

# REMUNERATION REPORT

*The DRDGOLD remuneration policy is based on four elements: basic salary, bonus incentives, soft rewards and retention of key staff.*

*“DRDGOLD strives to be fair and responsible in its remuneration policies with respect to all employees”*

## REMUNERATION POLICIES

DRDGOLD strives to be fair and responsible in its remuneration policies with respect to all employees. Broadly, employees fall into the following groups: executive directors, non-executive directors, senior management, non-unionised employees and unionised employees.

The company's MOI makes provision for directors' fees to be determined from time to time in a general meeting or by a quorum of non-executive directors. Remco, which comprises directors who are independent and non-executive, is primarily responsible for approving the remuneration policies of DRDGOLD, and the terms and conditions of employment of executive and non-executive directors. Items considered by the committee include salaries, performance-based incentives and the eligibility and performance measures of the DRDGOLD phantom share scheme applicable to senior management.

## REMUNERATION POLICY

DRDGOLD amended its remuneration policy to endorse the corporate governance improvements introduced by the King III recommendations. The salient principles found in this remuneration policy are summarised as follows:

- a remuneration strategy which is aligned to the company's business strategy, performance, objectives and results;
- pay practices which motivate individuals to consistently enhance performance;
- a performance management system that recognises individual contribution to the company and guides training and development requirements;
- internal equity in remuneration practices, where differentiation between employees is based on fair and objective criteria;
- creating value for the company over the long-term;
- factors affecting company performance but outside the control of executives should be considered to a limited extent; and
- the mix of fixed and variable pay, in cash, shares and other elements must meet the company's needs and strategic objectives.

Following our interaction with shareholders and in order to respond accordingly, the Remuneration Committee implemented the changes set out below.

## SHARE OPTION SCHEME

In November 2012 the Remuneration Committee suspended the share option scheme, approved the share option buy back and replaced it with the phantom share scheme. The advantages presented by the suspension of the share option scheme are *inter alia* listed as follows:

- avoidance of dilution of current shareholders;
- introduction of performance based criteria; and
- avoidance of short vesting periods.

# REMUNERATION REPORT (CONTINUED)

## PHANTOM SHARE SCHEME

This scheme, which replaces the share option scheme, is part of the long-term retention strategy intended to grow the company. Some of the issues raised by shareholders against the share option scheme include:

- lack of a clear and detailed performance measurement;
- the vesting period happens very early after allocation; and
- dilution of the current shareholding up to 10.4% of the issued share capital.

These and other issues are addressed by the phantom share scheme through the introduction of *inter alia*:

- vesting of phantom shares based on stringent company performance criteria and retention criteria that are approved by Remco;
- stringent vesting periods in terms of which performance shares vest in three equal parts over a period of three years, the first tranche vesting after 12 months;
- stringent vesting periods in terms of which retention phantom shares vest in two equal parts over a period of three years, the first tranche vesting after 24 months;
- lapse of reward if requirements are not satisfied on the vesting date; and
- limitation of maximum amount payable on an annual basis, capped at 75% of a participant's total package.

## SHORT-TERM INCENTIVE SCHEME

The scheme was introduced in April 2013 to align employees' individual performances with short-term performance criteria of the company in order to optimise output. The total annual incentive payments are based on two equal criteria – individual performance and company performance. Individuals are assessed through a performance management system and for company performance Remco looks at:

- production;
- total unit costs; and
- total costs.

No incentive payment will be payable if the annual free cash flow is negative.

## REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

To obtain an objective report on non-executive directors' fees the board commissioned Deloitte, an independent professional company, to conduct a benchmarking exercise within the mining industry. Thereafter a remuneration policy for non-executive directors was prepared to set the standard and give guidance on their remuneration. Some of the features of that policy to be emphasised are:

- fair remuneration considering the need to attract and retain the most suitably talented non-executive directors;
- fees should take into account the level of risk accompanied by the complex environment found in the mining industry; and
- non-executive directors do not participate in any incentive or share scheme.

## EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of executive directors comprises a basic salary and an annual performance bonus. The remuneration of the executive directors is paid by DRDGOLD for any services rendered to DRDGOLD or its subsidiaries.

*"Our remuneration policy takes into account the need to attract and retain the most suitably talented non-executive directors"*

**NOM** pages 7 to 9  
For motivation on non-executive directors' fees proposed for approval at the AGM to be held on 29 November 2013

*"Salaries of executive directors are benchmarked"*

### **BASIC SALARY**

Each executive director receives a basic salary as recommended by Remco in accordance with the remuneration policy. All salaries are reviewed annually, with the salaries of executive directors being benchmarked to external market surveys.

### **ANNUAL PERFORMANCE BONUS**

Executive directors' service contracts make provision for the members of the executive committee to be eligible for a discretionary bonus based on agreed key performance indicators. This bonus is approved by Remco.

### **OTHER BENEFITS**

All directors who meet the qualification requirements are members of the Group Life Scheme. All directors are reimbursed for any reasonable business expenses they incur.

## **NON-EXECUTIVE DIRECTORS' REMUNERATION**

The fees paid to non-executive directors are recommended by the board and approved by shareholders. The current fees payable, effective 1 January 2012, are as follows:

- chairman's annual fee, R1 212 892;
- non-executive director's annual fee, R539 063;
- Audit Committee chairman's annual fee, R26 954;\*
- Audit Committee member's annual fee, R26 954;
- Nominations Committee chairman's annual fee, R10 108;\*
- Nominations Committee member's annual fee, R10 108;
- chairmen of Remco, Risco and Social and Ethics Committee, annual fee of R20 215\* each;
- members of Remco, Risco and Social and Ethics Committee, annual fee of R20 215 each;
- daily fee, R20 215; hourly rate, R2 695;
- half-day fee for participating by telephone in special board meetings; and
- chairman of the board receives committee fees.

Non-executive directors' fees are adjusted annually on the basis of the Consumer Price Index.

\* *The chairmen of the sub-committees receive fees as both chairman and member.*

Previously non-executive directors were granted share options in respect of DRDGOLD's ordinary shares; details of the directors with unexercised options are provided below.

## **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 below.

The directors had no conflicting interests during the year under review and up to the date of issue of the financial statements.

# REMUNERATION REPORT (CONTINUED)

## Share options

	Executive		Non-executive				Prescribed officers				Other participants	Total
	D J Pretorius	C C Barnes	G C Campbell	R P Hume	J Turk	E A Jeneker	C M Symons	T J Gwebu	W J Schoeman			
<b>Balance at 1 Jul 2012</b>												
Number	1 283 486	1 453 667	37 994	39 157	–	–	1 282 976	958 158	396 700	14 172 447	19 624 585	
Avg strike price – rand per share	6.19	4.84	19.74	19.93	–	–	5.44	5.01	5.12	7.99	7.32	
Granted during year												
Number	–	–	–	–	–	–	–	–	–	–	–	
Avg strike price – rand per share	–	–	–	–	–	–	–	–	–	–	–	
Exercised during year												
Number	1 283 486	1 219 163	29 394	28 457	–	–	1 064 626	765 508	198 350	10 110 296	14 699 280	
Avg strike price – rand per share	6.19	4.89	17.00	16.48	–	–	5.42	5.09	5.12	7.08	6.61	
Lapsed during year												
Number	–	–	8 600	10 700	–	–	6 300	–	–	1 244 348	1 269 948	
Avg strike price – rand per share	–	–	29.10	29.10	–	–	29.10	–	–	17.12	17.36	
<b>Balance at 30 Jun 2013</b>												
Number	–	234 504	–	–	–	–	212 050	192 650	198 350	2 817 803	3 655 357	

Director	Title	Date of appointment	Term	Unexpired term of service contract
D J Pretorius	Chief executive officer	1/1/2012	3 years	18 months
C C Barnes	Chief financial officer	1/5/2011	3 years	12 months
R P Hume	Non-executive director	1/10/2012	2 years	15 months
G C Campbell	Non-executive chairman	1/11/2011	2 years	4 months
J Turk	Non-executive director	1/11/2012	2 years	16 months
E A Jeneker	Non-executive director	1/11/2011	2 years	4 months

## PRESCRIBED OFFICERS' REMUNERATION

The remuneration of the prescribed officers comprises an all-inclusive salary and a bi-annual performance bonus.

