

Newsflash

Proposed Restructuring Questions and Answers.

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 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.

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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24 August 2018

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.

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.

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 process in good faith.

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20 August 2018

We hear that the company will be targeting females and members of specific race groups to select for retrenchment?

One of the issues the company is required to consult on is the selection criteria that would be applicable in the event of retrenchments. The consulting parties must apply a fair and objective criteria which does not have the effect of discriminating against a particular group. Any selection criteria based solely on race or gender, will contravene the Employment Equity Act, the Labour Relations Act and the South African Constitution. Whilst the actual selection criteria is still subject to consultation, it will not include criteria that leads to differential treatment based on race or gender.

Will the Company's proposed retrenchment plan only affect South shaft?

Further details of the company's restructuring proposal will be shared at the start of consultations. As communicated in the section 189 notices provided to organised labour the company's proposal includes suspending mining activities at 87L, reducing shaft operations at South shaft, and reducing mining equipment across the mine. The proposal potentially also affects support services, the plant and the engineering function across the mine.

It must be re-emphasised that the selection criteria is a matter of consultation and, will include consultation on the universe to which the criteria will be applied. For example, a role at South Shaft may be affected, but the selection criteria could determine that the incumbent in that role is better suited for a role elsewhere. This is commonly referred to as bumping i.e. the practice of one employee whose position has become redundant displacing another employee in a similar position on the grounds of some agreed

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