Measuring South Deep’s impact on communities
ALLISON BURGER AND SVEN LUNSCHE
September 2018
Agenda

- Group positioning
- Key findings of **baseline study**
- **Implications** for South Deep including changes at South Deep and its socio-economic context
- Key findings of **SROI assessment**
- **Strategic recommendations** for South Deep’s Social Licence to Operate
- Key findings of **relationship assessment** indicators
- **Strategic recommendations and implications** for South Deep’s community relations
- Conclusions
# Group Societal Acceptance Charter 2020

## Our Commitment to Society and Gold Fields’ Host Communities

| **Build strong relationships and trust** | We have developed stronger relationships with key stakeholders, based on trust and open, honest and frequent engagement at all our operations |
| **Create and share value** | We are working with our stakeholders (investors, businesses, employees, communities and governments) to create Shared Value and ensure that we leave an enduring, positive legacy for the communities in which we operate:  
  - We have Shared Value projects at all our operations  
  - We have increased our host community procurement spend to 20%  
  - We have increased our host community employment to 45% |
| **Measure our actions and impact** | We understand our performance against our commitments to build relationships, create Shared Value and reduce our impact on the environment through measurement of:  
  - Company-community relationships  
  - Host community procurement spend  
  - Host community jobs and spend  
  - Socio-economic development spend and impact |
| **Deliver against our commitment** | We have a deep understanding of all the relevant issues and risks associated with our business and have co-created and are delivering the right commitments to secure and maintain our Social Licence to Operate |
Social and Community Affairs Measures

To build strong relationships and trust
To create and share value
To measure our actions and impact
To deliver against our commitment

To be the Global Leader in Sustainable Gold Mining

Social Return on Investment
Social Risk Management
Host Community Procurement
Host Community Employment
SED Spend
Community Priorities
Grievances

Social and Community Affairs Measures

South Deep Impact Measurement | ICMM | September 2018
Location of South Deep Mine
Socio-economic baseline study

Relevance: Understanding our people and their/our communities

- ERM commissioned to undertake socio-economic baseline and SROI studies
- Study completed mid 2017 ahead of restructuring of South Deep and mining peers
- Based on StatsSA data and South Deep HR data
- Host community is Westonaria in 2011 under WLM and in 2016 same area under RWCLM
- (Ward level data from 2016 census still to be published)
- Wards/communities grouped according to socio-economic profiles:
  - Thusanang and farming communities
  - Glenharvie and Venterspos
  - Hillshaven and Westonaria
  - Bekkersdal and Simunye

What strategies can jointly benefit to our business, our people and their/our communities
Socio-economic baseline-employees

Change in South Deep Employee Demographics

<table>
<thead>
<tr>
<th>Permanent Employees</th>
<th>Contractor Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td><strong># of employees</strong></td>
<td></td>
</tr>
<tr>
<td>3,365</td>
<td>3,727</td>
</tr>
<tr>
<td><strong>Male Percentage</strong></td>
<td><strong>Female Percentage</strong></td>
</tr>
<tr>
<td>82%</td>
<td>16%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Change in South Deep Employee Demographics

- Permanent Employees: Male percentage increased from 82% to 87%, female percentage increased from 16% to 12%.
- Contractor Employees: Male percentage remained constant at 80%, female percentage increased from 18% to 18%.

South Deep Impact Measurement | ICMM | September 2018
Socio-economic baseline - employees

Residential status of workforce

South Deep employment within Westonaria

It is estimated that 45% of South Deep's workforce (permanent & contractor) resides currently within the Area described as

Aiding South Deep Accommodation

64%
Socio-economic baseline - employees

Employment and Income comparison

Highest education level comparison

*Remittances to labour-sending areas have not been taken in account in the calculations.
Socio-economic baseline – employees and community
Socio-economic baseline - community

**WARDS 2, 3, 5**

**Host Community Context**

**Glenharvie**
- Located approximately 17 km south of Westonaria.
- Mining town's residents are primarily employees of Sibanye Gold's Kloof Mine.
- The town was established in 1965 as a mining residential area.
- Glenharvie is a formally established township with residential accommodation, small retail facilities, schools, community facilities, and sports facilities.
- About 350 South Deep employees live in Glenharvie.

