

3.2 Risk and materiality

The identification of our material issues is based on three key processes:

- The first is our well-established Enterprise Risk Management ('ERM') process, which is designed to help Gold Fields achieve its strategic objectives, including the creation of value in the short and long term
- The second is our ongoing internal and external stakeholder engagement process, many of the outputs of which are integrated into the ERM process
- The third is the integrated reporting process itself, through which the results of the ERM process and stakeholder engagement are further analysed and refined through an internal consultation and feedback process, in line with our established corporate governance framework

3.2.1 ERM process

Our mature ERM process is aligned with the ISO 31000 international risk management standard and is subject to ongoing improvement. It supports our efforts to achieve the highest levels of corporate governance, as well as full compliance with the risk management requirements of South Africa's King III Code.

The ERM process – which prioritises risks on the basis of probability and severity – is based on the following process:

- **Workplace risk assessments:** Line management carries out ongoing hazard identification and workplace risk assessments in accordance with international standards (for example, ISO 31000 and SAMREC guideline)
- **Mine/Region reviews:** Each regional and mine Executive Committee conducts a risk review of the top risks and mitigating strategies on a quarterly basis
- **Presentation to the Group Executive Committee ('Exco'):** The Mine Manager presents the top 10 risks and mitigation actions to members of the Exco during quarterly business reviews. The impacts of relevant mitigating actions are assessed in terms of their relevance and effectiveness
- **Compilation of Group Risk Register:** The Group Risk Manager extracts all of the top risks from the regional and operational registers in line with the tolerance levels set by the Board, and compiles the Group Risk Register
- **Assessment and moderation:** The risks are then assessed and moderated in a Group context by the relevant risk owners and Exco members
- **Exco risk meeting:** A top-risk register review is conducted and Group-wide mitigation strategies are set and monitored during the Exco risk meeting. This takes place every six months
- **Audit Committee review:** A review of the top risks and mitigation strategies is conducted by the Audit Committee twice a year
- **Internal audit review:** An audit of progress against and adherence to mitigation strategies is carried out by Internal Audit on a regular basis

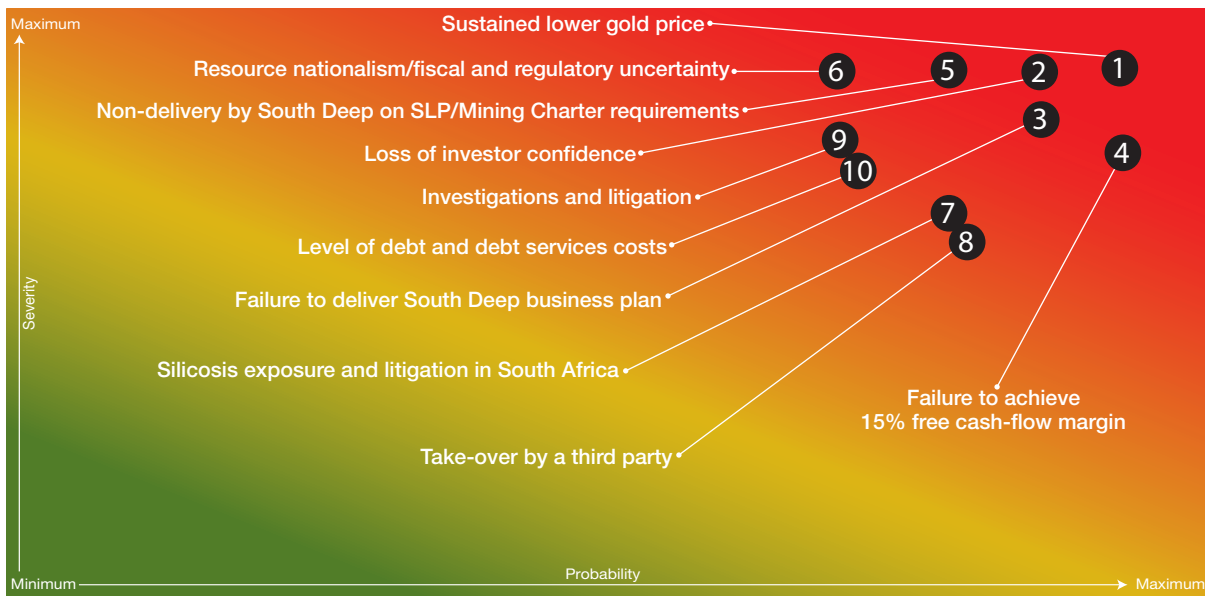
3.2 Risk and materiality continued

“Materiality: An integrated report should disclose information about matters that substantively affect the organisation’s ability to create value over the short, medium and long term.”
The International <IR> Framework,
International Integrated Reporting Council

Short-term risk performance

The heat map below sets out the top 10 Group risks, as identified through our ERM process. This represents the Group’s top operational and strategic risks, based on our operation- and region-level risk registers as at the end of 2013. Regional risk maps are contained in the online regional reports.

