

GOLD FIELDS LTD  
Form 20-F  
March 29, 2019  
Table of Contents

As filed with the Securities and Exchange Commission on 29 March 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 20-F**

**(Mark One)**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)  
OF THE SECURITIES EXCHANGE ACT OF 1934**  
**or**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended 31 December 2018**  
**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

or

**SHELLCOMPANY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report**

**For the transition period from            to**

**Commission file number: 1-31318**

**Gold Fields Limited**

**(Exact name of registrant as specified in its charter)**

**Republic of South Africa**

**(Jurisdiction of incorporation or organisation)**

**150 Helen Road**

**Sandown, Sandton, 2196**

**South Africa**

**011-27-11-562-9700**

**(Address of principal executive offices)**

*with a copy to:*

**Taryn L. Harmse**

**Executive Vice-President: Group General Counsel**

**Tel: 011-27-11-562-9724**

**Fax: 011-27-86-720-2704**

**Taryn.Harmse@goldfields.com**

**150 Helen Road**

**Sandown, Sandton, 2196**

**South Africa**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

**and**

**Thomas B. Shropshire, Jr.**

**Linklaters LLP**

**Tel: 011-44-20-7456-2000**

**Fax: 011-44-20-7456-2222**

**One Silk Street**

**London EC2Y 8HQ**

**United Kingdom**

**Securities registered or to be registered pursuant to Section 12(b) of the Act**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Ordinary shares of no par value each American Depositary Shares, each representing one ordinary share</b>	<b>New York Stock Exchange* New York Stock Exchange</b>

\*Not for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act**

**None**

**(Title of Class)**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act**

**None**

**(Title of Class)**

**Indicate the number of outstanding shares of each of the issuer's classes of capital or  
common stock as of the close of the period covered by the Annual Report**

**821,532,707 ordinary shares of no par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Emerging growth company
-------------------------	-------------------	-----------------------	-------------------------

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other
-----------	-------------------------------------------------------------------------------------------------------	-------

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

**Table of Contents**

**Gold Fields Operations**

**Table of Contents****FORM 20-F CROSS REFERENCE GUIDE**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
1	Identity of directors, senior management and advisers	NA	
2	Offer statistics and expected timetable	NA	
3	Key information		
	(a) Selected financial data	Further Information Key Information Selected-3 Historical Consolidated Financial Data	
	(b) Capitalisation and indebtedness	NA	
	(c) Reasons for the offer	NA	
	(d) Risk factors	Further Information Risk Factors	4-38
4	Information on the Company		
	(a) History and development of the Company	Further Information Additional Information on the Company Organisational Structure Group Structure	39
		Annual Financial Report Accounting policies	AFR 129-149
		Integrated Annual Report Leadership	IAR 26-28
		Further Information Additional Information on the Company Memorandum of Incorporation General	12
		Integrated Annual Report Administration and Corporate Information	IAR 131
		Annual Financial Report Director s Report Significant Announcements in 2018	AFR 23-24
		Annual Financial Report Management s Discussion and Analysis of Financial Statements Capital Expenditures	AFR 80-81
		Further Information Description of the Mining Business Capital Expenditures	73-74
		Further Information Additional Information Documents on Display	135
	(b) Business overview	Gold Fields Operations	Back of cover
		Further Information Additional Information on the Company Gold Fields Mining Operations	40-48
		Integrated Annual Report Our Business	IAR 4-7





**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
		Integrated Annual Report Portfolio Management	IAR 42-53
		Integrated Annual Report Safe Operational Delivery	IAR 54-71
		Integrated Annual Report Licence and Reputation	IAR 90-123
		Annual Financial Report Corporate Governance Report Application of King IV within Gold Fields	AFR 17-20
		Further Information Description of the Mining Business	72-76
		Further Information The Gold Mining Industry	76-77
		Further Information Environmental and Regulatory Matters	78-98
(c)	Organisational structure	Further Information Additional Information on the Company Organisational Structure	39
(d)	Property, plant and equipment	Further Information Additional Information on the Company Property	49-50
		Annual Financial Report Management's discussion and analysis of the financial statements	AFR 63-126
		Annual Financial Report Notes to the consolidated financial statements Note 13. Property, plant and equipment	AFR 171
		Further Information Additional Information on the Company Reserves of Gold Fields as at 31 December 2018	65-71
4A	Unresolved staff comments	NA	
5	Operating and financial review and prospects		
(a)	Operating results	Annual Financial Report Management's discussion and analysis of the financial statements	AFR 63-126
		Annual Financial Report Consolidated income statement	AFR 150
		Annual Financial Report Consolidated statement of financial position	AFR 152



**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
		Annual Financial Report Notes to the consolidated financial statements Note 38. Risk management activities Foreign currency sensitivity	AFR 197
		Further Information Environmental and Regulatory Matters	78-98
(b)	Liquidity and capital resources	Annual Financial Report Management s discussion and analysis of the financial statements	AFR 63-126
		Annual Financial Report Notes to the consolidated financial statement Note 24. Borrowings	AFR 182-184
		Annual Financial Report Notes to the consolidated financial statement Note 34. Commitments	AFR 188
		Annual Financial Report Notes to the consolidated financial statement Note 37. Financial Instruments	AFR 191-193
		Annual Financial Report Notes to the consolidated financial statement Note 38. Risk Management Activities	AFR 194-201
		Annual Financial Report Notes to the consolidated financial statement Note 39. Capital Management	AFR 202
(c)	Research and development, patents and licences, etc.	NA	
(d)	Trend information	Annual Financial Report Management s discussion and analysis of the financial statements Trend and Outlook	AFR 126
(e)	Off-balance sheet arrangements	Annual Financial Report Management s discussion and analysis of the financial statements Off-balance sheet items	AFR 125
(f)	Tabular disclosure of contractual obligations	Annual Financial Report Management s discussion and analysis of the financial statements Contractual obligations and commitments as at 31 December 2018	AFR 124-125
(g)	Safe harbour	Forward-Looking Statements	xii
6	Directors, senior management and employees		
(a)	Directors and senior management	Annual Financial Report Corporate Governance Report Directors	AFR 14-16

Further Information Directors, Senior Management and Employees Directors	99-104
-----------------------------------------------------------------------------	--------

**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
		Further Information Directors, Senior Management and Employees Executive Committee	102-104
(b)	Compensation	Annual Financial Report Remuneration Committee Report	AFR 30-62
(c)	Board practices	Further Information Directors, senior management and employees	99-104
		Annual Financial Report Corporate Governance Report Application of King IV within Gold Fields	AFR 17-20
		Annual Financial Report Corporate Governance Report Board committees Audit committee	AFR 10-11
		Annual Financial Report Corporate Governance Report Board committees Remuneration committee	AFR 11
(d)	Employees	Integrated Annual Report Safe operational delivery Fit-for-purpose workforce	IAR 74-81
		Further Information Directors, senior management and employees Employees	104
		Integrated Annual Report Safe operational delivery Safety	IAR 61-64
		Integrated Annual Report Safe operational delivery Health	IAR 65-67
(e)	Share ownership	Annual Financial Report Directors Report Share ownership of directors and executive officers	AFR 22
		Annual Financial Report Notes to the consolidated financial statements Note 5. Share-based payments	AFR 156-161
7	Major Shareholders and Related Party Transactions		
(a)	Major shareholders	Further Information Major Shareholders and Related Party Transactions Major Shareholders	110
(b)	Related party transactions	Further Information Related Party Transactions Related Party Transactions	110
		Annual Financial Report Notes to the consolidated financial	AFR 203-204

statements Note 40. Related parties

(c) Interests of experts and counsel NA

iv

**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
8	Financial information		
(a)	Consolidated statements and other financial information	Annual Financial Report Management's discussion and analysis of the financial statements	AFR 63-126
		Annual Financial Report Consolidated income statement	AFR 150
		Annual Financial Report Consolidated statement of comprehensive income	AFR 151
		Annual Financial Report Consolidated statement of financial position	AFR 152
		Annual Financial Report Consolidated statement of changes in equity	AFR 153
		Annual Financial Report Consolidated statement of cash flows	AFR 154
		Annual Financial Report Accounting policies Basis of preparation Provision for silicosis settlement costs	AFR 136
		Annual Financial Report Accounting policies Provision for environmental rehabilitation costs	AFR 136
		Annual Financial Report Notes to the consolidated financial statements Note 25. Provisions	AFR 185-186
		Annual Financial Report Notes to the consolidated financial statements Note 35. Contingent liabilities	AFR 189-190
		Annual Financial Report Management's discussion and analysis Silicosis settlement costs	AFR 91
		Annual Financial Report Directors report Financial affairs Dividend policy	AFR 22
(b)	Significant changes	Annual Financial Report Notes to the consolidated financial statements Note 36. Events after the reporting date	AFR 190
9	The Offer and listing		
(a)	Listing details	Further Information The Listing	111
(b)	Plan of distribution	NA	

(c)	Markets	Integrated Annual Report	About this Report	IAR 2
		Annual Financial Report	Administration and	AFR 228
		Corporate Information		



**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
	(d) Selling shareholders	NA	
	(e) Dilution	NA	
	(f) Expenses of the issue	NA	
10	Additional information		
	(a) Share capital	NA	
	(b) Memorandum and articles of association	Further Information Additional Information Memorandum of Incorporation	112-117
	(c) Material contracts	Further Information Additional Information Material Contracts	117-123
	(d) Exchange controls	Further Information Additional Information South African Exchange Control Limitations Affecting Security Holders	129-130
	(e) Taxation	Further Information Additional Information Taxation	130-135
	(f) Dividends and paying agents	NA	
	(g) Statement by experts	NA	
	(h) Documents on display	Further Information Additional Information Documents On Display	135
	(i) Subsidiary information	NA	
11	Quantitative and qualitative disclosures about market risk	Annual Financial Report Notes to the consolidated financial statements Note 38. Risk management activities	AFR 194-201
12	Description of securities other than equity securities		
	(a) Debt securities	NA	
	(b) Warrants and rights	NA	
	(c) Other securities	NA	
	(d) American depositary shares	Further Information Additional Information American Depositary Receipts	123-129
13	Defaults, dividend arrearages and delinquencies	NA	
14	Material modifications to the rights of security holders and use of proceeds	NA	
15	Controls and procedures	Further Information Controls and Procedures	136



**Table of Contents**

<b>Item</b>	<b>Form 20-F Caption</b>	<b>Location in this document</b>	<b>Page</b>
16A	Audit Committee financial expert	Further Information Audit Committee Financial Expert	137
16B	Code of ethics	Annual Financial Report Corporate Governance Report Standards, principles and systems	AFR 5
16C	Principal accountant fees and services	Further Information Principal Accountant Fees and Services	139
16D	Exemptions from the listing standards for audit committees	NA	
16E	Purchase of equity securities by the issuer and affiliated purchasers	NA	
16F	Change in registrant s certifying accountant	Change in Registrant s Certifying Accountant	138
16G	Corporate governance	Further Information Corporate Governance	140
16H	Mine safety disclosure	NA	
17	Financial statements	NA	
18	Financial statements	Report of Independent Registered Public Accounting Firm	AFR 127-128
		Annual Financial Report Consolidated income statement	AFR 150
		Annual Financial Report Consolidated statement of comprehensive income	AFR 151
		Annual Financial Report Consolidated statement of financial position	AFR 152
		Annual Financial Report Consolidated statement of changes in equity	AFR 153
		Annual Financial Report Consolidated statement of cash flows	AFR 154
		Annual Financial Report Accounting policies	AFR 129-149
		Annual Financial Report Notes to the consolidated financial statements	AFR 155-212
19	Exhibits	Exhibits	141-144

**Table of Contents****PRESENTATION OF FINANCIAL INFORMATION**

Gold Fields Limited (Gold Fields or the Company) is a South African company and, in fiscal 2018, 7 per cent., 36 per cent., 42 per cent. and 15 per cent. of Gold Fields' operations, based on managed gold-equivalent production, were located in South Africa, Ghana, Australia and Peru, respectively. Its books of account are maintained in South African Rand. The reporting currency of the Gold Fields consolidated financial statements is the U.S. dollar. The Group's annual and interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as prescribed by law (refer to the *Basis of preparation* section of the accounting policies to the consolidated financial statements).

Except as otherwise noted, the financial information included in this annual report has been prepared in accordance with IFRS and is presented in U.S. dollars, and for descriptions of critical accounting policies, refer to accounting policies under IFRS.

For Gold Fields' consolidated financial statements, unless otherwise stated, statement of financial position item amounts are translated from Rand and A\$ to U.S. dollars at the exchange rate prevailing on the date that it closed its accounts for fiscal 2018 (Rand 14.63 per U.S.\$1.00 and U.S.\$0.70 per A\$1.00 as of 31 December 2018), except for specific items included within shareholders' equity and the statement of cash flows that are translated at the rate prevailing on the date the relevant transaction was entered into, and income statement item amounts are translated from Rand and A\$ to U.S. dollars at the weighted average exchange rate for each period (Rand 13.20 per U.S.\$1.00 and U.S.\$1.00 per A\$0.75 for fiscal 2018).

In this annual report, Gold Fields presents the financial items all-in sustaining costs (AISC), all-in sustaining costs per ounce, all-in costs (AIC), and all-in costs per ounce, which have been determined using industry standards promulgated by the World Gold Council (WGC) and are non-IFRS measures.<sup>1</sup> The WGC standard was released by the WGC on 27 June 2013. Gold Fields voluntarily adopted and implemented these metrics as from the quarter ended June 2013. An investor should not consider these items in isolation or as alternatives to cost of sales, profit before tax, profit for the year, cash flows from operating activities or any other measure of financial performance presented in accordance with IFRS. While the WGC provided definitions for the calculation of AISC and AIC, the calculation of AISC, AISC per ounce, AIC and AIC per ounce may vary significantly among gold mining companies, and by themselves do not necessarily provide a basis for comparison with other gold mining companies. See *Further Information Key Information Selected Historical Consolidated Financial Data*, *Additional Information on the Company Glossary of Mining Terms All-in sustaining costs* and *Additional Information on the Company Glossary of Mining Terms All-in costs*.

Gold Fields also presents net cash flow, free cash flow margin and adjusted EBITDA in this annual report, which are non-IFRS measures<sup>1</sup>. An investor should not consider these items in isolation or as alternatives to cash flow from operating activities, cash and cash equivalents or any other measure presented in accordance with IFRS. Net cash flow is defined as net cash flow from operations less the South Deep dividend, net capital expenditure (additions to property, plant and equipment less proceeds on disposal of property, plant and equipment), and environmental trust fund and rehabilitation payments, as per the consolidated statement of cash flows. Free cash flow margin is defined as adjusted all-in costs adjusted for non-cash share-based payments, non-cash long-term employee benefits, exploration, feasibility and evaluation costs outside of existing operations, non-sustaining capital expenditure for growth projects only, realised gains or losses on revenue hedges and taxation paid (excluding royalties) expressed as a percentage. Adjusted EBITDA is defined as profit or loss for the year adjusted for interest, taxation, amortisation and depreciation and certain other costs. The definition for the calculation of net cash flow, free cash flow margin and adjusted EBITDA may vary

<sup>1</sup> These non-IFRS measures have been defined and reconciled to IFRS in the Management's discussion and analysis of the financial statements.

**Table of Contents**

significantly between companies, and by themselves do not necessarily provide a basis for comparison with other companies. See *Additional Information on the Company* *Glossary of Mining Terms* .

**Market Information**

This annual report includes industry data about Gold Fields' markets obtained from industry surveys, industry publications, market research and other publicly available third-party information. Industry surveys and industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Gold Fields and its advisers have not independently verified this data.

In addition, in many cases, statements in this annual report regarding the gold mining industry and Gold Fields' position in that industry have been made based on internal surveys, industry forecasts and market research, as well as Gold Fields' own experiences. While these statements are believed by Gold Fields to be reliable, they have not been independently verified.

**Table of Contents****DEFINED TERMS AND CONVENTIONS**

In this annual report, all references to the Group are to Gold Fields and its subsidiaries. On 18 February 2013 (the Spin-off date), Gold Fields completed the separation of its wholly-owned subsidiary, Sibanye Gold Limited, trading as Sibanye-Stillwater (Sibanye-Stillwater), formerly known as GFI Mining South Africa Proprietary Limited (GFIMSA), which includes the KDC and Beatrix mining operations (the Spin-off).

In this annual report, all references to fiscal 2014 are to the 12-month period ended 31 December 2014, all references to fiscal 2015 are to the 12-month period ended 31 December 2015, all references to fiscal 2016 are to the 12-month period ended 31 December 2016, all references to fiscal 2017 are to the 12-month period ended 31 December 2017, all references to fiscal 2018 are to the 12-month period ending 31 December 2018, and all references to fiscal 2019 are to the 12-month period ending 31 December 2019. In this annual report, all references to South Africa are to the Republic of South Africa, all references to Ghana are to the Republic of Ghana, all references to Australia are to the Commonwealth of Australia, all references to Chile are to the Republic of Chile, all references to Peru are to the Republic of Peru, all references to the Philippines are to the Republic of the Philippines and all references to the United States and U.S. mean the United States of America, its territories and possessions and any state of the United States and the District of Columbia.

In this annual report, all references to the DMR are references to the South African Department of Mineral Resources, the government body responsible for regulating the mining industry in South Africa.

This annual report contains descriptions of gold mining and the gold mining industry, including descriptions of geological formations and mining processes. In order to facilitate a better understanding of these descriptions, this annual report contains a glossary defining a number of technical and geological terms. See *Additional Information on the Company Glossary of Mining Terms* .

In this annual report, gold production figures are provided in troy ounces, which are referred to as ounces or oz , or in kilograms, which are referred as kg . Ore grades are provided in grams per metric tonne, which are referred to as grams per tonne or g/t . All references to tonnes or t in this annual report are to metric tonnes. All references to gold include gold and gold equivalent ounces, unless otherwise specified or where the context suggests otherwise. See *Additional Information on the Company Glossary of Mining Terms* for further information regarding units of measurement used in this annual report and a table providing rates of conversion between different units of measurement. AIC, net of by-product revenue, and AISC, net of by-product revenue, are calculated per ounce of gold sold, excluding gold equivalent ounces. See *Annual Financial Report Management's Discussion and Analysis of the Financial Statements All-in Sustaining and All-in Costs* .

This annual report contains references to the total recordable injury frequency rate (TRIFR) at each Gold Fields operation which was introduced in 2013. The TRIFR at each operation includes the total number of fatalities, lost time injuries, medically treated injuries (MTI) and restricted work injuries (RWI) per million man hours. A lost time injury (LTI) is a work-related injury resulting in the employee or contractor being unable to attend work for a period of one or more days after the day of the injury (i.e. the employee or contractor is unable to perform any of his/her duties). An MTI is a work-related injury sustained by an employee or contractor which does not incapacitate that employee and who, after having received medical treatment, is deemed fit to immediately resume his/her normal duties on the next calendar day, immediately following the treatment or re-treatment. An RWI is a work-related injury sustained by an employee or contractor which results in the employee or contractor being unable to perform one or more of their routine functions for a full working day from the day after the injury occurred, but the employee or contractor can still perform some of his/her duties.

Edgar Filing: GOLD FIELDS LTD - Form 20-F

In this annual report, R and Rand refer to the South African Rand and SA cents refers to subunits of the South African Rand, \$ , U.S.\$ and U.S. dollars refer to United States dollars, U.S. cents refers to

x



**Table of Contents**

subunits of the U.S. dollar, A\$ and Australian dollars refer to Australian dollars, GH refers to Ghana Cedi, S/. refers to the Peruvian Nuevo Sol and CAD refers to Canadian dollars.

In this annual report, except where otherwise noted, all production and operating statistics are based on attribution of 100 per cent. of Gold Fields' total operations, which include production from the Tarkwa and Damang mines in Ghana and from the Cerro Corona mine in Peru, a portion of which is attributable to the non-controlling shareholders in those mines. In addition, production and operating statistics for Asanko are included on an attributable basis. This annual report contains references to gold equivalent ounces, which are quantities of metals (such as copper) expressed as amounts of gold using the prevailing prices of gold and the other metals. To calculate this, the accepted total value of the metal based on its weight and value is divided by the accepted value of one troy ounce of gold.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act) and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act) with respect to Gold Fields' financial condition, results of operations, business strategies, operating efficiencies, competitive position, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters.

These forward-looking statements, including, among others, those relating to the future business prospects, revenues, income and 2019 production and operational guidance of Gold Fields, wherever they may occur in this annual report and the exhibits to the annual report, are necessarily estimates reflecting the best judgement of the senior management of Gold Fields and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this annual report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

the difficulties, delays and costs in relation to the restructuring plan at the South Deep operation;

decreases in the market price of gold or copper;

fluctuations in exchange rates, currency devaluations and other macroeconomic monetary policies;

changes in relevant government regulations, particularly labour, environmental, tax, royalty, health and safety, water, regulations and potential new legislation affecting mining and mineral rights;

court decisions affecting the South African mining industry, including, without limitation, regarding the interpretation of mineral rights legislation and the treatment of health and safety claims;

the success of the Group's business strategy, development activities and other initiatives, particularly at Damang and Gruyere;

the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions or joint ventures;

changes in assumptions underlying Gold Fields' mineral reserve estimates;

the ability to achieve anticipated cost savings at existing operations;

the occurrence of hazards associated with underground and surface gold mining or contagious diseases (and associated legal claims) at Gold Fields operations;

loss of senior management or inability to hire or retain sufficiently skilled employees;

power cost increases as well as power stoppages, fluctuations and usage constraints;

the ability of the Group to protect its information technology and communication systems and the personal data it retains;

the ability of the Group to comply with requirements that it operate in a sustainable manner and provide benefits to affected communities;

regulation of greenhouse gas emissions and climate change;

geotechnical challenges due to the older age of certain mines and a trend toward mining deeper pits and more complex deposits;

the occurrence of work stoppages related to health and safety incidents;

the ability to manage and maintain access to current and future sources of liquidity, capital and credit, including the terms and conditions of Gold Fields facilities and Gold Fields overall cost of funding;

**Table of Contents**

downgrades in the credit rating of Gold Fields or South Africa;

political instability in South Africa, Ghana, Peru or regionally in Africa or South America;

overall economic and business conditions in South Africa, Ghana, Australia, Peru and elsewhere;

fraud, bribery or corruption at Gold Fields operations that leads to censure, penalties or negative reputational impacts;

the inability to modernise operations and remain competitive within the mining industry;

the effects of a failure of a dam at a tailings facility and the closure of adjacent mines;

the occurrence of labour disruptions and industrial actions;

the adequacy of the Group's insurance coverage;

supply chain shortages and increases in the prices of production imports;

the manner, amount and timing of capital expenditures made by Gold Fields on both existing and new mines, mining projects, exploration projects or other initiatives; and

the appointment of a new registered independent accounting firm which may interpret accounting rules differently than its former firm.

