or shares to Executive Directors are recommended by the Remuneration Committee, which is guided by predetermined criteria and industry benchmarks. Such options or shares are not currently based on specific performance criteria, but recognise the critical nature and scarcity of an employee's particular skills and knowledge, as well as the strategic value of his or her position to the Company during the review period. Options awarded to an individual employee (which definition includes Executive and Non-Executive Directors and other eligible employees) are subject to a cumulative upper limit of 2% of the Company's issued share capital. Details of options held by Directors are contained in a table on page 53 of this report.
- ▶ **Other benefits:** Executive Directors as well as Non-Executive Directors have an option to become members of the Sentinel Mining Industry Pension Fund or the Old Mutual Orion Provident Fund. In addition, all Directors are members of the Group Life Scheme and Executive Directors may join Discovery Health Medical Aid Society through the Company. All Directors are reimbursed for reasonable business expenses they incur.

### Non-Executive Directors' remuneration

The fees paid to Non-Executive Directors are determined by the Board as a whole and are reviewed as and when necessary. The current fees payable, effective 1 February 2004, are as follows:

- ▶ A basic fee of US\$20 000 per annum;
- ▶ Subcommittee fees of US\$2 000 per annum for each subcommittee of which the Non-Executive Director is a member;
- ▶ US\$4 000 per annum for each subcommittee which the Non-Executive Director chairs.

Details of Non-Executive Directors' remuneration can be found on page 53. Non-Executive Directors have also been granted share options over the Group's ordinary shares, details of which are shown on page 53.

### Directors' service contracts

Service contracts have been concluded with the Executive as well as the Non-Executive Directors. Details of the service contracts are set out in the table on page 52.

### Risk Committee

*DJM Blackmur (Chairman); DC Baker; MM Wellesley-Wood*

The Risk Committee was established during January 2004 and comprises two Non-Executive Directors and one Executive Director, with a Non-Executive Chairman. Its overall objective is to assist the main Board in the discharge of its duties relating to risk management and control responsibilities, assurance issues, health, safety and environmental compliance, and the monitoring

## ▶ CORPORATE GOVERNANCE

and reporting of all these matters. The quality, integrity and reliability of the Group's risk management are delegated to the Risk Committee by the Board of Directors. The Risk Committee facilitates communication between the main Board, the Audit Committee, internal auditors and other parties engaged in risk management activities.

### *The Risk Committee ensures that:*

- ▶ an effective risk management programme is implemented and maintained;
- ▶ risk management awareness is promoted amongst 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 the Group's assets is promoted throughout the group;
- ▶ the health, safety and well being of all stakeholders is improved; and
- ▶ the Company's activities are carried out in such a way so as to ensure the safety and health of employees.

The Risk Committee meets quarterly 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, such as the Chief Executive Officer, the Divisional Director: Group Finance, the Group Risk Manager, the Group Financial Manager, the Operational Managers, the Group Legal Counsel, the manager responsible for safety,

health and environment and the Chief Administration Officer.

The Company has embarked on a risk management initiative in the Group, directed by the Risk Committee through which the Board has discharged its responsibility for risk management. The initiative is co-ordinated by a dedicated Group Risk Manager. Following the release of the King II Report, containing minimum practices to be adopted, DRDGOLD has formulated a Risk Corporate Governance structure, which has been approved by the Board.

The system to manage risk involves all significant business and operational risks which could undermine the achievement of business objectives and undermine the preservation of shareholder values. The significant risks facing the Group, including those at an operational level, have been identified. Persons have been appointed to each risk and the product of their work to improve controls is reviewed by senior management through regular risk meetings. The aim of the internal control systems is for management to provide reasonable assurance that the objectives will be met.

The Group has identified certain major risk areas, which form the basis of the risk reviews. These areas are listed below:

- ▶ market risk such as gold price and exchange differences;
- ▶ operating risks such as flooding, fires, seismicity and operating cost;
- ▶ environmental risks;

- ▶ legal and regulatory risks; and
- ▶ country risk (political).