**Poortjie**
- A township located 15 km south-east of South Deep Mine.
- It falls within the City of Johannesburg Municipal area.
- Poortjie is a high density residential area. The surrounding areas are made up of vacant land, grazing animals and commercial and subsistence farming.
- About 384 South Deep employees live in Poortjie.

**Housing Type and Household Income of Local Residents**

- **Formal Rented**: 6% (R 44,442)
- **Informal Rented**: 56% (R 22,583)
- **Formal Owner**: 43% (R 50,192)
- **Informal Owner**: 93% (R 130,554)

**Change in dwelling status**

- **Westonaria Local Municipality**
  - 2011: 38%
  - 2016: 21%

**Note:** Graphs are based on Census 2011 data. Ward level data not available for the 2016 Community Survey.
Socio-economic baseline - community

**Change in Highest Education**

- **Total Population**
  - HET
  - FET
  - GET
  - None

- **Percentage Change (2011 – 2016)**
  - -40% -20% 0% 20%

- **Change in Highest Education**
  - ABET 4
  - ABET 3
  - ABET 2
  - ABET 1
  - > 25 years old
    - Grade 9 / Std 7
    - Grade 8 / Std 6
    - Grade 7 / Std 5
    - Grade 6 / Std 4
    - Grade 5 / Std 3
    - Grade 4 / Std 2
    - Grade 3 / Std 1
    - Grade 2 / Sub B
    - Grade 1 / Sub A
    - Grade 0
    - No schooling

- **Municipal Unemployment Rate (2011)**
  - 29%
  - 19%
  - 48%

- **Change in Language**
  - Setswana
  - Sesotho
  - Sepedi
  - IsiZulu
  - IsiXhosa
  - SiSwati
  - Xitsonga
  - Afrikaans
  - Tshivenda
  - IsiNdebele
  - English

  *English Speaking Population
  1 194 (2016) minus
  3 862 (2011) =
  -2 668 (-69%)

- **Change in Age**

  - Increase in youth age category (-12%)
Socio-economic baseline - procurement
## Implications on the business

<table>
<thead>
<tr>
<th>Business value Drivers</th>
<th>2017 Socio-economic Baseline Findings</th>
<th>Implications for South Deep</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Obtain or maintain licence to operate</td>
<td>Unbalanced Social Investment Portfolio</td>
<td>High compatibility of interest coincides with higher number of South Deep employment in a particular community and is at odds with the magnitude of social investment in a particular community.</td>
</tr>
<tr>
<td>• Mitigate the risk of negative publicity, protest and declining government support for current and future operations</td>
<td>Pressure on service delivery</td>
<td>The mine’s contributions to access to services, especially in terms of investments in infrastructure projects like the provision of housing (Westonaria Banywa), health services (Thusanang Clinic) and educational opportunities (TVET Westcol) were all found to lead to higher social return than the investment with calculated SROIs of 1.12, 2.9 (for the full SROI) and over 15 (full SROI) respectively.</td>
</tr>
<tr>
<td>• Improve the business enabling environment</td>
<td>Changes in South Deep workforce living in Thusanang informal settlement</td>
<td>The percentage of South Deep’s CSI investment in Thusanang should be reviewed in light of the contractor/employee influx into the settlement. Safety of South Deep employees considering the recent “shebeen massacre” in Thusanang and the fact that the WLM has a murder rate that is double that of the South African rate. Suggested to install lighting in the informal settlement to improve safety.</td>
</tr>
<tr>
<td>• Advance the right mix of rules, incentives, support and public services</td>
<td>Community dependency on South Deep</td>
<td>Any future large scale redundancies, by Gold Fields or any other neighbouring mining company, could have detrimental impacts on specific communities where the income differential is significantly larger than the employment differential.</td>
</tr>
<tr>
<td></td>
<td>Slowdown in foreign migration</td>
<td>Improvement in local employment compliance requirements.</td>
</tr>
<tr>
<td></td>
<td>Increase in home ownership within WLM</td>
<td>Future South Deep housing programmes should reflect to a greater extent the areas where South Deep’s employees/ contractors reside.</td>
</tr>
<tr>
<td>• Optimize human resource management</td>
<td>High employee turnover rates</td>
<td>This high turnover rate at South Deep should be considered as a driving force for host community employment – the suggestion here is that community members are less likely to leave more frequently.</td>
</tr>
<tr>
<td>• Ensure the ongoing safety, engagement, development and availability of appropriately skilled resources</td>
<td>Increase in local recruitment</td>
<td>The perceptions held by the community are another driving force for host community employment – the suggestion here is that community members are less likely to leave more frequently.</td>
</tr>
<tr>
<td></td>
<td>Changing local migrancy patterns</td>
<td>Implications are that more employees travel longer distances to and from the Mine, which increase the risk of accidents, increase in absenteeism and inefficiencies.</td>
</tr>
<tr>
<td></td>
<td>High turnover in younger and more educated workforce and decrease in educated municipal population</td>
<td>The graduate / diploma pool of host community resources is slowly diminishing. In this area, the opportunity from the permanent TVET Westcol facility is likely to be significant to further support the skills development of the community.</td>
</tr>
<tr>
<td></td>
<td>Improvement in literacy rates</td>
<td>There are opportunities based on the SROI analysis to critically consider the efficiency/ delivery of that programme however – lower costs per participant could mean a higher number of participants.</td>
</tr>
</tbody>
</table>
## Implications on the business