Gold Fields undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

Table of Contents

**TABLE OF CONTENTS**

	<b>Page</b>
<u>FORM 20-F CROSS REFERENCE GUIDE</u>	i
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	viii
<u>DEFINED TERMS AND CONVENTIONS</u>	x
<u>FORWARD-LOOKING STATEMENTS</u>	xii
<u>INTEGRATED ANNUAL REPORT</u>	IAR-1
<u>ANNUAL FINANCIAL REPORT</u>	AFR-1
<u>FURTHER INFORMATION</u>	1
<u>KEY INFORMATION</u>	1
<u>RISK FACTORS</u>	4
<u>ADDITIONAL INFORMATION ON THE COMPANY</u>	39
<u>GLOSSARY OF MINING TERMS</u>	60
<u>RESERVES OF GOLD FIELDS AS AT 31 DECEMBER 2018</u>	65
<u>DESCRIPTION OF MINING BUSINESS</u>	72
<u>ENVIRONMENTAL AND REGULATORY MATTERS</u>	78
<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	99
<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	110
<u>THE LISTING</u>	111
<u>ADDITIONAL INFORMATION</u>	112
<u>CONTROLS AND PROCEDURES</u>	136
<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	137
<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	138
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	139
<u>CORPORATE GOVERNANCE</u>	140
<u>EXHIBITS</u>	141
<u>SIGNATURES</u>	145

**Table of Contents**

IAR-1

## **Table of Contents**

### About this report

Gold Fields Limited is a globally diversified gold producer with eight operating mines (including our Asanko Joint Venture) and projects in Australia, Chile, Ghana, Peru and South Africa, and total attributable annual gold-equivalent production of approximately 2Moz.

It has attributable gold Mineral Reserves of around 48.1Moz. Attributable copper Mineral Reserves total 691 million pounds, while silver Reserves total 39.3Moz.

Gold Fields has a primary listing on the Johannesburg Stock Exchange (JSE) Limited, with a secondary listing on the New York Stock Exchange (NYSE).

Our integrated reporting approach aims to enable our stakeholders to make a more informed assessment of the value of Gold Fields and its prospects. This Integrated Annual Report (IAR) is structured around the Gold Fields Group balanced scorecard, which is how we measure our performance against our strategy and the matters we consider to be most material to the sustainability of our Group (p14). Gold Fields embraces integrated thinking and takes an integrated approach to value creation, which is aligned with the International Integrated Reporting Council's (IIRC) six capitals model.

The IAR also forms part of our adherence to the Global Reporting Initiative (GRI) Standards and the 10 Principles of the International Council on Mining & Metals (ICMM), whose mandatory requirements of its position statements are presented online. We also align with the 10 Principles of the United Nations Global Compact.

### ***Report scope and boundary***

This report covers the reporting period from 1 January 2018 to 31 December 2018 and provides an overview of our eight operations (including our Asanko JV) in Australia, Ghana, Peru and South Africa, as well as our exploration and business development activities. Details on the exact location of each operation and project can be found on p2 – 3.

Non-financial data for 2018 only covers our seven operating mines and excludes exploration activities and projects. Data from Darlot, which was sold, is included for the January to October 2017 period.

This report has been compiled in accordance with the GRI Standards: core option and the International Integrated Reporting Council Framework. Gold Fields also references a broad range of additional codes, frameworks and standards in compiling the report, including the King IV Code on Corporate Governance (King IV). The full list can be found in the Annual Financial Report (p15 – 16). We consider that this IAR, together with additional documents held online, complies with the requirements of the GRI Standards.

Non-IFRS measures are used throughout the IAR. These have been defined in the Management's discussion and analysis of the financial statement in the Annual Financial Report, p129 – 130.

Average exchange rates for 2018 of R13.20/US\$1 and US\$0.747/A\$1 have been used in this report. For 2019, forecast exchange rates of R13.61/US\$1 and US\$0.75/A\$1 have been used.

### ***ICMM subject matters***

Gold Fields has complied with the ICMM Sustainable Development Framework, Principles, Position Statements and Reporting Requirements (see p129 – 130, for the assurance hereof).

Our compliance with the ICMM is addressed throughout this report and on our website. This detail covers:

The alignment of our sustainable development policies against the 10 principles and mandatory position statements

The process for identifying specific sustainable development risks and opportunities

The existence and implementation of systems and approaches for managing sustainable development risks and opportunities

Gold Fields' performance across a selection of identified material sustainable development risks and opportunities.

### ***Assurance***

ERM has provided independent reasonable assurance over selected sustainability information in this report, which is prepared in accordance with the GRI Standards: core option. As a member of the ICMM, we are committed to obtaining assurance in line with the ICMM Sustainable Development Framework: Assurance Procedure. ERM has provided assurance over our statement on compliance with the ICMM Sustainable Development Framework, Principles and Reporting Requirements. The key sustainability performance data for assurance by ERM in 2018 can be found on p131 – 132.

### ***Board approval***

The Gold Fields Board of Directors acknowledges its responsibility to ensure the integrity of this IAR and has applied its collective mind throughout the preparation of this report. The Board believes that the integrated report is presented in compliance with the International Integrated Reporting Framework. Furthermore, the Board considers that this IAR complies in all material respects with the relevant statutory requirements of the various regulations governing disclosure and reporting by Gold Fields and that the annual financial statements comply in all material respects with the South African Companies Act No 71 of 2008, as amended, as well as with the International Financial Reporting Standards.

As such, the Board unanimously approves the content of the IAR 2018, including the Annual Financial Report 2018, and authorised its release on 29 March 2019.

### **Cheryl Carolus**

*Chairperson of the Board*

25 March 2019





**Table of Contents****The Gold Fields** Integrated Annual Report 2018 **1**

## Contents

1\	<u>Our global footprint</u>	4
	<u>Our business model</u>	6
	<u>Value creation and distribution</u>	8
	<u>Our operating context</u>	10
	<u>Risks and materiality</u>	12
	<u>Performance against strategic targets</u>	16
2\	<u>Vision of the Chairperson</u>	22
	<u>Summarised corporate governance</u>	25
	<u>CEO Report</u>	31
3\	<u>Managing our portfolio</u>	44
	<u>Life extension through near-mine exploration</u>	52
4\	<u>Operational performance</u>	56
	<u>Safety</u>	61
	<u>Health</u>	65
	<u>Energy management</u>	68
	<u>Innovation and technology</u>	72
	<u>A fit-for-purpose workforce</u>	74
	<u>Summarised Remuneration Report</u>	77
5\	<u>Financial performance</u>	84
6\	<u>Overview</u>	92
	<u>Environmental stewardship</u>	93
	<u>Climate change</u>	95
	<u>Water management</u>	98
	<u>Waste and tailings</u>	101
	<u>Mine closure</u>	103
	<u>Stakeholder relations</u>	104
	<u>Community relations</u>	112
	<u>Human rights</u>	120

7\

<u>First party: Internal Audit Statement</u>	126
<u>Independent Assurance Statement of Gold Fields Limited</u>	127
<u>Key sustainability performance data</u>	129
<u>Administration and corporate information</u>	IBC

*Send us your feedback:*

To ensure that we report on issues that matter to our stakeholders please provide any feedback and questions to: **investors@goldfields.com**, **sustainability@goldfields.com** or visit **www.goldfields.com** to download the feedback form.

[linkedin.com/company/gold-fields](https://www.linkedin.com/company/gold-fields)

[business.facebook.com/GoldFieldsLTD](https://business.facebook.com/GoldFieldsLTD)

[@GoldFields\\_LTD](https://twitter.com/GoldFields_LTD)

IAR-3

**Table of Contents**

**2 The Gold Fields** Integrated Annual Report 2018

Our global footprint

IAR-4

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **3**

IAR-5

**Table of Contents**

**4 The Gold Fields** Integrated Annual Report 2018

Our business model

IAR-6

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **5**

IAR-7

**Table of Contents****6 The Gold Fields** Integrated Annual Report 2018

## Value creation and distribution

The ultimate aim of our strategy and business model is to create value for our stakeholders

**Total and national value distribution**

National value distribution by region and type 2018 (US\$m)	Government	Business	Employees	Socio-economic spend	Capital providers	National value distribution
Americas	55	156	37	6	4	258
Australia	121	812	128	1	0	1,062
South Africa	3 <sup>1</sup>	176	144	3 <sup>2</sup>	9	336
West Africa	90	654	83	15	13	855
Corporate	14	15	49	0	121	200
<b>Total Gold Fields</b>	<b>283</b>	<b>1,813</b>	<b>442</b>	<b>26</b>	<b>147</b>	<b>2,711</b>

<sup>1</sup> South Deep does not yet pay income tax as it is in a loss-making position

<sup>2</sup> This includes spending from the South Deep trusts and SLP commitments

**Governments**

Payments include

**Workforce**

Payments include Salaries and wages, benefits and bonus payments (including shares and payroll taxes).



Mining royalties and land-use payments, taxes, duties and levies.

#### Why these stakeholders matter

Governments provide us with access to ore bodies by granting mining and other licences. They also deliver the infrastructure necessary to build and maintain our mines, including roads, electricity and water supply.

#### 2018 Contributions:

We paid governments US\$283m (2017: US\$310m) in taxes and royalties, 10% of total value distribution (2017: 11%)

In addition, the Ghanaian government benefited from US\$15m in declared dividends relating to its 10% shareholding in Gold Fields Ghana

#### Business

#### Payments include

Operational and capital procurements.

#### Why these stakeholders matter

Supply chain businesses provide the equipment and services needed to develop and maintain our operations. They comprise business partners, contractors and suppliers.

#### 2018 Contributions:

We paid US\$1,813m to suppliers and contractors, representing 67% of total value creation (2017: US\$1,857m/65%)

Of the total 2018 procurement expenditure of US\$1,813m, US\$1,542m, or 85%, was spent on

#### Why these stakeholders matter

The technical skills, experience and activity of our people drive the day-to-day operations of our business.

#### 2018 Contributions:

We paid US\$442m (2017: US\$506m) to employees in terms of salaries, dividends and benefits, representing 16% of total value distribution (2017: 18%)

We also provide employees (where legislated) with additional benefits such as retirement savings, healthcare assistance, life and disability insurance, housing assistance and personal accident cover

We prioritise the employment of members from our host communities. At end 2018 host community employment comprised 56% of our workforce

#### Capital providers

#### Payments include

Interest and dividend payments to capital providers.

#### Why these stakeholders matter

Financial institutions, shareholders and bond holders invest with us, thus enabling us to fund the development, maintenance and growth of our operations and our overall business.

#### 2018 Contributions:

businesses based in operating countries by our mines  
(2017: US\$1,620m/88%)

US\$441m, or 29%<sup>1</sup>, of total procurement by our mines  
was spent on suppliers and contractors from host  
communities (2017: US\$774m/45%)

<sup>1</sup> *The % decline is due to a change in the definition of  
host communities by our Australian operations to only  
include communities in their area of influence  
(previously Perth was included in the definition due to  
the FIFO nature of our mines)*

We paid US\$147m (2017: US\$160m) to the  
providers of debt and equity capital, mainly in  
the form of interest and dividends

Net debt increased by US\$309m to  
US\$1,612m

We paid a total dividend of R0.40/share for  
the 2018 financial year

IAR-8

**Table of Contents**

**Communities**

How we create value for communities

Why the focus on communities

We believe that our host communities are one of our most critical stakeholders as they grant us our licence to operate. Over the past few years, we devoted considerable resources to sharing the value created through our mines with the communities surrounding them. This goes beyond the direct financial investment to creating sustainable surrounding economies through community employment and procurement.

During 2018, we enhanced our understanding of the value created through these programmes by quantifying the impact.

**Trade-offs**

We continue to balance the legitimate, and at times conflicting, needs of our stakeholders in order to create value over the short, medium and long-term. These were some of the significant trade-offs we had to make during 2018.

**1. Balancing financial viability with employment**

To improve financial viability, we unfortunately had to retrench 1,082 employees and 420 contractors at South Deep to right-size the business (p46)

At Tarkwa mine, we retrenched 2,211 employees, of which 1,714 were re-engaged by contractors or on a contractor basis (p33)

**2. Improving long-term sustainability**

By channelling funds into growth capital we aim to secure future growth by temporarily cutting back on other stakeholder spending

**3. Managing our environmental impacts**

Mining is resource intensive, but we seek to minimise our environmental impacts. During 2018, we had two Level 3 water-related environmental incidents. We responded speedily to address the causes and communicated the incidents (p95)

**4. Balancing the immediate needs of communities with long-term value creation**

Our focus shifted from short-term projects to long-term value creation by creating sustainable value for host communities through employment and procurement programmes (p113)

**5. Providing long-term contributions to host governments**

At the Cerro Corona mine, we reduced our taxable income in the short term to fund future growth. The investment is set to provide longer-term tax and royalty revenues to the host government

## **Table of Contents**

### **8 The Gold Fields Integrated Annual Report 2018**

#### Our operating context

Gold Fields is subject to external strategic dynamics that inform decision-making and influence our business performance. An analysis of the three key strategic themes - and how Gold Fields is responding to them - is set out below.

#### *Gold price*

##### **Issue**

The price of gold continued its relatively static course during 2018, ending the year at US\$1,280/oz, down just over US\$30/oz from the 2018 opening price of US\$1,313/oz. The average gold price received by Gold Fields, however, has barely changed from US\$1,255/oz in 2017 to US\$1,252/oz in 2018.

The traditional investment case for gold as a safe haven asset was called into question as many investors sold their physical gold holdings after the gold price collapsed in 2013. However, in late 2018 and early 2019 we have seen some shift to gold amid political and economic uncertainty in the US and the subsequent weakness in the US Dollar. While much of the gold price's short-term movement is driven by market sentiment and geopolitical developments, an analysis of gold's supply and demand fundamentals underpins our belief that the gold price could continue to improve over the next few years, though there will undoubtedly be periods of short-term volatility.

According to the CPM Group, total gold demand was steady at 127.4Moz in 2018 (2017:127Moz), with jewellery and industrial demand unchanged at 97Moz, and higher central bank purchases offsetting a decline in private investment in coins and bullion. Net purchases by central banks and other official institutions continued to grow steadily in 2018, improving by over 50% to 16.5Moz in 2018, after a similar rise in 2017 to 11Moz. Total stock demand by Exchange Traded Funds remained stable at 30.3Moz in 2018 (2017: 30Moz).

In the long term, gold supply issues will also support a recovery in the gold price, in our view. According to CPM data, mine production has plateaued between 90Moz – 92Moz since 2014. Mine supply in 2018 totalled 92.1Moz and secondary

supply 30.1Moz, both unchanged from 2017, leaving total supply marginally higher at 127.4Moz in 2018 (2017: 127Moz). Many gold market analysts are of the view that the industry has reached peak production levels given the limited number of new gold discoveries since the mid-1990s, together with the decreased levels of exploration spend in recent years.

##### **Response**

Gold Fields does not predict the gold price. We expect volatility and structure the business accordingly.

We seek to maximise value by:

- Prioritising cash-flow over production volumes

- Setting targets for each region at a 15% free cash-flow (FCF) margin around a planning price of US\$1,200/oz

- Eliminating marginal mining

- Selling non-strategic assets

- Hedging a portion of our gold production in times of high capital expenditure

The Group is therefore in a relatively strong state to weather a sustained lower gold price (at just over US\$1,000/oz) and well positioned to capture future upside when the gold price recovers.

During 2017 and 2018, we invested in the future of our portfolio with a number of new projects, while at the same time continuing to invest in the ongoing development of ore bodies through proactive near-mine exploration and development. Our mines avoid high-grading due to the obvious negative impact this would have on the sustainability of their ore bodies by mining at or below their reserve grade. We are implementing these strategies despite the current price environment.

#### **Global gold demand and supply versus the US\$ gold price (average annual)**

*Source: WGC*

#### **Total mine supply**

*Source: CPM*

**Table of Contents*****Social licence to operate*****Issue**

The nature of the extractive sector means the industry must pay particular attention to its social licence to operate. Unlike other companies, mines are dependent on their mineral deposits and cannot relocate to new locations when facing deteriorating local or national operating environments. Furthermore, despite many mines' lives being finite, they can still span decades. Mines must be able to navigate complex social, economic and political dynamics over time to avoid conflicts with their host communities. As it is, conflicts between communities and mines in the industry globally have risen sharply over the last decade.

To manage the potential risks, mining companies need to maximise their positive impacts, minimise their negative impacts and make sure that this is communicated to and recognised by host community stakeholders. For many decades this was not the case and, apart from a limited number of community jobs and procurement offered by mining companies, these communities saw few benefits. Similarly, taxes and royalties went into the coffers of central governments for national benefit and rarely found their way back through investment in host communities. It is therefore not surprising that demands from host communities have become more vocal and strident in recent years. Amid widespread use of social media and activism in these communities their demands have also found a global audience.

**Response**

At Gold Fields, a strong social licence to operate is embedded in our societal value proposition and is a prerequisite for long-term generation of value for stakeholders. This approach had to be underpinned by:

**Responsibility:** ongoing investment in responsible operational standards to avoid and mitigate negative social and environmental impacts. This includes effective water and environmental management, which has become an increasingly material issue for most mining companies (p95)

**Trust:** frank, two-way communication, realistic expectation management and visibly honouring commitments builds trust. This includes ongoing engagement on issues such as indigenous rights, employment opportunities and social transformation (p111)

**Understanding:** investment in communities relies on a thorough understanding of the risks, community needs and community perceptions. Since 2015, Gold Fields has undertaken relational proximity studies at a number of its mines and in 2017 also undertook socio-economic baseline and social return on investment (SROI) studies at its South Deep mine in South Africa

**Value creation in host communities:** we seek to create value in our communities through investment in socio-economic development (SED) projects, and, more critically, by recruiting employees and contractors from host communities and sourcing goods and services from companies in these communities (p113)

These initiatives are particularly important in the low gold price context, which has an impact on the Group's ability to invest in community development projects as well as raising the prospect of job cuts among employees, many of whom hail from host communities.

### **Conflicts between mines and communities on the rise**

*Source: ICMM*

### **Regulatory issues**

#### **Issue**

A sound and certain regulatory and fiscal environment should enable the global gold sector to ride out short-term fluctuations in gold prices

and achieve sustained returns over the 15- to 20-year average life of a mining project. In many jurisdictions, however, the legal and tax environment has become less conducive to the long-term viability of the mining sector. Many governments view the industry as an easy target for higher taxes and other fiscal imposts, particularly during tough economic times. As a result, the governments' share of mining revenue has grown at the expense of other stakeholders, but at the same time miners and investors are shying away from more risky jurisdictions.

#### **Response**

The question is how the trust gap between mining companies and governments can best be bridged. Gold Fields on its own and in conjunction with its peers in the wider global mining industry, has sought to address this trust gap in a number of ways:

The industry is continuing to spread value to a number of stakeholders. Over the past three years, Gold Fields has consistently created between US\$2bn and US\$3bn in total value annually for our wide range of stakeholders accounting for around 90% of revenue on average (p6)

Gold Fields is actively promoting host community employment and procurement from host community enterprises in an effort to strengthen its social licence to operate and mitigate any regulatory actions that limit its ability to share the benefits of mining. In 2018, about 25% of our total value creation benefited host communities through these initiatives (p7)

We are working with international mining bodies, such as the International Council on Mining and Metals (ICMM), to promote industry-wide best practice and showcase the benefits that a responsible and fairly regulated industry can bring

We actively engage with our host governments in Ghana, Australia, Peru and South Africa, either directly or through industry organisations, in addressing the resource nationalism that, we believe, prevents the sector from achieving sustainable growth.





**Table of Contents****10 The Gold Fields** Integrated Annual Report 2018

Risks and materiality

**Top 20 Group risks and opportunities in 2018****How Gold Fields manages risk**

The approach to assessing risk in Gold Fields is a collective effort by Group, regional and mine management of the risks facing the business. The assessments of the risks and their mitigating actions are a critical internal management tool, which reduce the identified risks significantly. Risk mitigations are included in the annual Group Performance Scorecard and cascaded down to the performance scorecard of management employees at regional and operational levels. The formal risk review process starts during management's annual strategic planning sessions where strategic risks and macro-trends are analysed in developing the Company's risk register and mitigating actions. These are updated quarterly, and presented to the Board's Risk Committee twice a year for verification.

Risk tables and heat maps have been published in the IAR on this basis for the last nine years.

