

# Newsflash



safety



integrity



respect



responsibility



innovation



delivery

## South Deep Proposed Restructuring

### *Frequently Asked Questions*

We committed to keeping you up to date on information relating to the proposed restructuring. We are aware that many of you have questions and we wanted to take this opportunity to answer some of the most common ones that arise.

#### **1. Why should employees continue to remain focussed and do their jobs safely and to the best of their ability, knowing that they could be affected by the S189 process?**

We understand that this is a very uncertain and challenging time for all of us at South Deep. The decision to embark on a Section 189 process has not been taken lightly and follows a number of alternatives over many years and the last few months to avoid retrenchments.

The Section 189 process is one of many critical steps in the journey of securing the future of the mine in the short term and setting it up for future growth. The success of South Deep requires our collective effort. All employees are urged to work safely and productively to ensure that we do not worsen the crisis that the mine currently faces, and that we do not undermine the sustainability of the business.

If we do not remain focussed and diligent in the execution of our duties it will cause the mine to slide deeper into financial trouble and place the future of the entire business at risk, including the proposed remaining 3500 jobs. We need to work together to turn this situation around. Failing to do this will have even worse consequences for our employees, communities, other stakeholders and shareholders.



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## **2. What employee support is available to people who are affected by retrenchments**

During this process, support structures are in place to ensure employees have access to assistance they may need. The kind of proposed support systems will include an employee assistance programme providing any counselling required, assistance in applying for internal roles and a range of support offerings for anyone who may be leaving the company.

The Employee Assistance Programme (EAP) service provider AskNelson can be contacted on **0861 835 766 or speed dial 6677.**

## **3. Should you manage to turn the business around, will retrenched employees have first option on getting their jobs back?**

This is subject to consultation, however the Company's view given the short and medium term economic outlook, is that the possibility of future re-employment for retrenched employees with South Deep or any other department or subsidiary within the Gold Fields Group is remote.

Notwithstanding the above, the Company's proposal is to consider the re-engagement of employees who apply for vacancies, should any vacancies arise within a period of six months from termination of employment in accordance with this process, provided such applicants meet the criteria for the positions that may become available.

## **4. How do you propose which employees to retrench?**

The S189 process that is being followed is transparent and fully compliant with the Labour Relations Act. Our HR department will be overseeing the process to ensure consistency, rigour and fairness of approach. The selection criteria to be deployed are a matter for consultation with organised labour. The company intends tabling proposals which aims to retain employees who are fundamental to the future success of the business, by virtue of their competencies (skills, knowledge, experience, work performance, potential as well as South Deep's operational needs to meet transformational and operational requirements).

## **5. Why do you not reduce contractors and retain full time roles?**

The Company is engaging with organised labour on all alternatives to avoid / minimise job losses. In some instances it may be feasible to reduce non-specialised contractors (work/skills) to facilitate the placement of excess labour with suitable skills. In reviewing these options the company will take into account such considerations as the nature of work performed by contractors, the specialisation of the work and



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equipment, whether the work is ad hoc in nature, turnkey or of limited duration, or whether the termination of contractors has the potential to cause substantial operational, safety or financial risks.

## **6. What is a Section 189 notice?**

The Labour Relations Act (LRA) permits employers to retrench employees for “operational requirements”, defined by the LRA as “requirements based on economic, technological, structural or similar needs”.

Sections 189 and 189A of the LRA are intended to ensure that retrenchments are not resorted to while they can conceivably be avoided. Section 189 of the LRA places a legal requirement on employers to engage in a consultation process with affected employees and/or their representatives, before implementing the retrenchment. The first step in this process is to issue the Section 189 notice.

Once the Section 189 notice is issued, the consultation process will commence and all the items listed in the Section 189 notice will be consulted on. We will embark on this consultation process in good faith, and are willing to consider all alternative and job loss mitigation measures.

## **7. What does the consultation process involve?**

Regardless of what we are required to do by law, we are committed to treating all affected employees fairly and with dignity, care and respect.