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<thead>
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<th>2017 Socio-economic Baseline Findings</th>
<th>Implications for South Deep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in FET levels</td>
<td>increase in Matric pass rates and potential increase in the rates of maths and science should contribute to a larger local pool for bursaries in the field of engineering in particular. The Westonaria TVET drive is absolutely critical, particularly if government regulation of free TVET education is adopted and implemented.</td>
<td></td>
</tr>
<tr>
<td>Crime on the increase</td>
<td>a large majority of the Social Workers’ referrals in Thusanang are in relation to substance and domestic abuse with the social workers having to run a number of workshops on domestic violence and self-defence training to answer the needs in the community.</td>
<td></td>
</tr>
<tr>
<td>Decrease in TB cases at South Deep but remains high</td>
<td>South Deep’s efforts in reducing the exposure of its employees to occupational health risks such as tuberculosis are gradually paying off. Whilst the SROI study demonstrated the impact of the health programmes and the value of the approach Gold Fields is taking in this area to partner with the Department of Health, a more systematic approach to understanding how the basket of services that will be delivered via new facilities and potentially to link this to the health issues of the community could lead to improved value.</td>
<td></td>
</tr>
<tr>
<td>HIV/AIDS is a serious threat faced by South Deep</td>
<td>the South Deep HIV/AIDS programme is comprehensive and effective. Critically it is voluntary. Making this programme more widely to community members could be a consideration especially those living in labour-sending areas.</td>
<td></td>
</tr>
<tr>
<td>Hypertension, the silent killer</td>
<td>the need to monitor, report and manage hypertension among employees is becoming increasingly important and South Deep should encourage employees to go for regular blood pressure check-ups, while also communicating the causes and warning signs for the disease. Health and wellness programmes that promote a healthy lifestyle should be a key focus.</td>
<td></td>
</tr>
</tbody>
</table>

- Strengthen value chains
- Improve the performance, stability and capacity for growth of suppliers, distributors and retail partners

| Improvement in local procurement                           | South Deep Mine has been successful in identifying small business development opportunities and suppliers at the local level to shift the balance of its expenditures from large, urban businesses to smaller, developing businesses located within the Host Community. The SROI analysis of the Host Community Procurement Programme and the BDC demonstrated the value that the community experienced, especially in terms of enhanced business skills which were linked to reduced operating costs. The link between the two programmes and clarity in terms of the goals of the initiatives is however crucial to ensure that the impact of various initiatives with local businesses can be accounted for meaningfully and communicated. |
Social Return on Investment Study
Social Return on Investment (SROI)

Relevance: Understanding our social investments

2012 to 2017
Community Trusts
SLP (LED and HRD community)
Mine
Gold Alliance

- Selected 15 of 40 social investments using specific criteria:
  - Different investment sources
  - Various project stages
  - Host and LSA
- Currently Gold Fields KPI for investment is Spend and SED Category (Infrastructure, Education etc.)
- SROI measures impact (change) enabled by investment
- Methodology includes stakeholder valuation and assigns monetary values to non-financial benefits
- Leading practice – Exxaro, Anglo using the SROI methodology

Investment of R163.4m in 15 projects -
  - Almost 20,000 beneficiaries
  - Over 350,000 days of training/skills development/education
  - 650 jobs (25 permanent)
  - 6,700 stakeholders reporting an improvement in wellbeing (40 projects investment of R296m)

What strategies can jointly benefit to our business, our people and their/our communities
Social investment by South Deep
TVET Westcol

Theory of change: Gold Fields through the Westonaria Community Trust initially funded 100 learners to do vocational training at Sedibeng College. To meet the needs of the local community, a more local host community option for vocational training was sought. This has resulted in funding of temporary facilities for TVET West College in Westonaria. The college currently hosts 500 learners from the local community in a range of vocational courses. A project is underway to consider options to construct a permanent facility for college in Westonaria (2018).