**OUR MATERIAL ISSUES****Gold Fields Group materiality score for GRI standards**

(where 1 = critical to Gold Fields and

10 = not material at all)

Direct and indirect economic impacts	1.85
Health and safety	2.62

Public policy / corporate governance	2.75
Environmental compliance	3.09
Employment	3.23
Water management	3.36
Energy / emissions	3.66
Indigenous people	3.85

## **RISK AND MITIGATING ACTIONS**

### **South Deep loss of investor confidence due to non- achievement of the restructuring plan**

Implementation of the organisational restructuring programme  
 Productivity initiatives to unlock the full potential of all our employees  
 Skills development programmes artisan upskilling and supervisor training programme progressed  
 Ensure compliance to mine design  
 Improve fleet performance by focusing on effective maintenance and operation of equipment  
 Continue to ensure safe working environments  
 Short-, medium- and long-term strategies to supplement grid power

### **A sustained and significantly lower gold price and currency exchange rate volatility**

Business plans implemented and monitored through regular cost, capital and production reviews  
 Ongoing portfolio optimisation to ensure cash generation  
 Gold and copper production hedging for various regions  
 Business restructuring and technology strategies to improve safety, efficiencies and costs

### **Resource nationalism**

Enhanced engagement and lobbying through industry bodies  
 Further refinement of stakeholder engagement policies and strategies

South Deep's new 2018 - 2022 Social and Labour Plan (SLP) submitted. Waiting for approval by the regulator  
Shared Value projects, particularly host community employment and procurement programmes

### **Non-delivery of Damang Reinvestment and Gruyere projects**

Damang Reinvestment project ahead of schedule  
Mitigating strategies in place to catch up on the slight backlog at Gruyere caused by severe weather  
Monthly reporting and monitoring of construction and engineering schedules  
Management of construction and commissioning contractor strengthened  
Night shift introduced at Gruyere to ensure project schedule is achieved

### **Replacing Resources and Reserves at international operations**

Comprehensive near-mine exploration programmes in place  
Mergers and acquisitions strategy to identify opportunities, such as the Asanko joint venture (JV) in 2018  
Damang Reinvestment progressing ahead of plan, and Gruyere commissioning planned for mid-2019  
Salares Norte project feasibility study completed

IAR-12

**Table of Contents**

**Safety and health of our employees**

Establishment of the Group Safety Leadership forum in 2018  
Courageous Safety Leadership programme to be rolled out throughout the Group during 2019  
Behaviour-based safety and visible-felt leadership programmes ongoing in all regions  
All operations certified to OHSAS 18001 standard, converting to ISO 45001  
Independent verification of critical controls identified in the ICMM critical control management programme during 2019

**Water pollution, supply and cost**

Strict and focused compliance with environmental management regulations  
All operations ISO 14001 certified  
Water management plans expanded to include post-closure water management  
Water recycle, reuse and conservation practices in place in all regions, and targets set for 2019

**Attraction and retention of skills**

Fit-for-purpose regional and mine human resource (HR) structures to meet operational requirements  
HR strategy focused on developing a high-performance culture  
Succession planning and talent review systems in place at mine, regional and Group level  
Building line leader capabilities to enable strategic and operational focus and key deliverables

### Cost of energy and security of power supply

Implementation of the integrated energy and carbon management strategy  
Solar microgrid system advanced at Granny Smith, and signed agreement for a hybrid solution at Agnew  
Review of South Deep solar photovoltaic project  
Oil price hedges in place in Australia and Ghana, ending in 2022

### Cybercrime / Loss of ICT data

South Deep, corporate and regional offices ISO 27001 certified, with certification of all outstanding operations planned for 2019  
Cyber security maturity assessment conducted and areas for continual improvement identified  
Ongoing attack and penetration testing

### Impact on social licence to operate

Growth opportunities in stable mining destinations – Damang, Gruyere and Salares Norte  
Enhanced stakeholder engagement planned for 2019  
Strengthen stakeholder engagement strategy to deal with Native Title issues in Australia  
Ongoing community investment and Shared Value projects in Ghana, Peru and South Africa

### Failure to implement climate adaptation measures

Comprehensive climate change risk assessment conducted at all mines with remedial action plans being implemented  
Alignment of financial and operational disclosures to the Task Force on Climate-related Financial Disclosures (TCFD)  
Evaluating 20% renewable energy options for new project in Chile

### Increased geotechnical underground risks

Implementation of the recommendations by the external Geotechnical Review Board (GRB) at South Deep is ongoing  
Enhanced ground and secondary support to mitigate against rock bursts  
GRB work extended in 2018 to all Australian operations to mitigate the effects of seismicity

### Increased surface open pit geotechnical risks

GRB work to be undertaken for all major project and pit cutbacks  
Real time continuous pit wall monitoring at Damang  
Upgrading hydro-geological monitoring at the Cerro Corona pit to enhance pit wall stability

### Tailings dam failure

Gold Fields tailings storage facilities (TSFs) aligned with and assured against the ICMM position statement  
Increased governance of TSFs at Company and Board level  
Accelerated dam break assessments, design code compliances and updated emergency response procedures implemented

### High debt levels

Ongoing sale of non-core investments  
Extensions for maturity dates on revolving credit facilities  
Regular engagements with credit rating agencies and financial institutions  
Cash generation from operations to be used to pay down debt  
New bond offering under review

### Political uncertainty in jurisdictions where we operate

Continued geographic de-risking towards mining jurisdictions in which we operate  
Enhanced stakeholder engagement planned in 2019 with key stakeholders, particularly governments and communities  
Engaging governments directly and indirectly through industry associations

### **Fraud and breach of the Code of Conduct**

Rigorous oversight through Board and the Social, Ethics and Transformation Committee  
Compliance with corporate governance codes and regular reviews  
Global training programme conducted on relevant legislation  
Screening of suppliers and contractors for pre-defined risks

### **Failure to modernise operations**

Real-time monitoring solutions that track movement of equipment, people and production  
CEO Young Persons Team established to align with latest digital and social media trends  
Programme in place for cooperation between original equipment manufacturers, suppliers and ourselves  
Innovation and technology (I&T) strategy implementation to work towards Gold Fields Mine of the Future

### **Ezulwini (neighbouring mine) re-watering impact on South Deep**

Planned maintenance and monitoring programme of reinforced concrete water plugs between the two mines  
Participation in Ezulwini closure regulatory processes backed by legal strategy  
Development of alternative solutions to utilise mine water



---

**Table of Contents**

**12 The Gold Fields** Integrated Annual Report 2018

Risks and materiality continued

**Top five risks and opportunities per region in 2018**

Americas

**region**

**RISK/OPPORTUNITY AND MITIGATING ACTIONS**

**Life-of-mine extension at Cerro Corona**

Accelerate mining and stockpiling to facilitate early in-pit tailings  
Pre-feasibility study for 2030 life-of-mine extension finalised, and feasibility study to be completed in 2019

**Salares Norte project, Chile Potential delay in Environmental Impact Assessment (EIA) approval**

Close interaction with the authorities and building sound relations in terms of baseline studies  
Assurance of project information, engineering design, scope and timetable  
Proactive and timely community engagement programme

**Lower copper and gold grades**

Continuous monitoring of grade reconciliation  
Drilling programme to target deeper ore resources  
Additional stockpile build-up to reduce risk of ore shortages due to higher cut-off grade

**Increasing hardness of ore impacting processing throughput**

Ongoing blasting engineering project to optimise ore fragmentation  
Implementation of optimisation projects in the process facility to deal with increased hardness

**Local social pressures, conflicts and community expectations**

Proactive community and stakeholder relationships and engagement  
Crisis management plans to deal with potential conflict  
Stringent follow-up and feedback on all community commitments  
Involvement of government authorities in our social projects

Australia  
**region**

**RISKS/OPPORTUNITY AND MITIGATING ACTIONS**

**Reserve life**

Commissioning of the Gruyere project planned for mid-2019  
Significant near-mine exploration to delineate further reserves  
Accelerating exploration intervention at Agnew  
Acquisition of JV ground near St Ives and assessing toll-treatment options

**Gruyere project delivery**

Stronger management team appointed at the construction contractor  
Increased room capacity at onsite camp facility to facilitate larger labour component  
Night shift implementation  
Stricter expenditure approval process

### Turnover of key personnel

Review and enhancement of employee development programmes  
Flexible working arrangement to facilitate greater work-life balance  
Market-related salary increases  
Quarterly talent discussions held at leadership level

### Volatility of Australian gold price

Ongoing portfolio of business improvement projects  
Continued focus on cost controls  
Hedges in place for gold, currency and oil

### Native title legislation

Stakeholder engagement strategies and programmes in place  
Extend business opportunities and job placement to Indigenous groupings, where feasible  
Finalisation of a holistic strategy for Indigenous Engagement  
Development of a Reconciliation Action Plan  
Ongoing legal and specialist support

**Table of Contents**

West Africa

**region**

**RISKS/OPPORTUNITY AND MITIGATING ACTIONS**

**Fiscal and government policy changes**

Frequent engagement with relevant government departments  
Intensive engagement via the Chamber of Mines  
Ensure adherence to principles and conditions in the Development Agreement (DA)  
Back-up legal strategies

**Under-performance of contractor mining at Tarkwa**

Updating and monitoring key contract milestones  
Implementation of continuous improvement initiatives  
Dedicated team to address and mitigate shortfalls in contractor performance

**Execution of Damang mine Reinvestment project**

Implementation and delivery of milestones under the reinvestment plan  
 Fit-for-purpose organisational structure and continuous improvement initiatives  
 Ongoing monitoring of contract mining milestones  
 Pit-wall control implementation

**Reserve depletion at Tarkwa inadequate organic growth and life-of-mine extension**

Bringing the Asanko JV ounces to account and aligning processes and systems  
 Continued brownfields exploration to test for further potential at Tarkwa  
 I&T programme to improve operational and processing efficiencies  
 Ensure utilisation of DA benefits for long-term exploration potential

**Optimisation of Independent Power Producer (IPP) arrangements**

Continuous monitoring of IPP performance  
 Full commissioning and expansion of power plants at both Damang and Tarkwa  
 Completion of the gas pipeline to supply plants with natural gas replacing the road trucked liquid gas

South Africa

**region**

**RISKS/OPPORTUNITY AND MITIGATING ACTIONS**

**Loss of investor confidence due to non-achievement of the business plan**

South Deep workforce has been restructured through the Section 189 process ensure the right people in the right roles  
 Frontline leadership, productivity and ways of working intervention  
 Effective and sustainable management operating system  
 Identify business improvement initiatives and drive implementation  
 Improvement of fleet reliability and utilisation  
 Adaptation to Eskom supply constraints and developing longer-term strategies for power self-sufficiency

### Poorly defined execution strategy

- Develop and roll out key visual control standards
- Organisational restructuring frontline coaching
- Implementation of a business improvement process
- Improved fleet utilisation
- Ore pass/tip/discharge chute rehabilitation
- Roadway and footwall (water) management

### Inappropriate organisational structure

- Embed new HR structure
- Fit-for-purpose organisational structures with the right people in the right roles
- Robust talent management system
- Identity, develop and recruit successor for critical roles

### Ageing infrastructure

- Replacing ageing infrastructure based on an inventory of our assets
- Utilise South Shaft for mining services only to enable extended maintenance
- Implementing infrastructure and maintenance improvement projects
- Independent risk engineering audit conducted on infrastructure and fire risks with a five-year remedial action plan developed

### Health and safety of our employees

- Roll out and effective monitoring of the safety management systems
- Implementing behaviour-based safety programmes and the Courageous Leadership programme
- Effective baseline risk management process identifying major unwanted events and verification of effective critical controls

Strengthen systems for effective reduction of dust and noise exposure levels  
Implementation of South African mining industry's occupational safety and health initiatives

IAR-15

**Table of Contents**

**14 The Gold Fields** Integrated Annual Report 2018

Performance against strategic targets

Group 2018 performance against BSC objectives

Our strategy is embodied through our Board-approved balanced scorecard (BSC), which is cascaded throughout our organisation. Below we reflect on our performance against these targets in 2018. On the pages that follow, we show our CEO's performance against his 2018 targets, as well as the Group's 2019 BSC.

<sup>1</sup> At 2019 levels

<sup>2</sup> FCF does not take project capital into account

IAR-16



**Table of Contents****PERFORMANCE AGAINST 2018 BALANCED SCORECARD TARGETS**

Production and AIC/oz better than yearly guidance with spatial compliance to plan	pg 56
No fatalities and a reduction in TRIFR by 10% in the long term (due to a regression in 2017, the stretch target was 12% for 2018)	pg 63
Reduce energy usage by 5% to 10% against a future baseline through energy saving initiatives and implement renewable energy initiative at South Deep	pg 70
Implement ICMM critical control guidelines on safety, health and environmental stewardship and stakeholder management	pg 64
Project delivery: deliver in accordance with key metrics for 2018	
Damang	pg 48
South Deep	pg 46
Gruyere	pg 44
Manage talent pipeline and succession cover for critical roles	pg 76
Reinvigorate vision and values to a winning culture that rewards teamwork and delivery of Group strategy	
Pay dividends in line with policy	pg 87
Debt:	
Maintain net debt: adjusted EBITDA ratio of under 1.25x-	pg 87

Extend debt maturity

pg 87

All new capital spend to have appropriate returns taking into account risks and cost of capital ranked and prioritised in accordance with an agreed matrix and in line with internal capital control standards and study guidelines. Accordingly all growth capital expenditure on existing mines, new projects or acquisitions to have hurdle rates of 15% at a US\$1,300/oz gold price

Deliver life extension, cost reduction, revenue enhancement and improved health and safety through innovation and technology (I&T) and business improvement initiatives

pg 74

Reduce Group life-of-mine AIC/oz and increase reserve life per region through brownfields exploration, M&A and optimisation of existing mines

pg 50

Deliver positive Salares Norte feasibility project that exceeds metrics set for the project

pg 47

Mine closure costs, along with concurrent rehabilitation plans, incorporated into strategic plans

pg 105

Improve total shareholder return by positioning share price between median and upper quartile of peer group

pg 106

Increase the proportion of sustainable host community procurement and employment to drive Shared Value

pg 111

No Level 3 or above environmental incidents and a 10% reduction in Level 2 incidents

pg 95

Align management practices with ICMM tailings and water position statements

pg 100

Deliver and manage a robust and transparent group governance and compliance programme

pg 23

Maintain position in top five of the Dow Jones Sustainability Index (DJSI)

**Performance key:**    Achieved    Ongoing    Not achieved

IAR-17

**Table of Contents****16 The Gold Fields** Integrated Annual Report 2018

Performance against strategic targets continued

### CEO's 2018 performance against BSC objectives

Gold Fields recognises that remuneration is a critical part of value creation. We are committed to aligning our employees' remuneration to our strategic objectives, as embodied in our Group BSC. The Group BSC is then cascaded into individual scorecards, to ensure individual effort drives Group performance. Below is a summary of our CEO, Nick Holland's, BSC for 2018 and his performance against it. His average score for 2018 was 2.9 out of 5, as evaluated by the Remuneration Committee. The Board believes that by reflecting on the CEO's scorecard and how it drives value creation, we demonstrate to our stakeholders our commitment to fair and transparent reporting. For the detailed breakdown of the CEO's BSC, refer to our comprehensive Remuneration Report in the AFR p44 - 46.

**PERFORMANCE RATING SCALE:**

<b>1</b> / Target not achieved <i>(less than 60% of goals achieved)</i>	<b>3.5</b> / Great performance <i>(106% - 110% of goals achieved)</i>
<b>2</b> / Underperformance <i>(60% - 90% of goals achieved)</i>	<b>4</b> / High performance <i>(111% - 120% of goals achieved)</i>
<b>2.5</b> / Development required <i>(91% - 99% of goals achieved)</i>	<b>4.5</b> / Top performance <i>(121% - 125% of goals achieved)</i>
<b>3</b> / Good performance <i>(100% - 105% of goals achieved)</i>	<b>5</b> / Exceptional performance <i>(126% or more of goals achieved)</i>

**CATEGORY KEY:**

Safe Operational Delivery
Portfolio Management
Licence and Reputation
Capital Discipline

IAR-18

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **17**

**Group 2019 performance targets**

Each year, management and the Board assess the Group's key objectives for the year ahead to ensure the Group achieves its medium-term target. The 2019 goals are captured in the BSC below.

IAR-19

**Table of Contents**

IAR-20

Table of Contents

**The Gold Fields** Integrated Annual Report  
2018 **19**

Vision of the Chairperson  
Summarised governance and  
compliance report  
Our Board of Directors  
CEO Report  
Introduction and overview  
Group performance scorecard  
Strategy overview  
Note of thanks

IAR-21



**Table of Contents****20 The Gold Fields Integrated Annual Report 2018**

## Vision of the Chairperson

Many of our stakeholders, particularly investors, still see Gold Fields as a South African mining company, with much of its fortunes inextricably linked to the country's current and future mining landscape, as well as the short-term performance and outlook for South Deep, our sole remaining mine in the country. We are a proudly South African company with a history going back to 1887 and remain deeply committed to the country despite the political and economic uncertainties currently besetting it. While South Deep is a key component of our portfolio, I continue to stress that Gold Fields is a global gold mining company with a portfolio of assets spread across three continents.

Not only are our production and cash-flow already heavily weighted towards our mines in Australia, Peru and Ghana, we have increased our investment in these countries to enhance sustainability of our business:

We have successfully completed a feasibility study for the Salares Norte project in Chile and declared a maiden Mineral Reserve. While we await the outcome of the Environmental Impact Assessment (EIA), expected in early 2020, we have also asked management to develop a funding plan for the project

We have extended the life of our Cerro Corona mine in Peru to 2030 and are working on a scoping study with the aim of extending it further to 2040

Our substantial investments in near-mine exploration at our Australian mines continued to yield good results, with the mines not only making up annual depletion but adding net Mineral Reserves over the past four years

Until two years ago, just over 70% of our Reserves were held by South Deep. That profile has changed: at end 2018, 59% of the Group's attributable Mineral Reserves were at the mine

to a 45-day strike. We could not yield to the demands of the unions to reverse the retrenchments, as this would have put the sustainability of South Deep, and the remaining 3,500 jobs, at risk.

I believe that the restructuring, the most comprehensive in South Deep's history, will achieve a significant reduction in the cash losses this year and set the mine up for long-term and sustainable growth. However, the Board has also mandated management to investigate alternative options should it fail to deliver its key targets over the next year.

Gold Fields' mines performed well against a background of a volatile gold price and heavy investment in growth projects during 2018. All mines, except South Deep, met, or improved on, their production and cost guidance and generated sufficient cash to fund the bulk of the investment spend and pay a modest dividend to shareholders.

Our combined US\$502m investment over the past two years in the Damang mine in Ghana and the Gruyere project in Australia is set to bear fruit in 2019, with the potential to further boost our production and profitability in these regions

During 2018, we acquired a 45% stake in the highly prospective Asanko gold mine (AGM) in Ghana, further raising our profile in a jurisdiction in which we have operated for 25 years

We expect the production of our portfolio in Australia, Ghana and Peru to approach 2Moz during 2019. Based upon our attributable gold-equivalent Mineral Reserves of over 20Moz in these regions, our track record of resource conversion and exploration activity, we believe that our global portfolio outside of South Africa will be able to maintain a similar production level over the medium to longer term (at the current gold price)

I believe that these developments clearly underscore Gold Fields strong and sustainable global profile.

Turning to South Deep, I fully appreciate the frustration experienced by our shareholders over the past few years. We failed to deliver the rebase plan in 2018, as it became evident that South Deep would not achieve the targets set out in the plan and continued to experience cash losses that averaged R100m (US\$8m) a month.

With the full backing of the Board, the mine embarked on a fundamental restructuring in Q3 2018, which saw management close loss-making areas, reduce the cost base and embark on a section 189 retrenchment process. Unfortunately, this meant that we had to retrench just over 1,500 employees and contractors, despite the strong opposition by the unions, which led

We had to increase our debt to pay for the acquisition of Asanko Gold but, notwithstanding this, our balance sheet remained in good health.

Not only has the cash generated by our mines enabled us to invest in future growth, but also to create significant value for our key stakeholders. During 2018, Gold Fields total value distribution to our stakeholders was US\$2.7bn in the form of payments to governments, capital providers, business suppliers and our workforce.

A particular focus in 2018 was strengthening our relations with host communities, whose partnership is critical in sustaining our mines. We have asked management to focus on host community employment and procurement, to improve the economic wellbeing of these communities. During 2018, almost a quarter of our total value creation,

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **21**

IAR-23

**Table of Contents**

**22 The Gold Fields Integrated Annual Report 2018**

Vision of the Chairperson continued

almost US\$700m, remained in our host communities through focused job creation and procurement.

Stakeholder engagement and relations remain a critical issue for the Board. As a foundation, we want to develop honest, mutually beneficial partnerships with these stakeholders and, by and large, have found ways to achieve this. In return though, we would expect governments and trade unions, in particular, to work with us to ensure that our mines can continue to operate sustainably.

During 2018, the major trade unions at our Ghanaian and South African operations resisted the restructurings we believed were essential to ensure the longevity and profitability of our Tarkwa and South Deep mines. While we eventually implemented contractor mining at Tarkwa and retrenchments at South Deep, we need to re-establish common ground with our union partners.

Resource nationalism is growing in many major mining jurisdictions. This presents a significant challenge for Gold Fields as we seek to expand our operations in some of these jurisdictions. In South Africa, a new Mining Charter was finally agreed in mid-2018. It is a significant improvement on previous iterations. There are, however, critical areas with which Gold Fields and the industry has deep concerns, namely that the Charter does not fully recognise the black economic empowerment (BEE) ownership credentials of previous BEE transactions. This is the case in respect of mining right renewals and transfers of these rights. To be frank, this is a non-negotiable for the mining sector and will require more engagement between the Minerals Council of South Africa and the Department of Mineral Resources (DMR). The 2018 Charter will also

require significant investment in employment equity, procurement and enterprise development, and human resource development.

The mining regimes in Peru, Ghana and Australia remain largely stable. Overall though, we would welcome a more proactive approach by governments, such as the one adopted by the Ghanaian government which has entered into development agreements (DAs) with large mining companies that actively encourage investments.

Most importantly, the Board shares management's commitment to eliminate all fatalities and serious injuries. It is therefore a major disappointment that we experienced a fatality during 2018. I want to express my sincerest condolences to the family, friends and colleagues of Ananias Mosololi, a load haul dump truck operator at South Deep.

Gold Fields continues to show significant progress in improving our safety performance and management practices. During 2018, the fatality rate, the benchmark total recordable injury frequency rate (TRIFR) and the total number of recordable injuries continued their overall improvements of the past few years. At 1.83 incidents per million hours worked, the Gold Fields 2018 TRIFR has improved by 55% since 2014.

On the health front, the Occupational Lung Disease Working Group, representing the majority of gold mining companies in South Africa, including Gold Fields, reached a historic settlement with attorneys representing ex-mineworkers suffering from silicosis and tuberculosis (TB). The settlement, once approved by the courts, is set to see R5bn (US\$380m) dedicated to compensating ex-mine workers.

### ***Appreciation***

As directors of this Company, one of our key responsibilities is to ensure that the global corporate governance programmes at Gold Fields are in line with the ever-changing and more stringent standards expected from multinational companies. I take enormous comfort in the fact that our Board of Directors comprises a team of dedicated and able men and women whose experience, knowledge and commitment makes my task as Chairperson so much easier.

The composition of this team was strengthened during 2018 with the addition of Phuti Mahanyele-Dabengwa to the Board. Phuti took over from Don Ncube, who was on Gold Fields Board for over 11 years. Don left a considerable mark at Gold Fields in terms of the transformation of the Company, improved relationships with our host communities and, most recently, as Chairperson of the Social, Ethics and Transformation (SET) Committee. His experience, counsel, humour and friendship will be missed.

Gold Fields had to contend with difficult economic and operational circumstances during 2018. The continued operational, financial and sustainability progress made by the Company in these conditions is a credit to the hard work and dedication of its employees, led by CEO Nick Holland and his executive management team. On behalf of the Board, I would like to express my gratitude to Nick and his team around the globe and wish them strength for their endeavours in the year ahead.

### **Cheryl Carolus**

*Chairperson*

**Table of Contents**

Summarised corporate governance

***Corporate governance overview***

Strong leadership and good governance support the achievement of our vision to be the global leader in sustainable gold mining. By protecting and enhancing our reputation and licence to operate, and ensuring compliance with legislation and industry standards, good governance ensures we continue to enjoy the support of stakeholders and allows us to deliver sustained value. The long-term, capital-intensive nature of our mining operations, as well as the often challenging social and political contexts in which we operate, make it even more important that we leverage good governance to ensure the long-term sustainability of our business.