Figure 3.4: Gold Fields’ 2013 heat map



Risk	Description	Mitigating strategies
1	Sustained lower gold price	<ul style="list-style-type: none"> Restructuring of Gold Fields as a smaller but more cash-generative business and achieve a 15% free cash-flow margin at a gold price of US\$1,300/oz An increase in geographical and currency diversification Application of a strict stage-gate process to ensure future growth projects contribute to cash generation
2	Loss of investor confidence	<ul style="list-style-type: none"> Restructuring at our mines and growth projects to maximise financial and operational efficiency and achieve market guidance Full review of our production portfolio to optimise cash generation and investment payback Engagement with shareholders and analysts to explain our new business strategy Demonstration of our ability to reduce our costs and deliver on our business plans
3	Failure to deliver South Deep business plan	<ul style="list-style-type: none"> Implementation of a new production target following a life-of-mine review Embedding of the '24/7/365' operating model and development of new training and maintenance facilities Appointment of a General Manager from our Agnew mine, who is a specialist in mechanised underground mining, along with a support team of 14 experts Addressing of the following issues to facilitate production build-up: <ul style="list-style-type: none"> Ore-handling infrastructure Fleet availability and utilisation Operator and technician skills

Risk	Description	Mitigating strategies
4	Failure to achieve 15% free cash-flow margin	<ul style="list-style-type: none"> • Closure of marginal mining operations – including the heap leach operations at Tarkwa and St Ives – as well as the suspension of mining at Agnew's Main Lode • Life-of-mine review and the subsequent implementation of remediation measures at South Deep • Implementation of a comprehensive recovery plan at Damang • Integration of the new Yilgarn South Assets into the Australasia Region
5	Failure of South Deep to deliver on its Mining Charter/ SLP requirements	<ul style="list-style-type: none"> • Legal advice regarding the basis on which empowerment transactions are measured and the assessment of past empowerment transactions that no longer exist. • Submission of an enhanced 'second round' Social and Labour Plan ('SLP') • Upgrading of accommodation and support for new housing development and procurement • Ongoing programmes to address local procurement, broad-based transformation, training/skill development and community development • Implementation of Shared Value projects – including maths- and science-focused education initiatives
6	Resource nationalism/ fiscal and regulatory uncertainty	<ul style="list-style-type: none"> • Transparent engagement with host governments and communities on the state of the industry, cost structures and industry contributions to national economies and local communities • Adoption of new World Gold Council cost metrics (AIC and AISC) to provide greater transparency around the true cost of mining • Continued engagement with the Government of Ghana to achieve an investor agreement
7	Silicosis exposure and litigation in South Africa	<ul style="list-style-type: none"> • Engineering-out of underground health risks, including tip filters, mist spray and settling agents, as well as enhanced dust measurement • Provision of enhanced personal protective equipment • Pre-litigation preparation, including the consolidation of historical data
8	Take-over by a third party	<ul style="list-style-type: none"> • Restructuring at our mines and growth projects to maximise financial and operational efficiency and achieve market guidance • Restructuring of Gold Fields as a smaller but more cash-generative business and achievement of a 15% free cash-flow margin at a gold price of US\$1,300/oz • Engagement with shareholders and analysts to explain the new business strategy • Maintenance of our status as one of the top dividend payers in the gold sector
9	Investigations and litigation	<ul style="list-style-type: none"> • Proactive litigation/investigation management and defence strategies • Assessment of Gold Fields' governance framework
10	Level of debt and debt service costs	<ul style="list-style-type: none"> • Investigation of additional and alternative funding mechanisms • Prioritisation of cash generation at all operations – including South Deep – to reduce Group debt exposure

3.2 Risk and materiality continued

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Long-term risk performance

Figure 3.5 indicates whether management is operating within the risk tolerance levels set for them by the Board. Tolerance levels are reviewed and reset every year as part of our annual risk management plan.