Boundary: The evaluation will consider the impact of the project from investment in Sedibeng learners to investment in West College temporary facility (the next upgrade phase will not be considered).

Achieved social impact

Inputs
Gold Fields provided R7.9m for the Sedibeng learners and an additional R100k for the refurbishment of temporary facilities for Westcol College to operate.

Outputs
100 learners were supported to attend vocational training in Sedibeng specifically. Through the temporary Westcol College located in Westonaria, an average of 480 learners from the community are able to attend vocational training each year.

Outcomes
100% of Sedibeng learners interviewed reported reduced financial stress and 50% reported they would have not been able to continue studying without support from Gold Fields.

All the learners interviewed (Westcol and Sedibeng) reported improved confidence.

Westcol provides 5 courses and can accommodate an average of 480 learners per year. These learners from the community would have to incur additional costs to access vocational training if the facility was not nearby.

“Opportunity instilled confidence in me and I feel more dignified than previously” respondent

SROI
1.24 GF only (Total est. 27)

Met ToC
Yes

Common outcome indicators
• Input – R7.9m
• Beneficiaries – 1,061*
• Training days – 172,997**
• Jobs
  • Temporary – 0
  • Permanent – 6
• Improvement in wellbeing
  • 67% of Sedibeng learners interviewed had an improvement in confidence.
  • 100% of Westcol learners interviewed had an improvement in confidence

SDGs

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South Deep Impact Measurement | ICMM | September 2018
Calculated SROIs

Calculated SROIs per project

- in other words for every R1 that Gold Fields invested in a project the social return was R1.12.

*If take full SROI for Thusanang and Pilani then weighted average is 1.19.
SROI by thematic areas

Weighted average SROIs per themes

<table>
<thead>
<tr>
<th>Infrastructure projects 1.31</th>
<th>Education &amp; skills development 1.03</th>
<th>Local economic development 0.98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healdtown College</td>
<td>TVET WestCol</td>
<td>Kingswood College</td>
</tr>
<tr>
<td>Pilani Clinic</td>
<td>Thusanang Clinic</td>
<td>Edumap</td>
</tr>
<tr>
<td>Westonaria Borwa</td>
<td></td>
<td>Bokamoso</td>
</tr>
<tr>
<td>Mine Maths and Science</td>
<td>Adult Education and Training Centre (AET)</td>
<td>Business Development Centre (BDC)</td>
</tr>
<tr>
<td>South Deep Community Bakery</td>
<td>South Deep Community Procurement</td>
<td>Donaldson Dam</td>
</tr>
<tr>
<td>Social Workers</td>
<td></td>
<td>Social Workers</td>
</tr>
</tbody>
</table>

Weighted Average SROI 1.02

Note: Agriculture and Social development only include 1 project each so hard to generalise

SROI for South Deep/Gold Fields' investment only
Total SROI achieved - e.g. including all partner investments
Moving forward and priorities for 2018

Recommendations based on study –

• Bring in lessons from Westcol temporary to permanent facility
• Review all ED business plans to make viable
• Drive efficiencies in the delivery of the SLP projects, e.g. budgets for MMS/ AET
• Use points of contact in community to identify needs, e.g. social workers
• Improve skills of project managers around monitoring & evaluation
• Better publicize what we are already doing

Barriers to overcome –

• Capacity (time, resources)
• Skills (e.g. M&E)
• Data management
• Commitments already defined (e.g. SLP)
Company-Community Relationship Assessment
Measuring our Relationships with our host communities

Results of independent assessments show a positive upward trend at our operations

Community support rose from 33% in 2015 to **52% in 2017**

Community acceptance improved from 5% in 2012, to 7% in 2014, and to **32% in 2016**

Strong community support with a relationship index of 73% at Damang and 78% at Tarkwa in 2015
About the ICMM UCCR Relationship Assessment Toolkit

The four key indicators according to the toolkit, are:
- Respect
- Trust
- Legitimacy
- Compatibility of interests