In addition to the international standards and guidelines to which we voluntarily subscribe (outlined on p3 of the Annual Financial Report (AFR)), we are committed to entrenching the principles of the King IV Report on Corporate Governance (King IV) in our operations. The application of King IV within the Company can be found in the full corporate governance report on p15 – 16 of the AFR.

**KEY DELIBERATIONS AND DECISIONS TAKEN BY THE BOARD**

IAR-25

**Table of Contents**

**24** **The Gold Fields** Integrated Annual Report 2018

Our Board of Directors

IAR-26

**1. Cheryl Carolus (60)**

*Chairperson*

BA Law; Bachelor of Education, University of the Western Cape; Honorary Doctorate in Law, University of Cape Town

**Appointed to the Board:**

Director 2009, Chairperson 2013

**2. Richard Menell (63)**

*Deputy Chairperson*

MA (Natural Sciences Geology), Cambridge; MSc (Mineral Exploration and Management), Stanford University, California

**Appointed to the Board:**

2008, Deputy Chairperson 2015, Lead Independent Director 2017

**3. Terence Goodlace (59)**

**6. Carmen Letton (53)**

*Independent non-executive director*

PhD (Mineral Economics, University of Queensland; Bachelor Mining Engineering, WASM

**Appointed to the Board:**

2017

**7. Steven Reid (63)**

*Independent non-executive director*

BSc (Mineral Engineering), South Australian Institute of Technology; MBA, Trium Global Executive, ICD.D, Institute of Corporate Directors

**Appointed to the Board:**

2016

**8. Alhassan Andani (57)**

*Independent non-executive director*



***Independent non-executive director***

MBA (Business Administration), University of Wales; BCom, University of South Africa; NHDip (Metalliferous Mining), Witwatersrand Technikon; MDP, University of Cape Town

BSc (Agriculture), University of Ghana; MA (Banking and Finance), Finafrica Institute in Italy

**Appointed to the Board:**

2016

**Appointed to the Board:**

2016

**9. Peter Bacchus (50)**

***Independent non-executive director***

MA (Economics), Cambridge University

**Appointed to the Board:**

2016

**4. Phuti Mahanyele-Dabengwa (48)**

***Independent non-executive director***

Executive Development Programme, Kennedy School of Government, Harvard University, US; MA Business Administration, De Montford University, Leicester, UK; BA Economics, The State University of New Jersey, US

**10. Nick Holland (60)**

***Chief Executive Officer***

BCom; BAcc, University of the Witwatersrand; CA(SA)

**Appointed to the Board:**

Executive director, 1998

CEO, 2008

**5. Paul Schmidt (51)**

***Chief Finance Officer***

BCom; University of the Witwatersrand; BCompt (Hons), University of South Africa; CA(SA)

**11. Yunus Suleman (61)**

***Independent non-executive director***

BCom, University of KwaZulu-Natal; BCompt (Hons), University of South Africa; CA(SA)

**Appointed to the Board:**

2016

**Appointed to the Board:**

2009

Board diversity

Board independence

Board tenure

Experience

Nationalities:

IAR-27

**Table of Contents**

**26 The Gold Fields** Integrated Annual Report 2018

Governance

**THE BOARD AND ITS SUB-COMMITTEES (as at March 2019)**

**The Board of Directors**

*Meets four times per year*

As the highest governing authority of the Group, the Board offers guidance and oversight that allows the Company to achieve its strategic objectives and deliver maximum value for stakeholders. It comprises a diverse group of competent and appropriately skilled and experienced individuals who seek to govern with integrity, responsibility, accountability, fairness and transparency. This informs the manner in which it leads to set the ethical tone of the Company. It delegates to management the responsibility of the implementation of and adherence to the Gold Fields Code of Conduct and the Company's values, and monitors how a culture of ethics is being managed.

**Audit Committee**

*Meets six times per year*

**Members:** Rick Menell, Alhassan Andani, Peter Bacchus

The Audit Committee oversees the integrity and transparency of Gold Fields' corporate reporting, and considers risks that may affect the integrity of external reports.

**Remuneration Committee**

*Meets four times per year*

**Members:** Cheryl Carolus, Alhassan Andani, Rick Menell, Peter Bacchus

The Remuneration Committee assists the Board in confirming that remuneration throughout the Group is fair and equitable and that the remuneration of executive management, in particular, is directly linked to Gold Fields performance against strategic objectives. This protects the interests of stakeholders by incentivising management to deliver value.

## **Social, Ethics and Transformation**

### **Committee**

*Meets four times per year*

**Members:** Cheryl Carolus, Rick Menell, Alhassan Andani, Nick Holland, Phuti Mahanyele-Dabengwa

This committee guides corporate behaviour and holds the Company accountable for conducting business ethically in line with the principles of good corporate citizenship. With a central focus on how the business interacts with communities and employees, it helps the business to retain its social licence to operate – a critical component of long-term sustainability.

## **Capital Projects, Control and**

### **Review Committee**

*Meets four times per year*

**Members:** Peter Bacchus, Terence Goodlace, Yunus Suleman, Steven Reid, Cheryl Carolus, Phuti Mahanyele-Dabengwa, Carmen Letton

This committee considers new capital projects and satisfies the Board that the Group has used correct, efficient methodologies in evaluating and implementing such projects.

## **Safety, Health and Sustainable**

### **Development Committee**

*Meets four times per year*

**Members:** Cheryl Carolus, Rick Menell, Steven Reid, Carmen Letton, Phuti Mahanyele-Dabengwa

The SHSD Committee seeks to ensure that Gold Fields complies with relevant laws, regulations and external standards to ensure optimal safety, health and environmental practices, contributing to the Group's reputation as a responsible corporate citizen.

### **Risk Committee**

Meets twice per year

**Members:** Terence Goodlace, Carmen Letton, Yunus Suleman

The Risk Committee assists the Board in developing improved risk management approaches, ensuring consistent value creation for our stakeholders in an ever-changing risk environment.

### **Nominating and Governance Committee**

*Meets four times per year*

**Members:** Steven Reid, Rick Menell, Yunus Suleman

This committee plays a leadership role in the structure and operation of Gold Fields' Board, and guides the Company's corporate governance ensuring an ethical and value-driven culture.

### **Ad-hoc Investment Committee**

**Members:** Alhassan Andani, Yunus Suleman, Steven Reid, Cheryl Carolus, Rick Menell

This committee makes recommendations to the Board on strategic restructuring options for the Group, as and when required.

### **Our Group Executive Committee (Exco)**

The Group Exco is primarily responsible for the implementation of Gold Fields' strategy, as well as carrying out the Board's mandate and directives.

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Exco meets on a regular basis to review Company performance against set objectives and develops strategy and policy proposals for consideration by the Board. It also assists the Board in the execution of the Company's disclosure obligations.

Exco consists of the principal officers and executive directors of Gold Fields 12 members in total.

IAR-28

**BOARD OVERSIGHT OF KEY ISSUES PERTAINING TO OUR BUSINESS****Building an ethical culture**

As the highest governing authority of the Group, the Board is responsible for upholding an ethos of good governance and sustainability. It sets the tone for a culture of ethics that permeates throughout the Company. This underpins Gold Fields' commitment to going beyond compliance requirements, and voluntarily embracing best practice standards and principles.

The Board also seeks to ensure that business decisions are made with reasonable care, skill and diligence. This protects and enhances the Company's reputation and helps to maintain its licence to operate – a fundamental foundation of sustainability.

**Creating a safe working environment****Setting fair remuneration**

In determining remuneration principles, the Board is guided by the principles of King IV. The remuneration policy (outlined on p79) includes detailed and specific disclosures on implementation. Gold Fields provides stakeholders with transparent reporting of the remuneration of the CEO and CFO. The Board seeks to ensure that remuneration of executives is fair, equitable and responsible, and informed by the value added by the Exco through the achievement of strategic objectives.

Through the Remuneration Committee, the Board ensures that remuneration practices align with shareholder interests and support the achievement of a sustainable business by:

- Helping to attract, motivate, retain and reward employees

- Driving the achievement of strategic objectives through appropriate incentives and rewards

Our Board's commitment to safety and health as our key 4 priority reflects the imperative of minimising any potential negative impact on our employees and contractors, maintaining operational continuity and protecting our reputation. The Board, together with management, drives a stringent safety culture. In upholding our primary value, 'If we cannot mine safely, we will not mine', the Board also backs management in stopping mining in areas or situations that are deemed unsafe.

In discharging its oversight responsibilities with regard to safety, the Board is assisted by the SHSD Committee, which receives detailed quarterly reporting on all safety issues and incidents. The Board also oversees Gold Fields' adherence to safety, health and environmental standards and compliance requirements, and has approved the Company's adoption of various voluntary best practice safety principles.

### **Environmental and stewardship impact on communities**

The Board seeks to ensure that Gold Fields conducts business in a way that aligns with good corporate citizenship, and that we continually assess and respond to any negative impacts our operations may have on communities and the environment. The importance of these issues informed the Board's establishment of a dedicated SET Committee in 2015. The committee focuses on, among others, our impact on communities, while the SHSD Committee deals with, *inter alia*, issues of environmental stewardship.

### **Promoting a culture of ethics and responsible corporate citizenship**

#### **Stakeholder relationships and engagement**

Gold Fields understands that stakeholders are an integral part of our business, representing a wide range of interests that both influence and are impacted by our operations. The Board, through the adoption of the Stakeholder Relationship and Engagement Policy, seeks to ensure that the Company follows a stakeholder engagement approach that allows for participative and informed decision making. By overseeing transparent reporting, it allows stakeholder groups to make an informed assessment of Gold Fields' ability to deliver sustainable value.

As stakeholder concerns have become increasingly important to Gold Fields' sustainability, the Board has driven an evolution from simple stakeholder management to inclusive stakeholder engagement and relationship building. This approach balances the interests, needs and expectations of our stakeholder with the best interests of Gold Fields.

#### **Strategy to deliver long-term value and sustainability**

The Board is independent and delegates responsibility for the development and implementation of the strategy to the Group Exco. However, the Board nevertheless has a deep understanding of and approves the strategic goals and direction of the Company. When reviewing the strategy, it considers the business risks and opportunities and how these might impact the achievement of objectives. In so doing it aims to ensure that the strategy drives a sustainable business agenda and considers the interests of stakeholders.



For more information on our environmental stewardship and how we interact with communities, refer to p95 124.

### **Regulatory environment**

We seek to comply with all relevant laws and regulations, as well as the highest levels of corporate governance, and often our governance practices exceed the legal minimum. As such, corporate governance systems and frameworks at Gold Fields are reviewed constantly to align with the ever-changing and increasingly stringent standards that are being rolled out by regulators.

Exco presents the Company strategy, business plans and risk register to the Board on an annual basis for input and approval. The Board also agrees performance targets with management. The CEO provides the Board with monthly reports on, among others, performance against strategic and operational targets. This input allows the Board to effectively monitor the implementation of strategy.

Board members perform onsite visits to our operations and projects, and on occasion interact with individual executives on strategic and operational performance.

### **Innovation and Technology (I&T)**

Gold Fields recognises the importance of implementing I&T to secure the sustainability of our operations. Doing so is expected to deliver higher production, greater efficiencies, improved safety and a decrease in the potential negative impact on the environment and communities. In line with the requirements of King IV, the Board has approved an I&T strategy that is set to further the achievement of Gold Fields Group strategy.

**Table of Contents**

**28 The Gold Fields Integrated Annual Report 2018**

Summarised corporate governance

**Ensuring we do business ethically**

**THE STRUCTURES AND MECHANISMS USED TO DRIVE ETHICAL BUSINESS PRACTICE**

Our business is built on the foundation of ethics, which informs a culture of integrity and transparent reporting to our stakeholders. This foundation assists us in ensuring that we build trust, strengthen our reputation and create value for all our stakeholders. The Board and its committees set the ethical tone for the business. We use various mechanisms to confirm ethical behaviour, compliance and good governance in the business:

*Assesses the legal risks facing the Company and mitigates these by enacting effective policies, procedures and controls.*

***During 2018, we:***

Enhanced the regulatory risk profile process to incorporate the review and assessment of all applicable and adopted, non-binding rules, codes and standards (RCS) per country

Developed an online regulatory and RCS risk dashboard for the Group

*The Risk Committee reports our key business risks to the Board on a biannual basis. The Board aims for effective controls and corrective measures are in place to manage and mitigate these risks. Furthermore, the Audit Committee seeks to ensure the integrity, accuracy, and adequacy of accounting records.*

***Internal Audit*** assesses that the internal controls in place are working to mitigate potential risks. This takes place in all regions on a quarterly basis and operations are given an audit ranking. Corrective measures are put in place where

*We support the development of an ethical and impactful industry, one that goes beyond a compliance-based approach. Gold Fields is aligned to both international and local best practices, which underpin our commitment to responsible corporate citizenship. We are committed to and guided by:*

The legislation and regulations of the countries in which we operate

The requirements of the stock exchanges on which we are listed

The United Nations (UN) Guiding Principles on Business and Human Rights

<p>Recorded an Annual Compliance Index per region and for the Group</p> <p>Confirmed alignment with the Internal Audit Plan</p> <p>Screened 100% of all new and existing suppliers and contractors for a range of pre-defined risk categories, including human rights and related violations</p>	<p>necessary.</p> <p><b>External Audit</b> provides the integrity, accuracy and adequacy of accounting records and corporate reporting. During 2018 we contracted PricewaterhouseCoopers as our new auditors from 2019 onwards, following our standard tender process. KPMG had been our auditors since 2010.</p> <p>For more information on our Risk and Audit committees, refer to the full Governance Report in the Annual Financial Report.</p>	<p>The ICMM 10 Principles on Sustainable Development</p> <p>The 10 Principles of the UN Global Compact</p> <p>King IV</p> <p>UN Convention Against Corruption</p> <p>OECD Convention on Combating Bribery</p> <p>Extractive Industry Transparency Initiative</p> <p>World Gold Council Conflict Free Gold Standard</p> <p>Voluntary Principles on Security and Human Rights</p> <p><i>During 2018, we also committed to the Task Force on Climate-related Financial Disclosures (TCFD).</i></p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Code of Conduct**

*Our Code of Conduct is informed by the Gold Fields values and underpins the way we conduct ourselves, from our operations to our Board. It also extends to our supply chain business partners. The Code of Conduct was updated in 2017 and distributed to all existing employees, while all new employees receive it during their onboarding. As at end 2018, 66% of our people had undergone training on the Code of Conduct. An anonymous Tip-Offs hotline is permanently in operation, and the Company takes a zero tolerance approach to intimidation and victimisation of those who report incidents.*

**Key principles of our Code of Conduct:**

- Emphasis on ethical leadership within the organisation in addition to ethical management
- Protection of employee and third-party whistle-blowers, promoting an environment for reporting of Code of Conduct transgressions
- Safeguarding the business against potential reputational harm and litigation
- Transparent and ethical dealings with government and suppliers

Protection of company information

Accurate and transparent reporting

Safeguarding against insider trading

IAR-30

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **29**

CEO Report

IAR-31

**Table of Contents****30 The Gold Fields Integrated Annual Report 2018**

CEO Report continued

**Introduction and overview*****Dear stakeholders***

2018 marked the second year of the reinvestment programme embarked on by Gold Fields at the end of 2016. The key motivation behind the investment focus is to ensure that our portfolio of mines continues to generate cash sustainably into the foreseeable future, while at the same time lowering our costs and extending mine life.

Having spent total project capital of US\$502m over the past two years, primarily on Damang and Gruyere, Gold Fields is now well placed to maintain a production profile of near to 2Moz a year at our international operations in Australia, Ghana and the Americas over the medium to long term. This is based on current gold price levels, our attributable gold Mineral Reserves of 20Moz in these regions as well as our track record of Resource conversion and exploration activities.

margin of 15% at a gold price of US\$1,200/oz (previously US\$1,300/oz).

Not only did our international portfolio of mines exceed its production targets in 2018, but it also outperformed cost guidance. However, as South Deep, our only remaining South African operation, was well below target, Group attributable production of 2.04Moz for the year was below our original guidance of 2.08 – 2.10Moz, as well as 2017 production of 2.16Moz. Group AIC of US\$1,173/oz were below the guided US\$1,190/oz US\$1,210/oz, but slightly higher than the US\$1,088/oz reported in 2017, due to the continued investment in our growth projects.

The strong operational performances of our operations in Ghana, Peru and Australia resulted in net cash flows of US\$332m, and enabled us to fund our US\$290m total project capital expenditure in 2018 (excluding Asanko), without putting undue

fatalities and serious injuries to realise our goal of zero harm. We did however see a continued improvement in our health and safety performance amid renewed efforts to entrench a committed safety culture and standards. Gold Fields' total recordable injury frequency rate (TRIFR) fell below two recordable injuries per million hours worked for the first time, a continuation of our long-term downward trend and our best safety performance ever.

Mining is an industry that has significant impacts on the countries and communities in which it operates. This requires continued proactive stakeholder engagement strategies and sustainable development policies.

Host communities, in particular, are critical stakeholders for our mines. During 2018, we continued investing significant resources in community programmes, including increasing the share of jobs and

The 2Moz milestone is expected to be reached for the first time in 2019 as Damang and Gruyere are set to come into production and our Asanko joint venture (JV) in Ghana contributes for the full year. The longer-term future of this portfolio also looks positive as we continue to invest in near-mine exploration at our Australian mines, while the Board has approved a maiden Mineral Reserve and the technical components of the feasibility study for the Salares Norte project in Chile.

The globalisation of our portfolio has also been evident in a gradual shift in our Mineral Reserve exposure. Until two years ago, just over 70% of our Reserves were held by South Deep. That profile has changed: of our total gold-equivalent Mineral Reserves of 50.9Moz in December 2018 (December 2017: 53.1Moz), 41% are now outside South Africa.

One of the key benefits of the reinvestment programme over the past two years is the expected reduction in Group All-in Costs (AIC) to approximately US\$900/oz, a level which we feel is required to be competitive on a global scale. As the quality of the portfolio improves and our cost profile starts to decline, we expect an improved free cash-flow (FCF) margin. For 2019, therefore, we have adjusted our target to a FCF

pressure on our balance sheet. Despite the increased spending, as anticipated, we declared a total dividend for 2018 of R0.40/share. Planned project and sustaining capital for 2019 is scheduled to decline to US\$633m, of which US\$143m is growth capital.

At South Deep, annual production in 2018 at 157,100oz was half the originally guided 321,000oz. Production in the second half of the year was impacted by the tragic fatal accident as well as a wide ranging restructuring, including the retrenchment of over 1,500 employees and contractors, and a subsequent six-week strike by the majority National Union of Mineworkers (NUM). However, I believe that in the wake of the restructuring, which has seen our employee workforce at the mine fall by about 30% to just under 2,500 and the number of contractors decrease from 2,294 to 1,725, we are in a position to significantly reduce South Deep pre-restructuring (H1 2018) cash-burn of about R100m (US\$8m) a month.

During 2018, we recorded one fatality (three in 2017), which served as a tragic reminder that we have lots more work to do to eliminate all

procurement spend allocated to host communities. We are showing good results with around 25% of our total value creation of US\$2.7bn during 2018 channelled into host communities.

The judicious use of water and energy resources by our mines and proactive mine closure programmes are other critical elements of our sustainable development programmes, not only as part of our commitment to operational efficiencies and environmental stewardship, but also as part of strengthening our social licence to operate.

We are also committed, in collaboration with our peers in the ICMM, to a renewed focus on the governance and technical management of our tailings storage facilities (TSFs) following the collapse of a TSF at Vale's Feijão iron ore mine in Brumadinho, Brazil, in January 2019, during which there were over 300 deaths.

The Gold Fields share price took a hit when we announced the restructuring of South Deep in August 2018. While it has gradually recovered since then, overall in 2018 our share price decreased by 18% on the New York Stock Exchange and 9% on the JSE.

**Table of Contents****Group performance scorecard****Performance highlights (Group)**

		2018	2017 <sup>4</sup>
Fatalities	Number	<b>1</b>	3
TRIFR	/million hours worked	<b>1.83</b>	2.42
Attributable production	Moz	<b>2.04</b>	2.16
All-in Sustaining Costs (AISC) <sup>3</sup>	US\$/oz	<b>981</b>	955
AIC <sup>3</sup>	US\$/oz	<b>1,173</b>	1,088
Net cash-flow <sup>1,3</sup>	US\$m	<b>(132)</b>	(2)
Free cash-flow (FCF) margin <sup>3</sup>	%	<b>16</b>	16
Net debt <sup>3</sup>	US\$bn	<b>1,612</b>	1,303
Dividend declared	R/share	<b>0.40</b>	0.90
Total value distribution	US\$bn	<b>2,711</b>	2,849
Energy usage <sup>2</sup>	TJ	<b>11,628</b>	12,178
Water withdrawal <sup>5</sup>	M	<b>21,179</b>	32,985
CO <sub>2</sub> emissions	million tonnes	<b>1.85</b>	1.96
Host community procurement (% of total) <sup>6</sup>	%	<b>27</b>	45
Host community employment (% of total) <sup>7</sup>	%	<b>56</b>	40
Gross mine closure liabilities	US\$m	<b>400</b>	381

<sup>1</sup> Net cash-flow = cash-flow from operating activities less net capital expenditure, environmental payments and finance lease payments

<sup>2</sup> The sum of direct and indirect energy consumption reflects a conversion factor used by Granny Smith, Tarkwa and Damang power stations to account for generation losses

<sup>3</sup> These non-IFRS measures have been defined in management's discussion and analysis in the Annual Financial Report and have been reconciled to IFRS

<sup>4</sup> 2017 numbers include continued and discontinued operations

<sup>5</sup> Large difference in numbers due to change of definition of water withdrawal to exclude diverted water

<sup>6</sup> The % decline is due to a change in the definition of host communities by our Australian operations to only include communities in their area of influence (previously Perth was included in the definition due to the FIFO nature of our mines)

<sup>7</sup> South Deep's host community definition was changed in 2018 to align with the 2016 municipal boundary change which amalgamated the Westonaria and Randfontein municipalities. It now includes all individuals who reside in the Rand West City Local Municipality. This number also excludes the Perth office and Gruyere project



Each year, Gold Fields adopts a Group performance scorecard that incorporates the Company's strategic priorities and seeks to instil the right culture and behaviours among our workforce, driven by the imperatives of safety, cash generation and sustainably growing the business.