As part of the consultation process, we will ensure that all affected employees, through their representatives will at least have:

- the opportunity to understand what we are proposing to do and the reasons behind it;
- the opportunity to ask questions and give feedback;
- the opportunity to help us explore ways of keeping redundancies at a minimum; and
- the opportunity to provide input and make representations.

## **8. Can you give us exact numbers for how many people are going to be affected?**

As things stand, we foresee about 1,100 permanent employees and about 460 contractor employees being affected. Remember that the section 189 process is a consultative one that will review alternatives and seek to mitigate job losses. We will be entering this



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**9. We have heard that South Deep didn't engage with unions or government on the proposed restructuring. Is this true?**

This is not true. Gold Fields is fully committed to engaging with all affected stakeholders – including employees, government, organised labour and communities – and we have followed a rigorous and ongoing engagement process. The following outlines the engagement steps we followed:

1. We met with the Minister of Mineral Resources, Mr Gwede Mantashe, and senior officials in his department prior to issuing the Section 189 notice.
2. We briefed the national offices of NUM and UASA.
3. We briefed all D- and E-Band managers on the morning when the Section 189 notice was issued.
4. We continue to engage with both unions, directly and through the Section 189 processes.
5. We have engaged with community members on what is happening at South Deep and how the situation may impact them.
6. We have an ongoing communication campaign for employees and a dedicated hotline and email address they can use to ask questions and get information.
7. We have set up a portal on the Gold Fields website with all the information and briefs that have been issued. This is open to anyone to access.
8. Over the past year we have also been engaging with the unions at the regular Future Forum meetings, to discuss ways to improve South Deep's performance.

**10. Why are we still using contractors on the mine if we are proposing retrenching employees?**

We do use specialised contractors in certain instances and for certain functions. These contractors play an important role in keeping South Deep running and carry out activities that the mine's team cannot. Over the past year we have reduced contractors and consultants as part of our cost saving drive. We are however continuing to engage organised labour on their proposals to further reduce contractors and for this work to be taken over by existing South Deep employees. Management have committed to consider these proposals and to give a formal response to these proposals.

**11. The mine has been incurring losses for many years – what has prompted the Proposed Restructuring?**

It is evident from both the current situation and production levels, as well as the lack of improvement despite successive interventions to address productivity that, unless further action is taken to reconfigure the operation, the operation will continue to make losses. Without this proposed intervention we believe the situation is unsustainable, and could ultimately lead to the closure of the mine impacting on all our



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employees, contactors and our communities. Through this proposed reconfiguration and restructuring, we intend to arrest losses, and ensure South Deep becomes profitable to save the mine, around 3,500 jobs and benefit all stakeholders.

**12. You have told us about the challenges you are facing at South Deep. How will this Proposed Restructuring impact the challenges you have listed?**

The proposed restructuring of the mine and adjustment of the workforce profile will allow us to ensure that South Deep is able to reduce the short term magnitude of its losses and get in a position to cover its operating and overhead costs at current production levels, and then through productivity improvements operate the mine in a sustainably profitable manner.

This will ensure that South Deep is able to arrest its negative cash losses in the short- to medium-term and, through a reduced footprint, be able to narrow its focus to meet productivity targets and create a solid platform from which it can become sustainably profitable.

For the mine currently to break-even and make a small profit with its current operating and overhead cost structures, it has to produce in excess of 10t of gold per year. Given the consistent failure to achieve this output and the very low levels productivity improvements we need to align our operating and overhead cost structures to current output levels.

South Deep needs to take decisive action to reduce both its operating and overhead costs to current production levels, and allow for a slower and more sustainable build-up. This will require a reduction in fleet and associated labour and an improvement in effectiveness of both our people and equipment and consequently productivity in pursuit of benchmark standards to build sufficient margin in the business to carry the operating and overhead cost base and deliver sustainable profitability.



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