These indicators are within the control of mining companies.
**Research methodology**

Data-collection: Extending the relationship assessment to seven other communities

- Learnings from the 2016 pilot study applied
- Data-collection from 12 – 26 June by a supervised team of eight survey officials recruited from the seven communities
- Interviewed random community members in public places, e.g. shopping centres, taxi ranks, and clinics
- Sample size of 1,200 based on statistical requirements for 98% level of confidence and 3% margin of error.
- Proportional quotas set per community
- Focus groups conducted a few weeks after the survey (except for Hillshaven)
- Community Relations staff participated in internal evaluation

<table>
<thead>
<tr>
<th>Community</th>
<th>Households</th>
<th>% of population</th>
<th>Sampling targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venterspost</td>
<td>363</td>
<td>4%</td>
<td>80</td>
</tr>
<tr>
<td>Kalbasfontein</td>
<td>150*</td>
<td>2%</td>
<td>50</td>
</tr>
<tr>
<td>Jachtfontein</td>
<td>137</td>
<td>2%</td>
<td>50</td>
</tr>
<tr>
<td>Hillhaven</td>
<td>897</td>
<td>11%</td>
<td>130</td>
</tr>
<tr>
<td>Westonaria</td>
<td>3041</td>
<td>37%</td>
<td>405</td>
</tr>
<tr>
<td>Poortjie</td>
<td>3247</td>
<td>40%</td>
<td>405</td>
</tr>
<tr>
<td>Zuurbekom</td>
<td>350</td>
<td>4%</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8185</strong></td>
<td><strong>100%</strong></td>
<td><strong>1200</strong></td>
</tr>
</tbody>
</table>
Community support indicators

Overall scores for community support indicators

<table>
<thead>
<tr>
<th>Composite rating score</th>
<th>Indicator Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2</td>
<td>Very poor to poor performance by South Deep. Community support is low.</td>
</tr>
<tr>
<td>-1</td>
<td>Poor to moderate performance by South Deep. Community support is minimal.</td>
</tr>
<tr>
<td>0</td>
<td>Moderate to good performance by South Deep. Community support is satisfactory.</td>
</tr>
<tr>
<td>1</td>
<td>Good to very good performance by South Deep. Community support is high.</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
Gold Fields commissioned a Relationship Proximity Assessment (RPA) in 2014/2015. Relationships with all communities have improved over the last 2 years, except with Westonaria and Venterspost.
Mining impacts

We added questions on perceived mining impacts to the UCCR tool

- Six groups of mining impacts were measured:
  - Three potential negative: (1) Social wellbeing, (2) Environment, (3) Housing & accommodation
  - Three potential positive: (4) Employment & training, (5) Opportunities for local business, and (6) Community development

- Perceptions of each impact was tested by means of three questions with a 5-point scale rating (-2 to 2) – the same rating scale used to measure community support.
  - Ratings closer to 2 indicate positive sentiments (or the absence of negative sentiments)
  - Ratings closer to -2 indicate negative sentiments (or the absence of positive sentiments)
We now understand the changes / context better in the community, the value / return on our projects, relationship status and areas to improve. This gives us a good basis to constructively engage with our stakeholders.

The SROI analysis has demonstrated the importance of working with other organisations and people that have a contribution to make in creating change.

The SROI study and relationship assessment provided the right indicators to gauge how we are performing against our commitments to achieve shared value.

The work helped us to better understand the relevant issues associated with our social investments, the change we brought about, the efficiency challenges we have, the skills we need, which will help us to **co-create and deliver the right commitments** to secure and maintain our **Social Licence to Operate**.

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**Gold Fields Commitments**

- To build strong relationships and trust
- To create and share value
- To measure our actions and impact
- To deliver against our commitment

**Gold Fields Actions**

- Engage honestly & frequently
- Invest through Partnerships
- Measure Performance
- Understand, co-create and deliver

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Key learnings

What our work has shown:

● If you want to **maximise your impact** then systematically use socio-economic data to identify, define and manage social and sustainability programmes towards shared value
● You have to design and implement programmes / projects to maximise social change and **NOT only to comply** with the regulatory Social Labour Plan and Mining Charter
● You can **improve mine-community relationships** by understanding the components thereof and implementing targeted action plans
● You have to **continuously and systematically monitor** impact and relationship achieved
Thank you