By integrating all of the key value drivers into the business, the scorecard also aims to enhance the Group's sustainability and reflects the integrated nature of our business. The scorecard consists of four key performance areas and elements against which we measure our performance, which are discussed in detail in the IAR:

- 1. Safe operational delivery – how we make money (p56)**
- 2. Portfolio management – what we choose to invest in (p40)**
- 3. Capital discipline – how we spend money (p84)**
- 4. Licence and reputation – how we conduct ourselves (p92)**

My performance as CEO against my scorecard objectives is shown on p16. This Integrated Annual Report (IAR) is structured along the lines of our 2018 scorecard and an overview of each performance area follows.

### ***Safe operational delivery***

#### **Safety and health**

Safety is management's first priority and it is critical that we continuously emphasise our commitment to zero harm. Therefore, the fact that we still had one fatality at our mines during 2018, compared with three in 2017, is a setback. Our heartfelt condolences go out to the family, friends and colleagues of Ananias Mosololi, a load haul dump operator at South Deep, who died after an underground accident on 12 October 2018. In a non-mining-related accident, a member of the Community Security Task Force, Francis Yeboah, drowned in a settling pond at our Tarkwa mine in Ghana. We are deeply saddened by his loss and extend our condolences to his family.

Our overall safety performance improved during 2018, with the TRIFR declining to 1.83 incidents per million hours worked from

2.42 in 2017, as the total number of recordable injuries reduced to 99 from 138 in 2017. This is a continuation of a longer-term trend. As recently as 2014, our TRIFR was 4.04 and we reported 200 recordable injuries.

Working towards eliminating all fatalities and serious injuries remains a priority for our management teams at the operations, which have ultimate responsibility for health and safety issues. The Group Safety Leadership Forum, formed in 2017, is overseeing the development of a Group-wide safety strategy that will further improve our safety performance. It has identified three pillars to underpin our safety efforts - systems and processes, safety leadership, and safe behaviour - to complement the many good safety initiatives already in place. To further

**Table of Contents**

**32 The Gold Fields Integrated Annual Report 2018**

CEO Report continued

**Group performance scorecard continued**

entrench safe behaviour, we have also implemented greater recognition for safety in performance scorecards of all employees by adding a number of leading indicators to the current lagging indicators.

On the health front, the Occupational Lung Disease Working Group, representing most gold mining companies in South Africa, including Gold Fields, reached an historic settlement with attorneys representing ex-mine workers suffering from silicosis and TB. The settlement still needs to be approved by South Africa's courts. Once it is approved a trust will be set up, funded by R5bn (US\$390m) from the gold mining companies, and the process of compensating ex-mine workers can finally begin. Gold Fields has provided R368m (US\$25m) for its share of the settlement.

**Business and financial performance**

2018 was the second year of our reinvestment programme that seeks to improve the quality of our portfolio and sustain the current production base for the next decade. The significant capital expenditure requirements that accompany this programme inevitably resulted in higher Group AIC and reduced net cash-flow during both 2017 and 2018. As such, we guided the market at the beginning of 2018 on higher costs and marginally lower production.

Group attributable production of 2.04Moz for the year was 2% below our originally guided 2.08 – 2.10Moz. All the international mines exceeded their production guidance. South Deep's production at 157,100oz was well below guidance.

Despite the significant capital expenditure programme during 2018, stringent cost management across the Group resulted in a good cost performance with AIC of US\$1,173/oz and AISC of US\$981/oz in 2018, below guidance

for the year of US\$1,190/oz – US\$1,210/oz and US\$990/oz – US\$1,010/oz respectively.

Total capital expenditure during 2018 was US\$814m, just lower than the US\$834m spent in 2017. The Group reported net cash-outflow of US\$132m (2017: US\$2m cash-outflow) and a FCF margin (which excludes capital spend on growth projects) of 16% (2017: 16%). The gold price received by Gold Fields during 2018 averaged US\$1,252/oz (2017: US\$1,255/oz).

The Group and mine operating and financial performances are detailed on p56 – 62.

**South Deep restructuring**

2018 proved to be an extremely difficult year for South Deep. After falling behind plan in H1 2018, management announced a material restructuring on 14 August 2018. The aim of the restructuring was to consolidate mining activity to increase focus, and to match the cost structure with the level of production.

As part of the restructuring, South Deep closed mining activities in loss-making areas of the mine and reduced operational and support staff commensurately. Development activities in the new mine areas were also suspended. Both registered trade unions were served with section 189 notices in terms of South Africa's Labour Relations Act and, after the legislated consultation period ended, the retrenchment of 1,092 employees and 420 contractors were implemented. This leaves the staff complement approximately 30% lower than it was before the retrenchments.

The NUM commenced strike action on 2 November 2018 to protest the retrenchments, which continued until 18 December 2018. Amid violence and intimidation, non-striking employees were prevented from accessing the mine and, subsequently, no production was possible for November and December 2018.

Attributable gold production

All-in Costs (AIC)

---

**Table of Contents**

Production at South Deep during 2018 decreased by 44% to 4,885kg (157,100oz) from 8,748kg (281,300oz) in 2017 driven by decreased volumes and grade. AIC for 2018 increased 42% to R854,049/kg (US\$2,012/oz) from R600,109/kg (US\$1,400/oz) in 2017, mainly due to lower gold sold. Net cash-outflow for the year was R1,891m (US\$141m). South Deep also reported an asset and goodwill impairment of R6.47bn (US\$482m) in 2018 following a goodwill impairment of R3.5bn (US\$278m) in 2017.

Subsequent to the 2018 year-end, South Deep commenced the process of building up production with a reduced, but more focused, workforce and having removed over R800m from the mine's cost base. The immediate target is to get the mine to break even at the current level of production. Once this has been achieved, the focus will be on improving productivity off the restructured cost base and overhead structure, to bring the mine to profitability. Gold Fields is unable to continue sustaining the cash losses of the last few years and, should our efforts subsequent to the restructuring at South Deep not show positive results, other options for the asset cannot be ruled out.

Guidance of 6,000kg (193,000oz) has been provided for 2019 at an AIC of R610,000/kg (US\$1,394/oz). The mine's Mineral Reserves were reduced by 12% to 32.8Moz in December 2018 compared with a year earlier.

**Energy**

During 2018, Gold Fields shifted further away from the use of carbon-intensive energy sources. Our mines in Ghana, Australia and Peru are now largely powered by low-carbon gas, though diesel is still being used for the majority of our mining fleet. During 2018, 54% of our total electricity capacity was generated by gas, with coal accounting for 35%, hydro-electric for 9% and diesel for 2%.

Currently Gold Fields has 134MW in installed gas capacity and an additional 16MW of gas capacity is being evaluated by the Australian and Ghanaian mines. Renewable energy is also becoming a viable option, not only due to its positive impact on carbon emissions but also because the cost of renewables is rapidly coming down. At present, Gold Fields has 55MW of solar capacity and 18MW of wind capacity under study at our South African, Australian and Ghanaian mines.

The Granny Smith mine in Australia looks set to be the first mine in our portfolio to be partly solar powered, having contracted an independent power producer to design, build and operate a 8MW solar plant backed by 2MW of battery systems, to be commissioned in Q4 2019. The Agnew mine is also expected to develop a hybrid gas and renewable power plant during 2019.

By 2020 we are confident that around 2% of installed Group energy capacity will be from solar and wind. Gold Fields also remains committed to its goal of 20% renewable energy generation over the life-of-mine at all new projects.

Energy accounted for 22% of Group operating costs in 2018, the second largest cost component at our mines. While energy consumption decreased by 4% in 2018, the Group increased energy spending by 17% to US\$302m in 2018, amid higher diesel unit costs and regulated tariff increases. Operational energy efficiencies yielded savings of US\$29m.

Greater use of renewables has the added benefit of reducing the carbon footprint, which is one of Gold Fields' key environmental priorities. During 2018, total CO<sub>2</sub> emissions declined to 1.85m tonnes (2017: 1.96m tonnes), and we expect longer-term benefits arising from the energy efficiency and fuel-switching projects we have put in place at our mines.

### **Fit-for-purpose workforce**

A key area of focus in 2018 was to ensure that our mines have appropriately sized and qualified workforces to drive safe operational delivery. As part of the restructuring of South Deep, which commenced in August 2018, 1,092 employees and 420 contractors were retrenched as part of our efforts to align the cost base with the reduced operational footprint of South Deep. Earlier in the year a further 260 employees and about 25% of the mine's management team had accepted voluntary severance packages.

The Tarkwa mine switched to contractor mining during 2018, with about 90% of the affected workforce of the mine moving over to the two contractors. At our Damang mine, too, we converted just over 300 full-time employees into fixed-term contractors. As a result, the number of full-time employees in the West Africa region reduced from 2,910 at end 2017 to 1,079 at end 2018, while the number of contractors rose from 4,761 to 6,291 over the same period. Damang has been using contractor mining since the start of the reinvestment project early in 2017.

As a result of these initiatives, the Group now employs 5,601 full-time employees (2017: 8,856) and 12,010 contractors (2017: 9,738).

Another important human resource initiative implemented in 2018 is the continued drive to have appropriately skilled people in the right roles. With the increasing shift towards mechanisation and automation at our mines, we have found that, in addition to the continued development and training of our workforce, it is important to recruit appropriately skilled and experienced people. During 2018, we spent over US\$14m globally on training and development on top of recruiting the best mining skills to supplement our existing talent pool.

**Table of Contents**

**34 The Gold Fields Integrated Annual Report 2018**

CEO Report continued

**Group performance scorecard continued**

***Capital discipline***

The core focus of Gold Fields' financial strategy is to grow our FCF margin and to sustain this margin in the long-term. The Group has set a FCF margin target per region (after capital expenditure, royalties and taxes) of at least 15% at a notional long-term planning gold price of US\$1,200/oz, thus providing a cushion in case of lower prices.

Despite the significant capital investment programme of US\$814m, Gold Fields produced a sound cost and cash-flow performance during 2018. AIC of US\$1,173/oz and AISC of US\$981/oz for 2018 were slightly ahead of 2017 numbers but below guidance for the year of US\$1,190 – US\$1,210/oz and US\$990 – US\$1,010/oz, respectively.

Cash-flow generated by the operations remained strong. Excluding project capital and off-mine exploration expenditure, operational cash-flow was US\$334m (US\$194m in Australia, US\$114m in Peru, US\$149m in Ghana and a negative US\$141m in South Africa) versus US\$441m in 2017. On a net basis, which includes growth capital, the Group reported net cash-outflow of US\$132m (2017: US\$2m cash-outflow) and an FCF margin (which excludes capital spend on growth projects) of 16% (2017: 16%) at an average gold price received of US\$1,252/oz (2017: US\$1,255/oz).

Revenue was down by 7% to US\$2.58bn (2017: US\$2.76bn) due to the production decline at South Deep. Cost of sales were down proportionally at US\$2.04bn (2017: US\$2.11bn). The overall financial performance was impacted largely by non-recurring items, including impairment of South Deep and retrenchment costs in Ghana related to the conversion to contract mining at Tarkwa.

Given the volatility in commodity prices and exchange rates and, more pertinently, the high levels of project capital expenditure incurred during 2018, management undertook short-term, tactical hedging of the oil price, the copper price and the

US Dollar, Australian Dollar and South African Rand gold prices to protect cash-flow. We are continuing with our gold hedging programme in Australia during 2019 as we finalise the construction of Gruyere. We have also extended hedging to the Rand gold price to protect South Deep's cash-flow during the build-up to more sustainable production levels. Altogether, around 1Moz of gold production for 2019 has been hedged.

**Dividends and debt reduction**

Two of Gold Fields' key strategic objectives are to pay its shareholders a dividend and reduce the amount of debt on our balance sheet. Despite recording a net cash-outflow, the Group declared a total dividend for the year of R0.40/share (2017: R0.90/share).

Having moved into a capital-intensive phase during 2017 and 2018, management guided the market for a pick-up in debt. Net debt increased by US\$309m during 2018 to US\$1,612m, mainly due to project capital spend and the funding of the Asanko Gold deal.

Gold Fields ended 2018 on a net debt:adjusted EBITDA ratio of 1.45x compared with 1.03x at the end of 2017, but still well below the debt covenant level of 2.50x.

During 2018, we continued to successfully manage our balance sheet by extending the maturity of the US\$380m term loan by 12 months to June 2020. We are considering additional refinancing of our debt in 2019 to further improve liquidity.

### ***Portfolio management***

Gold Fields manages its assets to improve the overall quality of its portfolio and enhance the sustainability of the cash-flow generated by this portfolio. In this regard, the focus is on reducing Group AIC, increasing the FCF/oz and extending the life of the assets.

All assets in our portfolio are subject to the Group's annual strategic planning process. A scenario analysis is conducted for each operation,

assessing how to maximise cash-flow, life-of-mine and margin. The results of this analysis are then used in conjunction with the Group's capital profile and the current economic environment as inputs into our annual business planning.

### **Mine developments**

The strength of our international portfolio is evident in the continued net cash-flow generation of our mines in Australia, Ghana and Peru, which collectively generated US\$457m in 2018 (2017: US\$501m), before taking into account project capital.

During 2018, we announced an extension of Cerro Corona's life-of-mine to 2030 through work on the tailings facility and the future use of in-pit tailings.

Our Australian mines continue to benefit from our consistent and sizeable near-mine (brownfields) exploration programmes. During 2018, we spent A\$83m (US\$62m) at Agnew, Granny Smith and St Ives and, as a result, added 1.18Moz in Mineral Reserves (before depletion) at our Australian mines. Notable projects arising from this investment drive are:

- Greater Invincible Complex continued to grow in 2018 and now represents one of the largest mineralised systems at St Ives

- Significant incremental ounces added to the Wallaby mine at Granny Smith

- Near-mining resources and reserves replaced at Agnew's New Holland and Waroonga mines and new discoveries at Waroonga North and Redeemer

A further A\$76m (US\$57m) has been budgeted for brownfield exploration at our Australian mines in 2019.

Near-mine exploration is also being stepped up at our Ghanaian mines, notably at Tarkwa, where the focus is on paleoplacer extension opportunities at the mine's existing pits. US\$9m was spent in 2018 with some early promising

results evident.

IAR-36



**Table of Contents**

The only operating asset in the Group that still needs to be brought to full account is the South Deep mine. Management believes that following the significant restructuring in the second half of 2018 the cost base has been adjusted to the reduced operating footprint. We expect to significantly reduce the monthly cash losses at the mine and are confident that South Deep is set up for a sustainable recovery over the next few years.

Gold Fields holds investment positions in Gold Road Resources and Asanko Gold, which are the joint venture partners in the Gruyere project and the Asanko gold mine (AGM) respectively. We also have minority holdings in a number of junior mining companies, including Cardinal Resources, Red 5 and Hummingbird, and evaluate these interests on a regular basis. The company also diluted its shareholding in Toronto-listed Maverix Metals to 20%.

**Project advancements**

2018 was the second year in our drive to secure the longevity and sustainability of our portfolio of assets, and all our key projects in this respect are tracking their delivery deadlines and financial budgets:

At Gruyere, the JV partners, Gold Fields and Gold Road Resources, have to date invested A\$492m (US\$374m) of the total expected project cost of A\$621m (US\$480m). During 2017 and 2018, Gold Fields' portion of the spend was A\$246m (US\$185m), including capital investment and management costs. First gold is expected to be poured during Q2 2019, with production for 2019 guided at 118koz (100% basis)

At the end of 2016 we commenced the US\$341m investment at our Damang mine in Ghana to extend the life-of-mine to 2025. Capital spending during 2018 was US\$125m (2017: US\$115m). The project is ahead of plan and the mine is set to reach full production in early 2020

At the Salares Norte project in Chile, the feasibility study was completed in 2018, and a maiden Mineral Reserve of 4.0Moz (gold equivalent) was declared. Any decision to build a mine at Salares Norte will be made based on the outcome of the Environmental Impact Assessment (EIA), which was accepted for evaluation by the regulator in July 2018 and is expected to take 18 - 24 months. Spending on further drilling and other work totalled US\$64m during 2018.

Potential operational parameters established by the feasibility study for a possible future mine include:

Initial 11.5-year life-of-mine

Annual throughput of 2Mt

Life-of-mine production of 3.2Moz of gold and 26.7Moz of silver

Average annual production of 450koz gold equivalent for the first seven years of the project at an AISC of US\$465/Au-eq oz

Project construction capital of US\$834m

A JV with Asanko Gold in Ghana was completed in July 2018, with Gold Fields acquiring 45% in the Asanko Gold Mine (AGM) for approximately US\$185m, of which US\$20m was deferred. The mine achieved total production of 223koz (100% basis) at an AIC of US\$1,183/oz and is guiding for production of 225koz - 245koz at AIC of US\$1,130/oz - US\$1,150/ oz for 2019. Gold Fields has also acquired a 9.9% stake in the holding company, Toronto listed Asanko Gold

The sale of the Arctic Platinum Project to CD Capital Management was concluded in early 2018 for a cash consideration of US\$40m and future royalties of 2%

### Mineral Reserves

During 2018, Gold Fields managed gold-equivalent Mineral Reserves (net of depletion) decreased by 1% to 54.1Moz at 31 December 2018. The declines were largely due to reductions in Mineral Resource and Reserves at South Deep, due to a higher cut-off grade.

Other notable developments during 2018 were:

Salares Norte declared a maiden gold-equivalent Mineral Reserve of 4.0Moz at 31 December 2018, following the completion of its feasibility study

In Australia, managed Mineral Reserves (net of depletion) increased by 0.2Moz to 6.4Moz at 31 December 2018, testament to the continued success of brownfields exploration at the mines

At South Deep, Mineral Reserves totalled 32.8Moz (2017: 37.4Moz) at 31 December 2018.

As recently as 2017 South Deep held just over 70% of our Group Mineral Reserves. The profile has changed: of our total managed gold-equivalent Mineral Reserves as at 31 December 2018, 59% are held by South Deep, and our Mineral Resource profile indicates that this percentage could continue to fall.

A straight comparison between South Africa's and our international operations Mineral Reserves is in any case misleading, given the different style of mineralisation. The paleoplacer type orebody at South Deep is large and consistent, while most of the rest of the Group's reserves are dominated by orogenic/ greenstone type orebodies, which are more variable and usually do not have particularly long Reserve lives. But these orebodies are characterised by consistent replacement of Reserve depletion. Importantly, our commitment to brownfields exploration has allowed us to continually replace Reserves, particularly at our Australian mines, over a number of years.

## **Table of Contents**

### **36 The Gold Fields Integrated Annual Report 2018**

CEO Report continued

### **Group performance scorecard continued**

#### ***Licence and reputation***

The success of our business is dependent on our relationships with key external stakeholders which determine both our regulatory and social licences to operate.

#### **Environmental stewardship**

Responsible environmental management remains a vital component of Gold Fields' approach to operate at all our operations and projects. In 2018, we reported two Level 3 environmental incidents (2017: two), one in Peru and one in Ghana (p95). Gold Fields has had no Level 4 or 5 environmental incident for well over ten years, but the two Level 3 incidents had the potential to impact water supply to the nearby communities. Our teams acted quickly to remediate the events and communicated transparently with regulators and communities on this issue. The number of Level 2 incidents fell by 18% to 68 in 2018 from 83 in 2017.

Water is a particular focus of our environmental strategy, as it is becoming an increasingly scarce and expensive resource globally. Managing the risks around current and anticipated water security, which includes the quantity and quality of supply as well as associated costs, is essential to ensure sustainable production for existing operations and the future viability of projects.

During 2018, our operations invested in improving water practices, including pollution prevention, recycling and conservation initiatives. A key target is to reuse or recycle much of the water we use in our processes and we set ourselves a target of 65%, in line with ICMM guidance. We achieved the target in 2018, when 66% of our total water use was recycled or reused water.

Work carried out by the ICMM on water and tailings management has provided best-practice guidelines for the Company, and during 2017 and 2018 we worked closely to align our practices to these ICMM position statements. During 2018, external reviews of our compliance with these position statements concluded that

we are aligned with the ICMM position statements both in terms of water and tailings management.

After the catastrophic tailings failure at the Feijão iron ore mine in Brumadinho, Brazil, in January 2019, during which there were over 300 deaths, all Gold Fields' operations carried out additional safety inspections at our 33 tailings

facilities, particularly on the 18 decommissioned TSFs, and concluded that Gold Fields-managed TSFs were not at risk. During 2019 we will further strengthen technical and governance oversight over all of our TSFs. Longer term, our teams are working with our peers at the ICMM to evaluate independent assessment and accreditation of all ICMM member TSFs as well as on solutions such as filtered and dry-stack tailings.

The total gross mine closure liability for Gold Fields was raised by 5% to US\$400m in 2018 from US\$381m in 2017. During 2018, we further enhanced our integrated approach to mine closure management with a focus on progressive environmental rehabilitation and full life-of-mine closure obligations.

### Stakeholder relations

Employees, business partners, shareholders, investors, governments and communities have been identified as Gold Fields' key stakeholders. Their support is critical in ensuring that we receive and retain our regulatory approvals and social licence to operate. This can only be achieved if we develop stakeholder relationships that are based on transparent and open engagement and if we create shared value with them. The ability to generate cash is critical in distributing the benefits from mining to our stakeholders. In 2018, Gold Fields' value distribution totalled US\$2.7bn, compared with the US\$2.9bn we distributed in 2017. For details on how this amount was dispensed to stakeholders during 2018 see p6.

### Government relations

As the issuers of mining licences, developers of policy and implementers of regulations, host

governments at all levels (national, regional and local) are one of Gold Fields' most critical stakeholders. While we seek to engage with these stakeholders regularly to build trusts, these relationships are not always easy. Over the past few years we have seen a resurgence of resource nationalism, particularly in Africa. As part of this many governments accuse the mining industry of not paying fair taxes by using profit-shifting and under-invoicing their physical gold exports. Gold Fields has appropriate controls and procedures in place to ensure that we comply with relevant tax legislation, including compliance with transfer pricing regulations, and account fully for our gold exports.

In South Africa the industry and government have been at an impasse for a number of years over the implementation of a new Mining Charter to govern the sector. A new Charter was published by the Department of Mineral Resources (DMR) in mid-2018. The 2018 Mining Charter is an improvement on previous draft versions, but there are still critical matters, including renewals of licences, that are not dealt with. As it stands now the licence renewal clause is unacceptable to the industry, as it would invalidate all previous empowerment deals if the empowerment partner has since sold its interests. Should this impasse continue, the Minerals Council of South Africa (MCSA), reserves its rights to proceed with a legal review of the Charter relating to, among others, the renewal of licences.

The Minerals Council of South Africa won a court case recognising the 'once empowered, always empowered' principle, which would guarantee the legislated black economic empowerment ownership levels for South Deep until its licence renewal in 2040 and a further term of 30 years after that. However, the ruling has been appealed by the DMR and the MCSA will follow due process in this regard.