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

An important aspect of risk management is the transfer of risk to third parties to protect the Company from any major disaster. Therefore, DRDGOLD's major assets and potential business interruption and liability claims are covered by the group insurance policy that encompass all operations on a world-wide scale. The majority of the cover is through insurance companies operating in the London and European insurance and reinsurance market and the insurance programmes are renewed on an annual basis. The cost of insurance for the Group has been reduced by more than 30% year-on-year which is to a large extent attributable to the various risk initiatives undertaken in the Group based on the recommendations from the annual risk survey conducted on the operations.

### **Corporate Social Responsibility Committee**

In recognition of its responsibilities towards the local communities, the Company is in the process of establishing a Corporate Social Responsibility Committee. This Committee will be chaired by a Non-Executive Director. More information on corporate social

responsibility can be obtained on pages 19 to 20 of this report.

## 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.

### ► Compliance with Laws and Regulations

Directors, officers and employees must comply with all laws and regulations that are applicable to their activities on behalf of the Group.

### ► The Company and its employees

The Group 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 and the community

The Group recognises that we all share a very real responsibility to contribute to the local communities and the Group encourages employees to participate in, amongst 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.

### ► Conflict of interest

The Group expects employees to perform

their duties in accordance with the best interest of the Group and not to use their positions or knowledge gained through their employment with the Group for their private or personal advantage.

### ► Outside employment and directorships

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.

### ► Relationships with clients, customers and suppliers

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.

### ► Gifts, hospitality and favours

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

### ► Personal investments in shares and Share Dealings

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, and must not be based on material non-public

information acquired by reason of an employee's connection with the Group.

### ► Confidential Information and External Communication

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 Group strives to achieve timely and effective communications with all parties with whom it conducts business, as well as governmental authorities and the public. No sensitive communication may be made to the media or investment community other than by the Group's General Manager: Investor Relations or the appointed Investor/Public Relations Consultants. All other communications to the media or investment community must be made within the ambit of the Group's announcements framework.

## STAKEHOLDER COMMUNICATION

DRDGOLD gives substance to its commitment to transparency through implementation of an integrated and sustained programme of communication directed at its various stakeholders. This programme takes full cognisance of all of the obligations placed on the Group by its various listings and the regulatory environments in which it operates, and is limited only by any restrictions imposed by these.

## ► CORPORATE GOVERNANCE

The Group's communication activities with its shareholders is premised on a clear understanding of shareholders' desire to maximise returns on their investment in the Group and that, in order to be able to do this, they and/or their investment advisors require equitable, timely access to operating, financial and other information.

Information defined or deemed to be influential on DRDGOLD's share price is released to international markets in the first instance via the news dissemination mechanisms of the various stock exchanges on which it is listed, and as soon as possible thereafter to all addressees on the Group's extensive electronic database. These addressees include shareholders, fund managers, analysts and media representatives internationally. All information is also available on the website.

Information relating to the Group's operating and financial performance is released proactively to the market at least quarterly in the same way, and sometimes more frequently, as determined by circumstance. Quarterly reporting of the Group results is augmented at half-year and year-end by face-to-face briefings by Group

executives in at least two of the markets in which it is listed, and by teleconferences and webcasts. At the end of every other quarter, results commentary is accessible via teleconferences and webcasts.

Between quarters, DRDGOLD's Chairman, Chief Executive Officer and General Manager: Investor Relations travel extensively in the United States, Europe and Australasia, addressing investor and other relevant conferences, and meeting with investors and potential investors in one-on-one and group meetings. From time to time, other senior representatives of the Group are included in these activities.

A primary channel for communication to shareholders and the investing community at large is DRDGOLD's award-winning website. This contains current information on the Group and its operations, as well as all announcements and publications, such as the annual report and two-monthly investor bulletins. Interactivity is a primary feature that adds currency to the website and complements the substantial archive. All investor teleconferences are recorded and are available, together with webcasts, on the website for a period of time.

Employees and their elected representatives constitute another important stakeholder constituency for the Group. While a climate of mature industrial relations ensures that considerable, effective communication is achieved through the collective bargaining process, the Group is careful to maintain its prerogative, indeed its obligation to communicate directly, regularly and effectively with its employees. A company-wide workplace briefing system with feedback mechanisms, quarterly results briefings, the website, and employee publications are among the primary media used.

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