Figure 3.5: Risk performance

Strategy and risk category	Risk appetite	Tolerance level	Targets	2012 ⁵	2013 ⁶	X / ✓	
Operational excellence	Safety	Zero harm	Zero harm	No fatalities	0	2	X
				SIFR ⁷ (5% reduction) ¹	0.35	0.66	X
				LTIFR (5% reduction) ¹	2.36 ²	2.86	X
				DLIFR ⁸ (5% reduction) ¹	28.35	61.46	X
Operational plan	Sustainable cash flow Superior shareholder returns	Within ±5% of plan	20 – 25% NCE	20%	17%	X	
			Payment of dividends of 25% – 35% of earnings	235 cps = 25%	22 cps = 30%	✓	
Growing Gold fields	Mergers and acquisitions Exploration	Prioritise low-risk/ high-return growth opportunities	Minimum of 10% IRR at US\$1,300/oz	Increase % oz in OECD countries	29% oz in Australia	43% oz in Australia	✓
				Orogenic/low sulphidisation ore bodies	n/a	On track	✓
Securing our future	Environment	Zero harm	Zero Level 4 and 5 incidents	Zero	Zero	Zero	✓
	Health	Zero harm	Zero harm	Silica ³ Less than 5% >0.1mg/m ³	4.7%	3.8% ⁴	✓
				Noise ³ All machinery <110dB(A)	0.7%	Zero	✓
	Human resources	Pipeline of successors for scarce and critical skills	Successor cover for all executive committees	100%	110%	100%	✓
		High-performance culture	Performance management plans and targets for management	100% Excluding South Deep	100%	100%	✓
	Licence to operate	Global leader in sustainable gold mining	Full compliance with all statutory, regulatory and community commitments	Full compliance – No mine closures, community- or government-related	100%	100%	✓
Ethics and corporate governance	Full compliance with SOX and substantial compliance with King III	No material/significant failures	Nil	Nil	Nil	✓	

From 2014:

- Safety statistics will be reflected in Total Recordable Injury Frequency Rate ('TRIFR')
- The Notional Cash Expenditure ('NCE') margin will be replaced with a target of a 15% free cash-flow margin in terms of All-in Costs ('AIC')

¹ Per million hours worked

² Restated LTIFR, now includes restricted work injuries

³ These milestones are for South Africa Region only

⁴ Q4 2013

⁵ Restated, excluding Sibanye Gold

⁶ Excludes Yilgarn South Assets

⁷ SIFR – Serious Injury Frequency Rate

⁸ DLIFR – Days Lost Injury Frequency Rate

3.2.2 Stakeholder engagement

Proactive and frank stakeholder engagement plays a vital role in helping us maintain sustainable value creation, and identify our material issues. All of our stakeholder engagement activities are informed by the AA 1000 principles of:

- Inclusivity
- Materiality
- Responsiveness

Our engagement activities fall into two types:

- Direct engagement, including organised dialogues, roundtable discussions, one-to-one meetings, internal surveys and regular engagement with local communities at each operation and project
- Indirect engagement, including the use of external benchmarks and standards (such as the UN Global Compact) that are designed to reflect and address societal expectations (p37)

At an operational level, all our mines identify, prioritise and directly engage stakeholder groups that have the potential to affect their operational, sustainability or financial performance. This includes, for example, ongoing engagement of:

- Employees and their representatives by our human resources teams and general managers
- Local communities by our community relations teams and general managers
- Regulators by our discipline heads and general managers

At a strategic level, our corporate and regional management teams implement an ongoing programme of direct and indirect engagement. This includes, for example, ongoing engagement of:

- In-country peer companies by our regional Executive Vice-Presidents ('EVPs')
- Central government by our corporate affairs teams, legal teams, members of the Group Exco and regional EVPs
- Shareholders and potential investors by our investor relations team, CEO and CFO

All relevant outcomes from our operational and strategic stakeholder engagement processes are integrated into our internal reporting processes including in our quarterly regional board reports, sustainable development reports and other documents. In addition, they help inform the ERM process, and so form a vital part of our risk management programme.

Figure 3.6: Key stakeholder categories

Investors	<ul style="list-style-type: none"> • Current shareholders • Potential shareholders • Investment analysts
Employees	<ul style="list-style-type: none"> • Employees • Contractors • Employee and contractor dependants • Organised labour
Society	<ul style="list-style-type: none"> • Local and central government • Regulatory authorities • Local and labour-sending communities • Media, NGOs and other opinion formers • Potential business partners • Gold consumers • Listing authorities (e.g. JSE, NYSE, etc.) • Sector organisations (e.g. ICMM, WGC) • International organisations (e.g. UN Global Compact, EITI, GRI, etc.)

3.2.3 Integrated reporting process

The outputs of the ERM and stakeholder engagement processes are analysed alongside:

- Operational, financial and sustainability data generated through our data management systems
- The output of dedicated integrated reporting interviews with managers and executives at operation-, region- and Group-level
- Short-, medium- and long-term strategic analysis of the external environment

This is with the aim of:

- Further defining and gaining a greater depth of insight into the Group's material issues
- Identifying the management actions taken in response to each material issue
- Defining the content of this Integrated Annual Report

Initial drafts of the Integrated Annual Report are prepared on the basis of this process and are then subject to a rigorous internal assurance process.

The Board – through the Audit Committee – which is also responsible for overseeing our ERM policies, processes and mitigating strategies – is ultimately responsible for the contents of this Integrated Annual Report and the material issues identified herein.