---

**Table of Contents**

A more proactive approach is required, such as the one adopted by the Ghanaian government, which has entered into development agreements with large mining companies, including Gold Fields, and incentivises new mining projects. Our agreement with the Ghana government was fundamental in our US\$341m reinvestment programme in Damang, which created or secured around 1,850 jobs. The favourable investment environment also encouraged us to take a 45% holding in AGM.

The mining regimes in Peru and Australia remained relatively stable, though we opposed a proposed rise in the gold royalty rate in Western Australia.

**Labour relations**

Gold Fields fundamentally respects and protects the rights of its employees to organise themselves through trade unions. Over the years we have developed good working relations with organised labour at our operations and constructive engagement usually precedes any restructuring and corporate actions needed to keep our operations sustainable. However, during 2018, our relationship with unions at our Ghanaian mines and at South Deep turned adversarial.

At Tarkwa, the Ghanaian Mineworkers Union brought a court injunction against the decision to convert from owner to contractor mining, which is essential to ensure life extension at the mine. This was overturned by the courts and the mine implemented the transition to contractor mining successfully, with a large part of affected employees joining the two mining contractors. As a result the employee workforce at our Ghanaian mines is now non-unionised.

At South Deep, the NUM embarked on a 45-day strike in November and December 2018 following the mine's decision to retrench around 1,500 employees and contractors as

part of its wide-ranging restructuring. The strike was marred by violence and intimidation carried out by a small group of NUM branch members against the majority of employees who wanted to return to work, but were prevented from doing so. The strike was resolved after many NUM employees sought the assistance of the national and regional offices of the NUM to end the industrial action.

The strike highlighted the need to rebase our labour relations at South Deep, and a new collective agreement was signed between the NUM and the mine in March 2019 to take cognisance of South Deep's new operating model.

**Community relations and Shared Value**

One of the biggest challenges facing mining companies is building relationships and trust with their host communities, without which there is potential for operational disruption, project delays and cancellations – the loss of our social licence to operate.

Gold Fields has traditionally invested in communities through a range of educational, skills development, health and infrastructure projects and, more recently, through Shared Value-based projects. This approach to structuring our investments in communities ensures that the value created is shared by communities and the business.

Socio-Economic Development (SED) is still an important part of our community investment strategy, but host community procurement and employment have proven to be more impactful as they create economic value directly in the communities most impacted by our mines and projects.

During 2018, host community members accounted for 56% of our total workforce (employees and contractors) throughout the Group – 9,259 employees – with the numbers varying from around 5% at our Fly-in, Fly-out mines in Australia to over 70% at our two Ghanaian operations.

Host community procurement can be even more impactful as our spending with suppliers and contractors is generally our biggest cost component. In 2018 we spent about US\$1.81bn with these businesses, of which 94% was spent in-country and 27%, or US\$441m, with businesses from our host communities. The economic benefits in terms of skills development, job creation and reducing dependency from the mine are self-evident.

Altogether, we have calculated that during 2018 almost a quarter of our total value creation of US\$2.71bn – US\$686m remained with our host communities. It is a number we are seeking to grow and our regions have developed ambitious targets in this respect.

### **Governance and compliance**

Supporting our integrated management approach is a robust corporate governance programme throughout the Company. During 2018, building on the implementation of the recommendations of the King IV Report on Corporate Governance during 2017, the Board approved a diversity policy and revised human rights, stakeholder engagement, environmental as well as occupational health and safety policy statements. These policies are expected to improve sound governance, transparency and regulatory compliance at Gold Fields.

Adherence to legislation, controls and standards is a non-negotiable aspect of doing business, while ethical leadership and sound business governance serve to strengthen our reputation and relationships with shareholders, governments, communities and employees.

**Table of Contents**

**38 The Gold Fields** Integrated Annual Report 2018

CEO Report continued

**Strategy overview**

***Industry developments***

The past few months has seen a pick-up in mergers and acquisitions in the global gold mining sector. Most notably, there have been announced tie-ups between Newmont Gold and Goldcorp and between Barrick Gold and Randgold Resources, as well as Newmont and Barrick merging their Nevada assets. These deals, if and when finalised, will reshape the industry. Amid speculation about further sector consolidation, Gold Fields has been linked with a number of similar-sized industry peers.

We believe, though, that we are in the final stages of successfully implementing our own growth strategy, one we embarked upon two years ago. By kick-starting the investments in our growth projects then, we are confident that we are ahead of the curve in terms of project development.

Historically, mergers between gold mining companies have faced significant challenges to achieving success. We believe that too often a proposed merger was based on an increased production profile without necessarily achieving greater cost synergies, while cultural differences between companies are another impediment to delivering value to shareholders and other stakeholders.

It is early days for the recently announced mega-mergers but extracting value-creating synergies could prove challenging. Instead, they suggest that the companies are seeking to build growth and boost their Reserve lives. At Gold Fields, we don't believe we need a merger to achieve profitable growth. We are executing what we believe to be strong, sustainable and deliverable growth strategy, which will create shareholder value in the short, medium and long-term.

***Our growth strategy***

Gold Fields seeks to be a low-cost gold producer that secures sustainable cash-flow through the inevitable price cycles in the gold mining industry. Through this, we are confident we can deliver superior returns when the gold price is high, and offer a degree of protection when the price falls. At the same time, sound cash-flow has enabled us to manage our debt, invest in the right

assets and distribute the benefits of mining to our stakeholders.

To continue expanding margins and distributing cash, the long-term sustainability of the business must be kept intact. This requires investing to extend the life of our assets, ensuring we maintain our social licence to operate and retaining

our people who are key to the Company's success.

2018 was the second year of our reinvestment programme in which we have invested a total of almost US\$550m. The key projects under this programme are set to come to fruition in 2019 and have the potential to produce strong cash-flows for Gold Fields in the future.

At present gold prices, I am confident that our Ghanaian, Australian and South American regions are well placed to maintain a production profile of nearly 2Moz per year over the medium to longer-term, based upon our Mineral Reserve profile in these regions, our track record of resource conversion, finalisation of our growth projects, and expected exploration activity.

In Ghana, the reinvestment at Damang is essentially the equivalent of developing a new mine, while our investment in Asanko Gold also has the potential for longer-term growth through life-of-mine extension. The Gruyere JV is close to completing a new mine in Western Australia, with first production scheduled in Q2 2019. Finally, in the Americas region, we have successfully completed a feasibility study for the Salares Norte project in northern Chile.

These projects are important in terms of their contribution to the strategic objectives of Gold Fields, namely to maintain and grow cash-flow on a sustainable basis. Based on current projections, they are expected to operate at an AIC that is lower than the current AIC of the Group, once steady-state levels of production are realised. As such, management believes that the Group's overall cost of production has the potential to reduce over time.

We continue to invest in brownfields exploration in Australia with the objective of not only replacing what we mine, but also increasing our

Mineral Resources and Mineral Reserves at a higher quality than what has been mined previously. Finally, we need to optimally manage the ore bodies of our operating mines in terms of grade management and ongoing sustainable capital expenditure by planning for outcomes that optimise the lives of these ore bodies.

We should not forget the potential growth and profitability that we believe South Deep and its 33Moz in gold Reserves can offer Gold Fields in the longer-term. We have thus far failed to bring that potential to the fore, but I believe that the wide-ranging restructuring measures we implemented during 2018 – reducing the mine's footprint and cutting the accompanying cost structures – have laid the foundation for future growth. For 2019, the focus will be on improving productivity and reducing the mine's significant cash-outflows. But beyond that I believe we could see sustainable growth from South Deep that has the potential to add further to Group production.

A key element of the Group's underlying strategy, which has contributed towards improving the quality of the portfolio over the years, are value-accretive acquisitions. During 2018, this resulted in our acquisition of a 45% stake in AGM.

Given the amount of capital that has been committed to Gruyere, Damang, Asanko and South Deep, and the potential call on funding resources to build Salares Norte, should we decide to do so, management has adopted a cautious approach on future acquisitions.

I am confident that Gold Fields has put in place the strategies that will lead to sustained value creation in the medium to long-term, and will see the Company build on its current production profile.

Executive management has sought to align itself with investors through its long-term incentive scheme, a large portion of which relates to the performance of the share price over time. If we stay the course on which we have embarked, I am confident that the Company will achieve strong operational performances, cash-flow generation and profitable growth.



IAR-40

**Table of Contents*****Gold price outlook***

During 2018 the average US Dollar gold price declined marginally to US\$1,252/oz from US\$1,255/oz in 2017. It recovered strongly from lows in late November and Q1 2019 was trading in between US\$1,290/oz – US\$1,330/oz. In their assessments the World Gold Council (WGC) and the CPM Group credit gold's recent stronger performance to three main factors:

Increased market uncertainty, political turmoil in the US and the expansion of protectionist economic policies, which have historically made gold attractive as a hedge

While gold has faced headwinds from higher interest rates and US Dollar strength, these effects have been limited as the US Federal Reserve has signalled a more neutral stance following a series of rate hikes in 2018

Continued purchases of gold by central banks, a trend set to continue into 2019

While management anticipates that these trends may have a positive impact on the gold price, Gold Fields has adopted a cautious approach and is planning its business for 2019 on the assumption of a US\$1,200/oz gold price, the same as in 2018.

The fundamentals may support a firmer gold price in future. On the supply side the steady increase in primary gold supplies until 2015 has since stabilised to around 105Moz per annum. This is predominantly due to the cut in exploration spending as well as the dearth of new mines being built, but also exacerbated by the decline in grades and the increasing depth and complexity of the ore bodies being mined and processed.

Consumer demand in India and China, while significantly down on its highs over the last five years, should remain strong according to CPM and WGC, given economic growth, rising urbanisation and traditional affinity towards gold in these countries. Central banks continue to buy gold and it appears that most of the central banks that were looking to sell gold have already done so.

Management believes these factors bode well for the long-term future of gold, although the price will undoubtedly move through cycles with the attendant volatility.

***Guidance for 2019***

Gold Fields' business plan for 2019 has been built around an average gold price of US\$1,200/oz (A\$1,600/oz, R525,000/kg) and assuming exchange rates of R13.8 per US\$ and A\$0.75 per US\$.

As stated, 2019 is set to be an important growth year for Gold Fields, with the Damang project approaching completion and Gruyere commencing production. In addition, Asanko will contribute for a full year for the first time since acquisition. As a result the Company is guiding for an increase of 4% – 7% in attributable equivalent gold production in 2019 to 2.13Moz – 2.18Moz. AISC is expected to be between US\$980/oz and US\$995/oz and AIC between US\$1,075/oz – US\$1,095/oz. The year will however, be one of two halves, with both production and cash-flow being weighted to H2 2019.

The main drivers behind production and cost guidance for 2019 are:

Our 50% share of production at Gruyere, which is guiding 118koz (100% basis) for the year with production set to start in Q2 2019

An expected increase in Damang's production from 181koz to 218koz, with AIC of US\$1,100/oz (2018: US\$1,506/oz)

Asanko is set to contribute for the full year. Its guidance for 2019 is 225koz – 245koz (100% basis) at AIC of US\$1,130/oz -US\$1,150/oz

Production for South Deep is expected to be 6,000kg (193koz), with AIC of R610,000/kg (US\$1,394/oz)

An expected 5% decline in the production of our three Australian mines to 843koz (2018: 886koz)

A drop in gold-equivalent production at Cerro Corona from 314koz in 2018 to 291koz at a higher AIC of US\$802/Au-eq oz (2018: US\$699/oz)

With our two key projects set to reach fruition it means that our capital expenditure is expected to decline through 2019. Capex for 2019 is split into planned sustaining capital expenditure of US\$490m (including near-mine exploration) and growth capital expenditure of US\$143m. Growth capex comprises US\$69m

for Damang and A\$99m (US\$74m) for Gruyere. Expenditure on Salares Norte (which is not capitalised) is expected to be US\$57m in 2019, comprising US\$37m on fixed costs and engineering work and US\$20m on district exploration. The capital expenditure above excludes Gold Fields' 50% share of Asanko's capital expenditure of US\$25m for 2019, as this interest is equity accounted.

For 2019, Gold Fields has continued to undertake certain gold price hedging to secure short-term cash flow and protect the balance sheet from the volatility of the gold price as we complete our investment phase and ramp up the projects.

### ***Note of thanks***

I would like to express my gratitude to my fellow directors, led by our Chairperson, Cheryl Carolus, for their support and guidance during 2018. I want to pay a special tribute to Don Ncube, who retired as Chairperson of the Social, Ethics and Transformation Committee and the Board in May 2018. He was a director of Gold Fields for 11 years and the input he provided in transforming the Company and building closer relations with our host communities, particularly at South Deep, will stand us in good stead for years to come.

The composition of our Executive Committee remained stable during 2018, with Rosh Bardien joining as Executive Vice President: People and Organisational Effectiveness in early 2018. I rely heavily on the members of this team in guiding and advising me in managing a complex, multinational company like Gold Fields. Each member of the team did a fantastic job in 2018.

Most importantly, I would like to express my sincere appreciation and gratitude to all the employees of Gold Fields. They have gone through some difficult times over the past year, with wide-ranging restructuring initiatives impacting their work lives, particularly for our colleagues at Tarkwa and South Deep. Their resilience, hard work and dedication never fails to astonish me and it gives me great comfort to know that I have this team behind me.

### **Nick Holland**

*CEO*

IAR-41

**Table of Contents**

IAR-42

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018   **41**

Managing our portfolio  
Life extension through near-mine  
exploration

IAR-43

**Table of Contents****42 The Gold Fields Integrated Annual Report 2018**

## Managing our portfolio

***Introduction***

Gold Fields manages its business with the aim of continually improving the quality of its portfolio and, ultimately, its cash-flow generation. From a strategic standpoint, the overriding goal is to generate a free cash-flow (FCF) margin of at least 15% at a US\$1,200/oz gold price, which is an adjustment from the previous 15% FCF margin at US\$1,300/oz. To achieve this, there is strict focus on reducing AIC and, as a result, increasing the FCF/oz. However, it is also imperative that the generation of cash-flow is sustainable. Therefore, in addition to lowering Group AIC, strategic decisions aim to extend the life of the Group's asset base and the overall portfolio.

To improve the quality of our portfolio, management employs the following elements in the portfolio management process:

Acquiring or developing lower-cost (than Group average), longer-life assets

***Quality portfolio of growth projects***

By employing an active portfolio management approach, Gold Fields has built an attractive global portfolio of assets in Australia, Ghana and Peru, which have met or exceeded production and cost guidance over the past few years. At a mine level, this international portfolio of assets, excluding South Deep, generated net cash flow of US\$457m (excluding project capital) during 2018 (2017: US\$485m), enabling the Group to report a FCF margin, which takes into account the outflow from South Deep, of 16% (2017: 16%). This is in line with our targeted 15% margin at a US\$1,200/oz planning gold price.

South Deep is the only asset within the Company that has failed to meet expectations, with 2018 proving to be an extremely difficult year for the mine. After falling behind plan in the first half of 2018, management announced a material restructuring on 14 August 2018, with the aim of consolidating mining activity to

All assets in our portfolio are subject to the Group's annual strategic planning process, which assesses how to best maximise cash-flow, life-of-mine, and margin. The results of this analysis are combined with the Group's capital profile and the current economic environment as inputs into our annual business planning. This process supported the continued investment in the Group's three key growth and exploration projects (Damang, Gruyere and Salares Norte) during 2018:

US\$125m in project capital was incurred on the Damang Reinvestment project in 2018, after having spent US\$115m in 2017 (p48)

Gold Fields spent A\$218m (US\$163m) on the Gruyere project in 2018, compared with A\$182m (US\$140m) in 2017. Included in this number is A\$153m (US\$115m) in project capital, A\$39m (US\$29m) in capitalised interest, A\$18m (US\$14m) in operational support costs and A\$8m (US\$6m) in exploration expenditure. During 2018, the joint venture (JV) partners announced that there had been a



Disposing of higher-cost, shorter-life assets that management believes can be better served by a company that has more time and resources to commit to them

Extending the life of current assets through near-mine brownfields exploration

Focusing on in-country opportunities to leverage off our existing footprint, infrastructure and skill set and capitalise on the experience we have gained from operating in these jurisdictions

increase focus and to match the cost structure with the level of production. The immediate target is to get the mine to break even at the current level of production (around 190koz per annum) and minimise the cash burn. Once this has been achieved, the focus will be on improving productivity off the restructured cost base and overhead structure, to bring the mine to profitability. For more details on the South Deep restructuring and outlook, refer to p46.

delay to the project timeline (first gold now expected in Q2 2019), together with a 17% increase in the final forecast capital cost estimate to A\$621m (US\$480m) (p44)

US\$64m on further feasibility study work was spent on the Salares Norte exploration venture in Chile during 2018. The feasibility study was completed and approved by the Board in February 2019 (p47).

Recent developments that improved the quality of our portfolio include the sale of Darlot in 2017, the acquisition of a 45% stake in the Asanko gold mine (AGM), and the continued investment into the Damang and Gruyere projects. Once Damang and Gruyere are operating at steady state, expected in 2020, Group AIC is expected to approach US\$900/oz.

IAR-44

***Expanding our global footprint***

2018 was the second year of Gold Fields' reinvestment phase, in which we incurred US\$290m (excluding Asanko) in project capital (2017: US\$217m). All project capital spent was in countries that Gold Fields currently operates in, allowing us to leverage our knowledge of the business environment. Importantly, management only invested in projects that it believes have relatively short pay-back periods and attractive returns.

Gold Fields also increased its footprint in Ghana during 2018 by acquiring a 50% stake of Asanko Gold's 90% interest in AGM for an upfront payment of US\$165m (the government of Ghana holds the remaining 10%). A deferred payment of US\$20m will be paid to Asanko Gold, should it achieve key milestones in the development of the Esaase project at AGM before 31 December 2019. In addition, Gold Fields purchased a 9.9% equity stake in Toronto Stock Exchange-listed Asanko Gold for US\$17.6m.

While the Group spent more than it generated in 2017 and 2018, the cash-outflow over the period (US\$2m in 2017 and US\$132m in 2018) was lower than anticipated, underpinned by favourable hedge positions and a gold price received that was higher than planning prices. Despite the cash-outflows over the past two years, Gold Fields remains committed to its strategy of generating cash to reduce our debt, pay dividends to shareholders and share the value we create with employees, governments and host communities.

Gold Fields also has a portfolio of minority investments through a range of transactions conducted over the previous few years. During 2018, the Arctic Platinum Project in Finland was sold for US\$40m, while we also bought a 9.9% stake in Toronto-listed Asanko Gold for US\$17.6m. Asanko is our JV partner in AGM in Ghana. In 2016 Gold Fields injected its royalty portfolio into Toronto-listed Maverix Metals in exchange for a 32% interest. As other gold mining companies, including Newmont Gold, have followed our move this interest has been diluted to approximately 20%. A summary of our investments is in the table below.

**Gold Fields' material investments**

<b>Investment</b>	<b>Market Value (Dec 2018)</b>	
	<b>Shareholding</b>	<b>US\$m)</b>
Gold Road Resources	<b>10%</b>	<b>37</b>
Asanko Gold	<b>9.9%</b>	<b>14</b>
Cardinal Resources	<b>11.3%<sup>1</sup></b>	<b>11</b>
Red 5	<b>19.9%</b>	<b>16</b>
Maverix Metals	<b>19.9%<sup>2</sup></b>	<b>75</b>
Hummingbird Resources	<b>6%</b>	<b>6</b>
Rusoro Mining	<b>25.7%</b>	<b>13</b>
Lefroy Exploration	<b>18.2%</b>	<b>2</b>
Magmatic Resources	<b>15%</b>	<b>1</b>
Orsu Metals	<b>7.2%</b>	<b>1</b>
Other		<b>15</b>
<b>Total value (including warrants)</b>		<b>191</b>

<sup>1</sup> Gold Fields owns an additional 38.2m options valued at US\$6.0m

<sup>2</sup> Gold Fields owns an additional 10m warrant options valued at US\$9.3m. Adding these warrants results in a holding of 20.5% in Maverix on a diluted basis

There were no further material developments regarding the Far Southeast (FSE) project in the Philippines during 2018. The project is held by Far Southeast Gold Resources (FSGRI) in which Gold Fields has a 40% interest, with an option to increase its stake to 60%, and is adjacent to an existing mining operation with established infrastructure. Lepanto Consolidated Mining of the Philippines holds the remaining 60% interest and manages the existing mining operation. Gold Fields impaired its investment in Far Southeast to US\$92m in 2018, as determined by an evaluation of Lepanto's market value on the Philippine Stock Exchange.

Gold Fields' holding costs in FSE have been reduced to approximately US\$120,000/month, related mainly to staff and administrative costs, managing existing drill core, environmental monitoring, community engagement work, as well as activities to support the permitting process.

IAR-45

---

**Table of Contents**
**44 The Gold Fields Integrated Annual Report 2018**

## Managing our portfolio continued

**Gruyere**

In November 2016, Gold Fields entered into a 50/50 JV with Australian exploration company, Gold Road Resources, for the development and operation of the Gruyere gold project in the Yamarna belt of Western Australia, one of the country's largest undeveloped gold regions. The JV comprises the Gruyere gold deposit and 144km<sup>2</sup> of exploration tenements.

Gruyere is a large shear hosted porphyry gold deposit, with Mineral Reserves of 3.8Moz, 50% of which is attributable to Gold Fields. It is located 200km east of Laverton in Western Australia, where our Granny Smith mine is located.

Early work at Gruyere began in December 2016, with Gold Fields taking over management of the project on 1 February 2017. After remaining largely on track and within budget in 2017, the JV partners announced a slight delay to project completion and an increase in the final forecast capital (FFC) cost estimate during 2018. First gold is now expected to be poured during the June 2019 quarter (previously the March 2019 quarter) whilst the FFC estimate is A\$621m (US\$480m), a 17% increase from the previous FCC estimate of A\$532m (US\$411m). Included in the new FFC estimate are scope changes and *force majeure* costs (due to extreme rainfall events during 2018) of A\$30m (US\$22m) and a contingency of A\$30m (US\$22m).

During 2018, Gold Fields spent project capital of A\$153m (US\$115m) on Gruyere, bringing our cumulative capital expenditure as at end-December 2018 to A\$246m (US\$187m). In addition, capitalised interest of A\$39m (US\$29m), operational support costs of A\$18m (US\$14m) and exploration expenditure of A\$8m (US\$6m) was incurred during the year, bringing Gold Fields' total spending on Gruyere for 2018 to A\$218m (US\$163m). The remaining project capital of A\$129m (US\$97m) (100%

basis) has been budgeted for 2019, the majority of which is expected to be spent during the first half of the year.

