

# 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. 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.



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## 2. 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.

## 3. 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

## 4. 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.



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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.

#### **5. 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.

#### **6. 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, contractors 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.

#### **7. 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.



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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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