Sustainable value creation in gold mining
Presentation to WCOA
NICK HOLLAND
November 2014
Introduction to Gold Fields

World’s 7th largest gold miner

- 128-year old SA-based gold miner
- JSE-listed (Secondary NYSE listing
- Over 10,000 employees
- 2013 revenue: >$3.5bn
- Market cap: >$2.5bn

H1 2014 Attributable Production

- South America 13%
- West Africa 31%
- South Africa 43%
- Australia 13%
Economic demand from emerging market remains strong

... but metal prices have been volatile over the past three years

- Emerging markets continue to be the world’s growth engine – IMF forecasts
- China is leading the way with an envious growth rate of 6.8% by 2018
- Growth rates in developed markets are also expected to increase beyond 2014 as confidence is restored
- Metal prices are volatile at present – gold has fallen by over a third since September 2011 highs
Mining is facing economic and social pressures

Social license to operate - governments and communities remain antagonistic towards mining

Mining in Canada's B.C. remains strong, but facing labour, indigenous issues January 5, 2014

Community opposition risks $57bn in mining projects in Peru March 20, 2014

Romanian protests against Rosia Montana gold project September 2012

Codelco copper exports hit by Chile's port strike January 7, 2014

Communities continue to object to Newmont's Conga project June 2014
Gold Fields Risk Register

Risk register reflects wide variety of risks facing mining companies

- Gold Fields risk register updated quarterly
- Four or our top ten risks are financial/operational
- Six are what would traditionally be considered ESG risks
- Broadly reflective of wider industry risk registers (most recent EY and PWC top 10 mining risk reports)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Deep - Failure to deliver the business plan</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Lower gold price and volatility</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Non-achievement of 15%FCF margin @ US$1300/oz.</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Non-compliance with the Mining Charter and SLP’s</td>
<td>16</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Replacing mineral resources and reserves at international operations</td>
<td>5</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Loss of social license to operate (community activism)</td>
<td>9</td>
<td>16</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Regulatory uncertainty and litigation</td>
<td>4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Labour relations / wage negotiations</td>
<td>18</td>
<td>11</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Safety and health of our employees</td>
<td>11</td>
<td>12</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>Water discharges / pollution and supply</td>
<td>12</td>
<td>13</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>
In this operating environment how can we create sustainable value?
Focus on shareholder returns

Equity and debt investors need to return to provide funding to grow the industry

● Capital providers will not return to the sector unless their investments yields a strong return

● The focus needs to be on cash returns and cost controls

● Full transparency over total costs facing the mining industry. Launch of All-in Costs and All-in Sustaining Costs metrics

● Transparency in showing the value linkages through integrated reporting

● Further mechanisation and innovation are critical for the future of the mining industry as it enables mines to be run more efficiently, safer and attract the right skills

● Only if we get our investors back on board can we expect to generate wider wealth creation
Establish partnerships with stakeholders

**Job and livelihood multiplier effect is significant**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership</td>
<td>Working and collaborative partnerships between miners, governments, labour and communities</td>
</tr>
<tr>
<td>Balance</td>
<td>Balance long-term growth strategies with short-term fiscal imperatives</td>
</tr>
<tr>
<td>Transparency</td>
<td>Total transparency in reporting individual asset performance. <strong>Integrated reporting</strong> shows the value linkages</td>
</tr>
<tr>
<td>Certainty</td>
<td>Long-term commitments from governments not to change the rules of the game</td>
</tr>
<tr>
<td>Simplicity</td>
<td>Simple rules of the game that align interests and can be applied to all assets</td>
</tr>
</tbody>
</table>
Transparency of value distribution to all stakeholders

Employers, governments, businesses, communities and shareholders benefit

Total Value distribution - World Gold Council 2013

(Total Expenditure US$47bn)

- Government: 11%
- Business: 59%
- Employees/contractors: 15%
- Others: 6%
- Capital providers: 9%

Nick Holland - Presentation to WCOA November 2014
Enhance the multiplier effects of mining (1)

The mining economy has large multiplier effects on growth

- GDP growth is essential for governments targeting effective transformation

- Growing the mining economy, especially for resource-rich developing countries, has significant direct and indirect impacts

- Mining punches above its weight with its GDP multiplier effect through procurement, socio-economic spending in mining communities and technology transfers


The state of the gold mining sector - Society of Mining Professors | Nick Holland | 28 June 2014
Enhance the multiplier effects of mining (2)

Job and livelihood multiplier effect is significant

- Mining punches above its weight with its GDP multiplier effect
- One direct mining job supports one indirect job and one impacted job
- ...in SA, one job supports on average around nine dependents

Note: Peru study based on five mines and Ghana study based on analysis of one mine
Sound ESG policies to be maintained and implemented

Creating Shared Value with our communities and other stakeholders

Moving from philanthropy to systematic creation of shared value, recognising the impact of the GDP multiplier effects
Shared Value approach to communities

Shared value as our societal value proposition

From…

• Reacting to stakeholder pressure to address social problems

• Managing operational issues and social issues independently

• Focusing on social investments that Gold Fields can manage and control independently

• Viewing employee relations as just one more cost to be managed

To…

• Developing proactive strategies to solve social problems that will increase Gold Fields profitability

• Integrating the management of operational and social issues

• Developing the ability to be the lynchpin of broad cross-sectoral collaboration to solve social problems

• Recognizing that employee engagement is key to profitability and addressing engagement drivers requires a community-based approach
Resolving water supply in remote Peruvian villages benefits the mine and communities

Water Issues in Peru could cost hundreds of millions of dollars or represent an opportunity to increase Gold Fields competitiveness while at the same providing benefits to local communities

To realize these potential benefits, Gold Fields will have to demonstrate leadership, form partnerships, and innovate.
Alignment with integrated reporting

Integrated reporting provides an accurate picture of our total value creation

Gold Fields was an early adopter of integrated reporting and a pilot company of the IIRC

1. Regulatory compliance: King III principles adopted by the JSE into its Listing Requirements

2. Provided a more comprehensive overview of the many and divergent risks the business was facing

3. Therefore shareholders had a more accurate picture of our long-term risks and opportunities

4. Traditional annual reports focussed only on operational and financial issues

5. Equal and appropriate weighting now given to ESG issues

6. A more accurate reflection of the impact our company is having on society – communities, suppliers, governments and employees in particular
Conclusion: Sustainable solutions are needed

The industry needs to work with stakeholders to grow the mining economy

- Long term collaborative partnerships (Miners, Governments, Labour, Communities, Dev. Agencies)...
- Transparent, integrated reporting to all stakeholders
- … leading to more investment
- The result: increased employment, development and GDP growth

- Rising costs of mining….
- … combined with a greater fiscal take…
- …jeopardise further investment
- The result: loss of jobs, a shrinking pie