In a project update released on 6 December 2018, the JV partners announced an increase in average annual production to 300koz from 270koz, driven by the purchase of larger semi-autogenous grinding (SAG) and ball mills which increased processing throughput to 8.2Mtpa from 7.5Mtpa. In addition, there was an increase in average All-in Sustaining Costs (AISC) over life-of-mine to A\$1,025/oz (US\$738/oz) from A\$945/oz (US\$709/oz) to reflect industry cost inflation since the 2016 feasibility study.

As at end December 2018, engineering was largely complete, while construction progress was 86.7% with all major equipment and materials for effective construction already delivered to site. During 2018, civil works on the TSF and installation of the tailings decant recovery pipelines were completed and the power station was fully commissioned. All civil and concrete works for the process plant were completed by year-end, with structural steel, plate steel and tanks nearing completion. Post year-end, the remaining work focused on piping, electrical and instrumentation and

delivery of plant systems for commissioning of the plant during Q1 2019.

Downer EDI, which was awarded a five-year mining services contract in Q4 2017, began mobilising its workforce during Q1 2018 to begin construction of the mining infrastructure. Mining activities commenced in November 2018, focusing on completing the pre-strip and second stage run-of-mine (ROM) pad development. First ore was in Q1 2019, with mining rates expected to peak at 60Mtpa (100% basis) in 2023 and average 32Mtpa over life-of-mine.

The tenements comprising the Gruyere project fall within the area of the Yilka and Sullivan Edwards native title determination. The Yilka People and the Sullivan Edwards families are the traditional owners of the land, with many of their members residing in the nearby Cosmo Newberry community. The JV partners have a Native Title Agreement in place with the Yilka People and the Cosmo Newberry Aboriginal Corporation, which provides consent to mine. The partners also offer financial, contracting and employment benefits to the community, and have facilitated comprehensive processes for the management of Aboriginal heritage within the project area. A number of projects have been implemented with the Yilka People, including the provision of cultural awareness training for Gruyere employees and contractors. Key contractors at Gruyere have also been required to identify and pursue employment and contracting opportunities with the Yilka People to expand the scope of local participation.

First gold is forecast for Q2 2019 with production guidance of 118koz (100% basis) for the year at an AIC of A\$3,178/oz (US\$2,384/oz) (Gold Fields share only). A relatively quick ramp up is anticipated, with steady state run-rate expected by year-end.

IAR-46

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **45**

IAR-47

---

**Table of Contents**

**46 The Gold Fields Integrated Annual Report 2018**

Managing our portfolio continued

**South Deep**

The key challenge for Gold Fields since taking ownership of South Deep in 2006 has been transitioning the mine from a conventional mining mindset to mining with a safe, modern, bulk, mechanised approach. Despite numerous interventions over the years to address the mine's underperformance – including optimising the mining method, extensive training and skills development, changing shift and work configurations, and outsourcing functions – the mine has continued to underperform and make losses.

South Deep got off to a difficult start in 2018, with production in Q1 2018 impacted by a slow build-up after the seasonal holidays, two labour restructuring processes that took place at the end of 2017 and Q1 2018 respectively, and a change in the underground working shift arrangements implemented to increase face time and productivity. In addition, low mobile equipment reliability, the intersection of active geological features (faults and dykes) in the high-grade corridor 3 and poor ground conditions in the western sections of the mine (composites) slowed production rates. South Deep only produced 1,485kg (48koz) in Q1 2018.

Production was further impacted by a Department of Mineral Resources (DMR) related safety stoppage during April. As a result of these factors, guidance for the mine was downgraded to 7,600kg (244koz) with the release of our Q1 2018 production update on 25 April, down from the original guidance of 10,000kg (321koz).

Despite the two restructuring processes, South Deep continued to face a number of organisational and structural challenges that directly impacted performance during Q2 2018, with production during the quarter only marginally higher than Q1 2018 at 1,518kg (49koz). As a result, on 14 August 2018, Gold Fields announced a further material restructuring of the mine. The aim of the restructuring was to consolidate mining activity to increase focus, and to match the cost structure with the level of production. This included:

- Temporarily suspending mining activities at one of the mining areas (87 Level) and redeploying these mining crews into a different corridor (4W)

- Servicing the eastern part of the mine from the Twin Shafts and restaffing the South Shaft operations to a single shift per day. South Shaft now only facilitates the provision of water and backfill reticulation, water pumping and ventilation services to the full mining operation

- Reducing growth capital expenditure for an 18-month period up until end 2019 to reduce the cash burn. New mine development has outperformed the plan with 918m achieved during 2018 against 749m planned, which allowed us some flexibility to reduce this spending in the near term

As part of the restructuring, Gold Fields served a section 189 notice on its trade unions, the National Union of Mineworkers (NUM) and UASA (formerly named the United Association of South Africa), on 14 August 2018, which is when the legislated minimum 60-day consultation period commenced. It was envisaged that an estimated 1,100 permanent employees and 460 contractors could be impacted through the retrenchment process. The

consultation period ended on 31 October and Gold Fields formally served the NUM and UASA with a list of employees that were to be given notice of termination as per the section 189 process. Severance letters were issued to 1,082 affected employees, which prompted the majority union (NUM) to serve Gold Fields a 48-hour notice of its intention to commence a strike.

The strike started on 2 November and Gold Fields was granted an urgent court interdict on 3 November which prevented striking employees from intimidating other employees and blocking access to the mine. Despite this, the strike, which was orchestrated by a core group of about 200 NUM members and supporters of the South Deep branch leadership, was immediately characterised by intimidation and violence, prompting management to instruct all employees to remain clear of the mine property for the duration of the industrial action. The no work,

no pay policy applied to all NUM members given that this union had declared the strike.

On 20 November, Gold Fields tabled an improved retrenchment offer in an attempt to break the deadlock and end the strike. The union rejected the offer twice before the regional office of the NUM suspended the strike on 13 December and signed a settlement agreement five days later. Through the restructuring, a total of 1,092 permanent employees exited the business, of which 904 were retrenched, 183 opted for voluntary separation packages and five resigned.

In the wake of the restructuring, which has seen us remove R800m (US\$56m) from the mine's cost base and our employee workforce fall by 38% to just under 2,500 and the number of contractors from 2,294 to around 1,500, we are in a position to significantly reduce South Deep pre-restructuring cash-burn during 2019. We expect to build-up gradually to a sustainable production profile from this restructured position. Guidance of 6,000kg (193,000oz) has been provided for 2019 at an AIC of R610,000/kg (US\$1,394/oz).

The key enablers for sustainable improvements at South Deep are expected to be:

- Improved organisational design with the right people in the right roles and a flat management structure
- Rigorous performance management linked to line of sight performance
- Improved stakeholder management, including government, trade unions and surrounding communities
- Reliable fixed infrastructure
- Accelerated backfill placement
- Improved fleet availability and utilisation

Once this has been achieved, the focus will be on improving productivity off the restructured cost base and overhead structure, to bring the mine to profitability.

IAR-48



**Salares Norte**

The Salares Norte project is 100% Gold Fields-owned and is focused on a gold-silver deposit in the Atacama region of northern Chile. Mineralisation is contained within a high-sulphidation epithermal system, offering high-grade oxides. The project is at an elevation of 4,200m – 4,900m above sea level.

The Salares Norte feasibility study was completed in late 2018 and peer reviewed in January 2019. Gold Fields spent US\$51m on feasibility study work and drilling in 2018 (2017: US\$53m) with a further US\$13m spent on district exploration. The findings of the feasibility study were presented to the Gold Fields Board in February 2019.

Key findings of the feasibility study include the following potential operational parameters for Salares Norte:

- Initial 11.5-year life-of-mine

- Annual throughput of 2Mt

- Life-of-mine production of 3.2Moz of gold and 26.7Moz of silver

- Average Annual production of 450koz gold equivalent for the first seven years of the project at AISC of US\$465/Au-eq oz

- Average annual production of 355koz gold equivalent for the first 10 years of the project at AISC of US\$545/Au-eq oz

- Project construction capital of US\$834m (in current terms)

- Internal rate of return of 25% at a US\$1,300/oz gold price with a 2.2-year payback period from commencement of production

The project envisages open pit operations with a processing plant that includes both Carbon-in-Pulp (CIP) and Merrill Crowe processes due to the high silver content of the ore. The processing plant could

deliver recovery rates of around 92% for gold. In addition, filtered and dry stack tailings will be used for safety, water scarcity and environmental reasons. Contractor mining is likely to be used for Salares Norte.

In December 2018, a maiden Mineral Reserve has been declared with 3.5Moz of gold and 39Moz of silver. The gold-equivalent Mineral Reserve is 4.0Moz.

A final go-ahead decision on the project hinges on the outcome of the Environmental Impact Assessment (EIA) for the project, which was accepted by the regulator for review on 11 July 2018. The EIA entails baseline research comprising hydrogeological, flora, fauna and biodiversity studies, including research and recommendations on the

protection of the endangered short-tailed Chinchilla in the area. Gold Fields anticipates the EIA review to take 18 24 months to complete.

This time period will give Gold Fields sufficient time to consider funding options for the anticipated US\$834m in project capital. Depending on the timing of the EIA decision, construction could commence in late 2020 with first gold production in 2023.

A pre-development budget of US\$81m has been estimated to advance detailed engineering, permits and early works during 2019 and the first half of 2020, while we await the outcomes of the EIA and the permit to proceed. As at December 2018, Salares Norte controlled about 84,000ha of mineral rights concession in the Salares Norte district and has carried out extensive district-wide exploration within a 20km radius of Salares

Norte. It will continue investing in exploration in the area, with the objective to discover and deliver ore from these targets to the production pipeline from 2025 onwards.

Land easement for 30 years was granted on 30 May 2016 and water rights for the project were obtained on 29 December 2016, with the regulator granting Gold Fields access to 114.27l/second (more than double what the project is planning to use). Energy demand for the project is estimated at 12MW, with an independent power producer (IPP) operating an onsite 14MW diesel power station to meet this requirement. A staged approach to incorporating renewable energy sources is also being considered.

While there are no indigenous claims or community presence on the concession or the dedicated access routes, Salares Norte has embarked on an extensive engagement programme with three indigenous communities in the wider vicinity of the project. The principal area of social influence of the project and, potentially, for recruiting labour is the Diego de Almagro municipality, approximately 125km away. A long-term framework agreement has been signed with the municipality and its communities to govern the relationship. Furthermore, work protocols have been signed for the gathering of information and citizen participation process with two of the three communities, with the process ongoing for the third community.

**Table of Contents**

**48 The Gold Fields Integrated Annual Report 2018**

Managing our portfolio continued

**Damang Reinvestment**

The Damang Reinvestment project is set to extend its life-of-mine to 2025. It entails a major cutback to both the eastern and western walls of the Damang Pit Cutback (DPCB). When complete, the cutback is expected to have a total depth of 341m, comprising a 265m pre-strip to access the base of the existing pit. This will be followed by a deepening of the pit by a further 76m which will ultimately provide access to the full Damang ore body, including the high-grade Tarkwa Phyllite lithology.

The project is on track to begin sourcing higher-grade ore from the Saddle area of the DPCB towards the middle of 2019, and then reach the bottom of the main pit in early 2020. The Amoanda pit has been the main ore source during the cutback of the Damang pit, with positive grade reconciliation from Amoanda being

the main reason for the out performance of the project during 2017 and 2018.

The reinvestment project, which commenced on 23 December 2016, got off to a strong start in 2017 and continued to track well against plan during 2018. Total tonnes mined were 45.9Mt in 2018 (2017: 39.7Mt) versus the project schedule of 41.5Mt, driven by a good performance by both contractors (BCM and E&P). Gold produced of 180.8koz (2017: 143.6koz) was 13% higher than guidance of 160koz, underpinned by the high-grade material from the Amoanda pit, while AIC of US\$1,506/oz (2017: US\$1,827/oz) was below guidance of US\$1,520/oz. Project capital of US\$125m was spent during 2018, on top of the US\$115m spent during 2017.

To ensure sufficient tailings capacity for Damang's extended life-of-mine, a new tailings storage facility, the Far East Tailings Storage Facility (FETSF), with a tailings capacity of 44Mt, was commissioned in Q4 2017, on time and within budget. Decommissioning of the older East Tailings Storage Facility (ETSF) commenced during Q1 2018, and was completed during 2018, with all tailings now being deposited on the FETSF.

A sharp increase in Damang's production from 181koz to 218koz has been guided for 2019, with AIC sharply reduced to US\$100/oz (2018: US\$1,506/oz). Project capital for 2019 is expected to be US\$69m.

---

**Table of Contents****Asanko**

In March 2018, Gold Fields announced that it had entered into an agreement to form a 50:50 incorporated JV with Asanko Gold. In the deal, which went unconditional on 31 July 2018, Gold Fields acquired a 50% stake in Asanko Gold Ghana's 90% interest in AGM, associated properties and exploration rights in Ghana (the Ghana government holds the remaining 10% through the legislated free carry arrangements). Our 45% stake in AGM is equity accounted as Asanko Gold remains the operator of the mine.

The acquisition was in line with the Group's growth strategy of focusing on jurisdictions in which it already has an established footprint and can leverage off its infrastructure and skills set. A JV committee has been established which oversees the running of the JV.

AGM is a multi-deposit complex, with two main deposits, Nkran and Esaase, and nine known satellite deposits. The mine is situated 100km north of Gold Fields' Tarkwa and Damang operations along the prospective and under-explored Asankrangwa greenstone belt in Ghana.

Gold Fields' purchase consideration included an upfront payment of US\$165m and a deferred payment of US\$20m by 31 December 2019, or earlier if agreed development milestones at the Esaase project are reached. In addition, Gold Fields purchased 9.9% of Asanko Gold's issued equity on the Toronto Stock Exchange through a private placement, for a total consideration of US\$17.6m.

During 2018, AGM produced 223koz (100% basis) at an AISC of US\$1,072/oz and an AIC of US\$1,183/oz. Gold Fields' share of the production for the period August – December 2018 was 44,500oz.

Guidance for 2019 is production of 225koz – 245koz (100% basis) at an AISC of US\$1,090/oz – US\$1,110/oz and AIC of US\$1,130/oz – US\$1,150/oz. The guidance includes oxide material from the Esaase deposit, which will be trucked about 30km to the processing plant. A feasibility study has been completed and the JV partners are currently deciding on the long-term development and associated ore transportation plans for the Esaase project in H2 2019.

An updated Mineral Reserve will also be released on completion of the feasibility study. Development capital of US\$18m is planned for AGM during 2019, mainly on the development of Esaase.

AGM's sizeable resource base, with a life-of-mine of at least 15 years at 2018 production rates, is accretive to the Gold Fields portfolio, with the potential for further discoveries on the large, relatively unexplored, tenement package of

about 540km<sup>2</sup>, held by Asanko Gold.

IAR-51

**Table of Contents**

**50 The Gold Fields Integrated Annual Report 2018**

**Life extension through near-mine exploration**

Near-mine exploration plays a key role in Gold Fields' strategy as we believe it offers one of the lowest-cost opportunities for growing cash-flow, particularly on a per share basis. The value in near-mine exploration lies in:

- Knowledge of the ore bodies, which enables the exploration teams to identify extensions or additional ore sources housed within the mining tenement

- Operational capabilities, including Gold Fields' proven ability to develop and mine orogenic ore bodies, which are prevalent at our Australian mines

- Regional and operational infrastructure, including existing processing plants and regional management teams

In addition to adding to Gold Fields' Mineral Resource and Mineral Reserve base, near-mine exploration:

- Extends the life of the Group's existing mines

- Ensures each region can continue to leverage its infrastructure

- Provides a robust platform for regional growth

In 2018, Gold Fields spent US\$80m on near-mine exploration (2017: US\$87m), which supported a total of 507,497 metres of near-mine drilling (2017: 754,669 metres). The majority of this spending – US\$63m (A\$85m) (2017: US\$75m (A\$99m)) – was incurred at our Australian mines. US\$14m was spent in Ghana, which is slightly higher than the US\$11m spent in the region in 2017, amid a renewed focus on extending the life of the Tarkwa mine.

For 2019, Gold Fields has budgeted US\$63m for near-mine exploration of which US\$57m (A\$76m) will be at our Australian operations.

**Following is a breakdown of brownfields exploration at our operations during 2018:**

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **51**

IAR-53

**Table of Contents**

IAR-54



**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018    **53**

Introduction  
Operational performance overview  
Safety  
Health  
Energy cost management  
Innovation and technology  
A fit-for-purpose workforce

IAR-55

**Table of Contents****54 The Gold Fields Integrated Annual Report 2018**

## Operational performance

**Introduction**

During 2018, Gold Fields continued to expand its international footprint with the acquisition of a 45% stake in the Asanko gold mine (AGM) in Ghana. The portfolio is geographically diversified, boasting eight mines in four regions, only one of which is in South Africa. In addition, investment into the Gruyere project in Australia continued as planned during 2018. The project remains on track to start contributing to the production profile during Q2 2019, and is set to reach steady state production towards the end of 2019 or early 2020. At name plate, Gold Fields share of Gruyere's production is expected to be 150koz, bringing production in the Australian region to approximately 1Moz.

In another positive development, the feasibility study on Salares Norte in

Chile was completed during the year, showing an internal rate of return of 25% at a US\$1,300/oz gold price (for more details refer to p47). While there is more work to be done on the project, Salares Norte offers longer-term optionality to the production base.

The Group's broader strategy is focused on reducing Group All-in costs (AIC) and improving cash generation. Our international operations (excluding South Africa) lived up to this mandate during 2018, with each mine meeting or exceeding production and cost guidance for the year. The solid operational and cost performances of our Australian, Ghanaian and Peruvian assets contributed to strong overall Group results and enabled Gold Fields to contain the net debt increase during

a year in which US\$295m in project capital was incurred.

Some of the key investments made during 2018 in order to bolster the longevity of our portfolio include:

A\$153m (US\$115m) (2017: A\$182m (US\$139m)) spent on the Gruyere project in Western Australia (p44)

US\$125m (2017: US\$115m) in project capital spent at our Damang mine in Ghana (p48)

Near-mine exploration spending of A\$85m (US\$63m) (2017: A\$95m (US\$72m)) in Australia (including Gruyere) and US\$14m (2017: US\$11m) in Ghana (p50)

US\$51m (2017: US\$53m) spent on feasibility study work and further exploration drilling at Salares Norte in Chile (p47)

**Group operational performance**

	2019 Guidance		2018 Actual		2018 Guidance		2017 Actual	
	Prod	AIC	Prod	AIC	Prod	AIC	Prod	AIC
	(Moz)	(US\$/oz)	(Moz)	(US\$/oz)	(Moz)	(US\$/oz)	(Moz)	(US\$/oz)
Group	2.13	1,075	2.04	1,173	2.08	1,190	2.16	1,088
	-2.18	-1,095			-2.10	-1,210		

In 2018, Gold Fields' attributable gold-equivalent production decreased by 6% to 2.036Moz, driven predominantly by the underperformance at South Deep, which was compounded by a six-week strike on the mine during Q4 2018. The Group performance takes into account attributable production from AGM from 1 August 2018, with the acquisition having gone unconditional on 31 July 2018.

The Group achieved AIC of US\$1,173/oz in 2018, which was lower than guidance (US\$1,190/oz – US\$1,210/oz), but higher than the US\$1,088/oz recorded in 2017. The year-on-year increase in AIC was driven by an increase in non-sustaining capital and Salares Norte expenditure, coupled with the lower

level of gold sold. Group All-in Sustaining Costs (AISC) increased to US\$981/oz from US\$955/oz in 2017, and were lower than the guidance of US\$990/oz – US\$1,010/oz.

During 2018, Gold Fields maintained the capital expenditure (capex) levels deemed critical to sustain the portfolio. With the focus on extending the life of our ore bodies at all of our international mines, Group capex remained elevated at US\$814m (excluding Asanko) (2017: US\$834m). This comprised sustaining capital of US\$524m and project capital of US\$290m.

Regional capex highlights included:

**Australia:** Our Australian mines decreased capex to A\$373m (US\$279m) in 2018 from A\$423m (US\$324m) in 2017, with near-mine exploration spending amounting to A\$85m (US\$63m) in 2018 (2017: A\$95m (US\$72m))

**South America:** At Cerro Corona, capex decreased slightly to US\$33m in 2018 from US\$34m in 2017

**West Africa:** Capex declined to US\$290m (excluding Asanko) (2017: US\$313m), mainly as a result of lower expenditure on the mining fleet at Tarkwa. Project capital at Damang increased to US\$125m in 2018 from US\$115m in 2017

**South Africa:** Capex at South Deep decreased to US\$58m in 2018 from US\$82m in 2017, with project capital remaining stable at US\$18m (2017: US\$17m)

**Table of Contents***South Africa region*

	2019 Guidance		2018 Actual		2018 Guidance		2017 Actual	
	Prod	AIC	Prod	AIC	Prod	AIC	Prod	AIC
South Deep	6,000kg (193koz)	R610,000/kg (US\$1,394/oz)	4,885kg (157koz)	R854,049/kg (US\$2,012/oz)	10,000kg (321koz)	R540,000/kg (US\$1,400/oz)	8,748kg (281koz)	R600,109/kg (US\$1,400/oz)

**South Deep** got off to a tough start in 2018, with production in Q1 2018 impacted by a slow build up after the seasonal holidays, two labour restructuring processes that took place at the end of 2017 and during Q1 2018, and a change in the underground working shift arrangements implemented to increase productivity. In addition, low mobile equipment reliability, the intersection of active geological features (faults and dykes) in the high-grade corridor 3 and poor ground conditions in the composites slowed production rates. The mine only produced 1,485kg (48koz) in Q1 2018.

Production was further impacted by a Department of Mineral Resources enforced safety stoppage during April. As a result of these factors, guidance for the mine was downgraded to 7,600kg (244koz) with the release of our Q1 2018 production update on 25 April, from the original guidance of 10,000kg (321koz).

Despite the two restructuring processes, South Deep continued to face a number of organisational and structural challenges that directly impacted performance during Q2 2018, with production during the quarter only marginally higher than Q1 2018 at 1,518kg (49koz). As a result, on 14 August 2018, Gold Fields announced a material restructuring of the mine, which entailed reducing the workforce by 30%. This announcement impacted the productivity of the mine (Q3 production: 1,539kg (50koz)), and ultimately resulted in the majority union (the National Union of Mineworkers (NUM)) embarking on industrial action on 2 November 2018. The strike lasted 45 days and ended on 13 December. Five days later the NUM signed a settlement agreement.