### ALL INCLUSIVE SALARY

Prescribed officers receive an all-inclusive salary in accordance with the remuneration policy. All salaries are reviewed annually.

### BI-ANNUAL PERFORMANCE BONUS

Depending on the nature of the position of a prescribed officer, his/her service contract might make provision for the officer to be eligible for a discretionary bonus based on agreed key performance indicators. This bonus is approved by Remco.

### SERVICE CONTACTS

Each of the prescribed officers has a separate service contract with a specified notice period.

## Directors' and prescribed officers' emoluments

2013	Board fees	Salary	Bonuses and performance related payments	Pre-tax gain on share options	Pension/ provident scheme contributions	Total	Tax deducted by company	Net
Group and company	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Executive directors</b>								
D J Pretorius	–	4 664	4 238	2 423	–	11 325	4 358	6 967
C C Barnes	–	3 367	931	2 505	–	6 803	3 130	3 673
	–	8 031	5 169	4 928	–	18 128	7 488	10 640
<b>Non-executive directors</b>								
G C Campbell	1 348	–	–	4	–	1 352	–	1 352
R P Hume	703	–	–	5	–	708	199	509
J Turk	647	–	–	–	–	647	–	647
E A Jeneker	729	–	–	–	–	729	304	425
	3 427	–	–	9	–	3 436	503	2 933
<b>Prescribed officers</b>								
C M Symons	–	2 209	1 304	2 043	267	5 823	1 923	3 900
T J Gwebu	–	2 075	1 181	1 132	–	4 388	1 503	2 885
W J Schoeman	–	2 830	1 340	389	–	4 559	1 524	3 035
	–	7 114	3 825	3 564	267	14 770	4 950	9 820
<b>Total</b>	<b>3 427</b>	<b>15 145</b>	<b>8 994</b>	<b>8 501</b>	<b>267</b>	<b>36 334</b>	<b>12 741</b>	<b>23 393</b>

The remuneration of executive directors and prescribed officers comprises a basic salary and an annual bonus for directors and bi-annual bonus for prescribed officers. Non-executive directors receive board fees which are approved at each AGM of the company.

2012	Board fees	Salary	Bonuses and performance related payments	Pension/ provident scheme contributions	Total	Tax deducted by company	Net
Group and company	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Executive directors</b>							
D J Pretorius	–	4 470	3 666	–	8 136	2 348	5 788
C C Barnes	–	3 113	2 078	–	5 191	1 900	3 291
	–	7 583	5 744	–	13 327	4 248	9 079
<b>Non-executive directors</b>							
G C Campbell	1 317	–	–	–	1 317	–	1 317
R P Hume	691	–	–	–	691	192	499
J Turk	616	–	–	–	616	–	616
E A Jeneker	686	–	–	–	686	334	352
	3 310	–	–	–	3 310	526	2 784
<b>Prescribed officers</b>							
C M Symons	–	2 043	1 242	250	3 535	1 178	2 357
T J Gwebu	–	1 870	1 292	–	3 162	1 149	2 013
W J Schoeman	–	1 989	960	–	2 949	1 105	1 844
	–	5 902	3 494	250	9 646	3 432	6 214
<b>Total</b>	<b>3 310</b>	<b>13 485</b>	<b>9 238</b>	<b>250</b>	<b>26 283</b>	<b>8 206</b>	<b>18 077</b>