*For details of the South Deep restructuring, see p46.*

As a result of the above factors, production for the full year decreased by 44% to 4,885kg (157koz) in 2018 from 8,748kg (281koz) in 2017. Cost of sales before amortisation and depreciation reduced by 12% to R3.586m (US\$272m) in 2018 from R4.062m (US\$305m) in 2017, mainly due to lower production exacerbated by the industrial action in 2018's last quarter.

Capital expenditure decreased by 30% to R770m (US\$58m) in 2018 from R1,099m (US\$82m) in 2017. Sustaining capital expenditure decreased by 40% to R528m (US\$40m) in 2018 from R874m (US\$66m) in 2017, underpinned by lower spend on fleet and surface

infrastructure. Non-sustaining capital expenditure increased by 8% to R242m (US\$18m) in 2018 (2017: R225m (US\$17m)) due to higher expenditure on new mine development infrastructure and an increase in development metres.

AISC increased by 41% to R807,688/kg (US\$1,903/oz) from R574,406/kg (US\$1,340/oz) in 2017, while AIC increased by 42% to R854,049/kg (US\$2,012/oz) compared with R600,109/kg (US\$1,400/oz) in 2017. The increase in AISC and AIC was driven mainly by the lower amount of gold sold.

South Deep recorded a net cash-outflow of US\$141m in 2018.

IAR-57

**Table of Contents****56 The Gold Fields** Integrated Annual Report 2018

Operational performance continued

*Americas region*

Production overview		2019 Guidance	2018 Actual	2018 Guidance	2017 Actual
Gold-only production	koz	153	150	145	159
Copper production	kt	28	32	30	30
Gold-equivalent production	koz	291	314	280	307
AIC/AISC	US\$ /oz	566	282	585	203
AIC/AISC eq-oz	US\$ /oz	802	699	810	673

**Cerro Corona** in Peru had another solid year in 2018, with total managed gold-equivalent production of 314koz (2017: 307koz). This was 12% higher than the 280koz gold-equivalent production guidance for the year, underpinned by the higher copper price ratio and increased copper production due to a increased copper head grade.

Cost of sales before amortisation and depreciation increased marginally to US\$155m in 2018 from US\$154m in 2017. The higher cost was due to

higher mining expenditure resulting from increased tonnes mined in 2018, partially offset by a US\$6m credit to costs of concentrate inventory in 2018 (2017: charge to costs of US\$3m). Capital expenditure decreased by 3% to US\$33m in 2018 from US\$34m in 2017, due to lower expenditure on the tailings dam and waste storage facilities.

AISC and AIC were US\$282/oz in 2018 compared with US\$203/oz in 2017 and, on a gold equivalent basis,

US\$699/oz in 2018 (2017: US\$673/oz). The increase in AISC and AIC was primarily due to lower by-product credits, lower gold sold and higher cost of sales before amortisation and depreciation. Both AISC and AIC comfortably beat guidance for the year of US\$585/oz and, on a gold equivalent basis, US\$810/oz.

The region reported net cash-inflow of US\$114m during 2018 (2017: US\$117m).

*Australia region*

	2019 Guidance		2018 Actual		2018 Guidance		2017 Actual	
	Prod	AIC	Prod	AIC	Prod	AIC	Prod	AIC
	(koz)		(koz)		(koz)		(koz)	
St Ives	362	A\$1,342/oz (US\$1,007/oz)	367	A\$1,207/oz (US\$902/oz)	360	A\$1,250/oz (US\$1,000/oz)	364	A\$1,198/oz (US\$916/oz)
Agnew	221	A\$1,538/oz (US\$1,154/oz)	239	A\$1,374/oz (US\$1,026/oz)	230	A\$1,310/oz (US\$1,050/oz)	241	A\$1,276/oz (US\$977/oz)
Granny Smith	260	A\$1,370/oz (US\$1,028/oz)	280	A\$1,239/oz (US\$925/oz)	275	A\$1,240/oz (US\$990/oz)	290	A\$1,171/oz (US\$896/oz)
Darlot	Sold	Sold	Sold	Sold	Sold	Sold	39	A\$1,874/oz (US\$1,432/oz)
Gruyere (50%)	59	A\$3,178/oz (US\$2,384/oz)						
<b>Region</b>	<b>902</b>	<b>A\$1,518/oz (US\$1,139/oz)</b>	<b>886</b>	<b>A\$1,262/oz (US\$943/oz)</b>	<b>865</b>	<b>A\$1,263/oz (US\$1,010/oz)</b>	<b>935</b>	<b>A\$1,239/oz (US\$948/oz)</b>

Gold Fields Australian operations delivered another strong operational performance in 2018. Gold production of 886koz at an AIC of A\$1,262/oz (US\$943/oz) was better than full year guidance of 865koz at an AIC of A\$1,263/oz (US\$1,010/oz), with Granny Smith, St Ives and Agnew all outperforming both production and cost guidance. Production was 5% lower than

in 2017 (935koz), which included production from Darlot during three quarters in 2018. Stripping out Darlot's production from 2017 (895koz excluding Darlot), production would have decreased by only 1% in 2018.

Cost of sales before amortisation and depreciation increased by 13% to A\$690m (US\$516m) in 2018, from A\$613m (US\$469m) in 2017. Capital

expenditure decreased to A\$373m (US\$279m) from A\$423m (US\$324m), including near-mine exploration expenditure which was slightly lower at A\$85m (US\$63m) in 2018 compared to A\$95m (US\$72m) in 2017.

The Australia region reported a net cash-inflow of US\$194m in 2018 (2017: US\$188m).



---

**Table of Contents****Mine performances**

**St Ives** continued its transition from being predominantly open pit to a predominantly underground operation during 2018. By end-December, 79koz had been mined from the Invincible underground mine. The Invincible open pit will be phased out during 2019, at which point Invincible Underground, Hamlet Underground and the Neptune open pit will be the main sources of ore.

Production increased marginally to 367koz in 2018 from 364koz in 2017, and came in slightly ahead of guidance of 360koz. Cost of sales before amortisation and depreciation increased by 20% to A\$249m (US\$186m) in 2018 from A\$207m (US\$159m) in 2017. The increase in costs was primarily due to increased underground mining cost of A\$18m (US\$14m) and a lower gold inventory credit to costs of A\$20m (US\$15m) in 2018, compared with A\$38m (US\$29m) in 2017.

Capital expenditure decreased by 17% to A\$170m (US\$127m) in 2018 from A\$204m (US\$156m) in 2017, due to lower expenditure at the open pits following completion of activities at Invincible open pit stage 5, partially offset by increased capital development at the new Invincible underground mine.

AISC and AIC increased by 1% to A\$1,207/oz (US\$902/oz) in 2018 from A\$1,198/oz (US\$916/oz) in 2017, and were 3% below full year guidance of A\$1,250/oz (US\$1,000/oz).

At **Agnew**, gold production decreased by 1% to 239koz in 2018 from 241koz in 2017, but was 4% higher than guidance of 230koz. Cost of sales before amortisation and depreciation increased by 10% to A\$216m (US\$162m) in 2018 from A\$197m (US\$150m) in 2017. The cost increase was driven by higher mining costs at Waroonga as a result of increased ground support and paste fill, as well as an increase in gold-in-process charge to costs of A\$2m (US\$2m) in 2018, compared with a credit to costs of A\$6m (US\$5m) in 2017.

In an important development for Agnew, Gold Fields made the decision to invest in a new camp (we previously rented rooms from BHP Billiton in Leinster) and a hybrid power station on site. The first buildings for the camp arrived on 15 December 2018 and construction commenced in January 2019. Commissioning of 450 rooms and the central facilities is targeted for May 2019. The new power station will entail a combination of gas, solar and wind power generation.

AISC and AIC increased by 8% to A\$1,374/oz (A\$1,026/oz) in 2018 from A\$1,276/oz (US\$977/oz) in 2017, and were 5% above full year guidance of A\$1,310/oz (US\$1,050/oz).

Commissioning of the gas and solar components is scheduled for June 2019, with wind generation to follow in Q1 2020. Capital expenditure rose by 2% to A\$98m (US\$73m) in 2018, up from A\$96m (US\$74m) in 2017.

In addition to the camp and power station, Agnew put out a tender for an aviation contract, which was awarded on 30 January 2019.

At **Granny Smith**, production decreased by 3% to 280koz in 2018 from 290koz in 2017, but was 2% ahead of guidance for the year of 275koz. Cost of sales before amortisation and depreciation increased by 7% to A\$225m (US\$168m) in 2018 from A\$210m (US\$160m) in 2017, mainly due to increased mining costs on the back of increased ore tonnes mined from the deeper zones, and an 18% increase in ore development in 2018.

Capital expenditure was 8% lower in 2018 at A\$105m (US\$79m) (2017: A\$114m (US\$87m)), due to completion of the VR8 ventilation shaft in 2017.

AISC and AIC increased by 6% to A\$1,239/oz (US\$925/oz) in 2018 from A\$1,171/oz (US\$896/oz) in 2017, mainly due to higher cost of sales before amortisation and depreciation and lower gold sold, partially offset by lower capital expenditure.

The mine generated net cash-flow of A\$131m (US\$98m) in 2018.

*A review of the three mines' brownfields exploration activities in 2018 is detailed on p50-51.*

**Table of Contents****58 The Gold Fields Integrated Annual Report 2018**

Operational performance continued

**West Africa region**

	2019 Guidance		2018 Actual		2018 Guidance		2017 Actual	
	Prod (koz)	AIC (US\$/oz)	Prod (koz)	AIC (US\$/oz)	Prod (koz)	AIC (US\$/oz)	Prod (koz)	AIC (US\$/oz)
Tarkwa	514	949	525	951	520	970	566	940
Damang	218	1,100	181	1,506	160	1,520	144	1,827
Asanko <sup>1</sup>	108 <sup>3</sup>	1,140 <sup>3</sup>	45	1,175				
<b>Region</b>	<b>838</b>	<b>1,102</b>	751	1,098 <sup>2</sup>	680	1,100	710	1,119

<sup>1</sup> 45% stake, equity-accounted<sup>2</sup> Excludes Asanko contribution<sup>3</sup> Gold Fields 45% share of the mid-point of Asanko 2019 guidance

The Ghanaian region is the second biggest producer in the Gold Fields portfolio, contributing 34% to Group attributable production in 2018. Gold Fields has a shareholding of 90% in both Tarkwa and Damang, with the Ghanaian government holding the remaining 10%. During 2018, Gold fields acquired 45% of AGM in August, with our joint venture (JV) partner Asanko Gold holding 45%, and the Ghanaian government the remaining 10%.

The Damang Reinvestment project, which commenced at the end of 2016, continued to track well against plan during 2018. Total tonnes mined were 45.9Mt against the project schedule of 41.5Mt, while gold produced was 181koz, compared with guidance of 160koz. There will be a material increase in Damang's production in 2019, with guidance of 218koz. Encouragingly, AISC of US\$813/oz and AIC of US\$1,506/oz both came in below guidance of US\$860/oz and US\$1,520/oz, respectively. For an update on the Damang Reinvestment plan, see p48.

Despite total managed gold production for the region falling 1% to 706koz (excluding Asanko) in 2018, it came in 4% ahead of guidance of 680koz, driven by the better-than-expected performance at Damang. Total managed production (including AGM's contribution from 1 August 2018) increased to 751koz from 710koz in 2017.

Cost of sales before amortisation and depreciation for the region increased by 1% to US\$433m in 2018 from US\$428m in 2017. Capital expenditure decreased to US\$295m in 2018 from US\$313m in 2017,

mainly due to lower expenditure on the mining fleet at Tarkwa. AIC for the region was US\$1,098/oz, in line with guidance of US\$1,100/oz and 2% lower than the US\$1,119/oz reported in 2017.

Despite the significant amount of project capital incurred at Damang, the region as a whole reported a net cash-inflow of US\$25m during 2018.

### Mine performances

During 2018, **Tarkwa** transitioned from owner mining to contractor mining in an attempt to address cost inflation in the region. The mining contract was demarcated into two zones and awarded to two local contractors: BCM for Zone 1 (Pepe, Mantraim, Atuabo and Teberebe pits) and E&P for Zone 2 (Akontansi and Kottraverchy pits). BCM started operations in Zone 1 in March, with E&P following in April. As part of the tender process, the contractors undertook to purchase the fleet, which largely covered the retrenchment costs incurred through the process.

Tarkwa's production decreased 7% to 525koz in 2018 (2017: 566koz). However, production beat guidance of 520koz, a notable achievement given the transition to contractor mining. The mine's Carbon-in-Leach plant throughput increased slightly to 13.8Mt (2017: 13.5Mt), while its yield decreased to 1.18g/t (2017: 1.30g/t) due to the lower head grade mined and processed.

Cost of sales before amortisation and depreciation increased by 1% to US\$309m in 2018 from US\$306m in 2017 due to a gold-in-process charge to cost, partially offset by

lower mining costs. Capital expenditure decreased 14% to US\$156m in 2018 from US\$181m in 2017. AISC and AIC increased by 1% to US\$951/oz in 2018 from US\$940/oz in 2017, and were comfortably below guidance of US\$970/oz.

Tarkwa generated a net cash-inflow of US\$92m during 2018.

**Damang** produced 181koz in 2018, which is 26% higher than the 144koz produced in 2017 and 13% higher than guidance of 160koz. While the reinvestment plan entailed an increase in both operating costs and capital expenditure, both AISC (US\$813/oz) and AIC (US\$1,506/oz) came in below guidance. This is a result of the strict cost controls and better than expected efficiencies from the contractors used.

Cost of sales before amortisation and depreciation increased by 2% to US\$124m in 2018 from US\$122m in 2017. This increase was mainly due to higher operating tonnes mined, partially offset by a gold-in-process credit to costs of US\$19m in 2018. Capital expenditure was US\$139m in 2018 from US\$132m in 2017.

Damang recorded a net cash-outflow of US\$67m in 2018, underpinned by the US\$125m in project capital spent during the year.

**Asanko** produced 223koz in 2018, of which 45koz was attributable to Gold Fields for the five months from August to December. AISC was US\$1,069/oz in 2018 and AIC US\$1,175/oz for the five-month period.

**Table of Contents**

## Safety

***Introduction***

Gold Fields' commitment to health and safety as our foremost priority reflects the importance of safeguarding and promoting the welfare of our employees and contractors, maintaining operational continuity and protecting our reputation. During 2018, we remained focused on improving our performance and entrenching the requirement to operate safely into all daily activities. Gold Fields' target is the elimination of all fatalities and serious injuries, and our ultimate goal is zero harm.

Safety forms a fundamental component of performance management, and our annual performance bonus for executives, managers and the wider workforce contains a substantial safety component. Furthermore, maintaining safe and healthy working conditions is a key compliance issue.

and good practices. The strategy comprises three pillars, namely systems and processes, safety leadership, and safe behaviour, that will direct our safety programmes.

The most important programmes focus on the elimination of material unwanted events (MUEs), fatalities and serious potential incidents. MUEs in health and safety, environment and community have been identified and prioritised in each region. Gold Fields' MUEs in the safety and health area are dropped objects, light vehicles, working at heights, hazardous materials, particularly cyanide, confined spaces, slope stability, explosives and fires, tailings facility incidents, community activism and protests, and surface water pollution.

During 2017 Gold Fields adopted the International Council on Mining & Metals (ICMM) critical control management of MUEs, which entails listing MUEs,

international health and safety management system standard. There are opportunities for us to improve these systems, including upgrading to the ISO 45001 standard over the next two years and increasing use of leading indicators.

Our safety leadership forum has initiated the development and roll out of a Courageous Leadership programme to align all employees to a common set of beliefs and attitudes to health and safety. This programme will be cascaded to every employee in the organisation. As a supporting and complementary initiative to the leadership programme, the Vital Behaviours programmes will be implemented in all regions, based on the success of this initiative at our Australian operations where we have seen fundamental shifts in the safety culture.

We are very conscious of major incidents in the mining industry

Our first and most important value, If we cannot mine safely, we will not mine, remains critical to the sustainability of our organisation. As specified in our Occupational Health and Safety Policy Statement, updated in 2018, we endeavour to continually improve our occupational health and safety performance by providing a workplace that is conducive to health and safety.

Our Group Safety Leadership Forum, formed in 2017, is overseeing the development of the Group-wide safety strategy to further improve our safety performance, continually embed safety as a line management responsibility, and share learnings

identifying controls that could prevent these incidents from occurring and reducing the impact should they occur, selecting those controls that are critical or essential and, finally, bedding down the controls and verifying their effectiveness. Our regions make quarterly presentations to the Board's Safety, Health and Sustainable Development (SHSD) Committee on safety-related MUEs and their critical controls. Health, environmental and community MUEs and their critical controls are presented every alternate quarter. Critical controls will be independently verified during 2019.

All of the Group's operations are certified to the OHSAS 18001

globally and consequently implement mitigating actions to prevent the risk of similar incidents at our operations. We have benefited from greater sharing of information about fatal incidents between ICMM members.

The work on safety is integral to our operational discipline and is accepted as the foundation for improved operational performance. As such, pursuing safety and productivity at the same time are mutually reinforcing.

IAR-61

**Table of Contents****60 The Gold Fields** Integrated Annual Report 2018

Safety continued

***Group safety performance***

Our generally improved safety performance during 2018 was overshadowed by a fatal incident in which our South Deep colleague, Ananias Mosololi, a load haul dump operator, was trapped between the door and the cabin of the dumper he was operating underground. Following the incident, and the subsequent joint investigations with the regulator, South Deep conducted a comprehensive analysis to understand what took place and prevent its recurrence.

In a non-mining-related incident, a member of the Community Security Task Force, Francis Yeboah, drowned in a settling pond at our Tarkwa mine in Ghana. The local police did not suspect foul play in the incident.

During 2018, Gold Fields' safety performance improved significantly from 2017. We recorded one fatal injury compared with three fatal injuries in 2017. Our TRIFR for the year improved by 18% to 1.83 injuries per million hours worked in 2018 from 2.24 in 2017, exceeding our target of a 12% reduction. The TRIFR among employees in 2018 was 1.94 (2017: 2.69) and among contractors 1.75 (2017: 2.16). The number of recordable injuries fell to 99 in 2018 (2017: 138). Of the 99 injuries, 43 were employee injuries (2017: 75) and 56 were contractor injuries (2017: 63).

The elimination of serious injuries, along with fatalities, is viewed as a safety priority. During 2018 we finalised the definition of a serious injury (see in table footnote below).

Gold Fields recorded 18 serious injuries in 2018 (2017: 28), which will serve as a baseline for future performance.

To further entrench safe behaviour in our workplace, the Board broadened the 2019 safety performance scorecards by adding a number of leading indicators to the current lagging indicators to measure safety performance. These leading indicators are the number of safety engagements (introduced to the LTIP in 2018), improved reporting of near-miss incidents, and timeous close-out of corrective actions on serious potential incidents. The elimination of serious injuries will be included in scorecards for the first time in 2019.

**Group safety performance**

2018	2017	2016	2015	2014
------	------	------	------	------

TRIFR <sup>1</sup>	<b>1.83</b>	2.42	2.27	3.40	4.04
Fatalities <sup>2</sup>	<b>1</b>	3	1	4	3
Serious injuries <sup>3</sup>	<b>17</b>	26	19	27	
Lost time injuries (LTIs) <sup>4</sup>	<b>34</b>	52	39	68	75
Restricted work injuries (RWI) <sup>5</sup>	<b>45</b>	60	59	68	84
Medically treated injuries (MTI) <sup>6</sup>	<b>19</b>	23	25	35	38
<b>Total recordable injuries</b>	<b>99</b>	138	124	174	200

<sup>1</sup> *TRIFR = (fatalities + LTIs + RWIs + MTIs) x 1,000,000/number of hours worked.*

<sup>2</sup> *In both 2017 and 2018 we also recorded non-occupational fatalities at our mines. In 2017, a member of the protection services team at South Deep was shot and killed during a robbery at the mine, while in 2018 a member of Tarkwa mine's Community Security Task Force drowned in a settling pond on the mine*

<sup>3</sup> *A Serious injury is an injury that incurs 14 or more days lost and results in:*

*A fracture of any bone (excluding hairline fractures and fractures of fingers, toes or nose)*

*Internal haemorrhage*

*Head trauma (including concussion, loss of consciousness) requiring hospitalisation*

*Loss of all or part of a limb (excluding bone dressing to facilitate medical treatment of injured fingers and toes)*

*Permanent loss of function and/or permanent disability such as hearing loss or damage to lung function*

*Permanent disfigurement where the injury has resulted in the appearance of a person being deeply and persistently harmed medically and that is likely to lead to psychosocial problems* Numbers exclude our projects

<sup>4</sup> *An LTI is a work-related injury resulting in the employee or contractor being unable to attend work for a period of one or more days after the day of the injury. The employee or contractor is unable to perform any of his/her duties*

<sup>5</sup> *An RWI is a work-related injury sustained by an employee or contractor which results in the employee or contractor being unable to perform one or more of his/her routine functions for a full working day, from the day after the injury occurred. The employee or contractor can still perform some of his/her duties*

<sup>6</sup> *An MTI is a work-related injury sustained by an employee or contractor which does not incapacitate that employee or contractor and who, after having received medical treatment, is deemed fit to immediately resume his/her normal duties on the next calendar day, immediately following the treatment or re-treatment*

IAR-62



**Table of Contents*****Regional safety performance***

## Americas region

	2018	2017
Fatalities	<b>0</b>	0
TRIFR	<b>0.54</b>	0.19
Recordable injuries	<b>3</b>	1
Safety Engagement Rate (SER)*	<b>1.14</b>	0.70

\* *The SER is an LTIP metric and equals the number of in field engagements divided by the number of man hours, multiplied by 1,000. The SER index for 2017 is used as our baseline.*

Gold Fields external auditors recommended Cerro Corona for recertification to OHSAS 18001 in 2018. There were no non-conformances.

Our visible leadership programme obtained an SER of 1.14 for 2018, above the target of 0.73. Our behaviour-based safety programme had a 165% compliance, which was 65% above target. We trained 148 new employees to act as observers of critical tasks, of which 36 are Gold Fields employees and 112 contractors.

We continued to invest in the training and development of our employees and contractors to reinforce their safety knowledge and to motivate good behaviour. We conducted two-hour workshops throughout the year, where all Gold Fields employees and contractors completed awareness programmes on critical control management. Our Cerro Corona mine has developed a mobile phone app which allows managers and employees to capture safety-related information and share this immediately with their colleagues.

Coca leaf usage has an adverse impact on alertness levels, and progressive efforts to eradicate the consumption thereof through awareness programmes for employees and contractors to improve their safety, health and wellness, continued in 2018. These programmes are also part of our induction programme for new employees. Furthermore, we completed an awareness programme with 130 families in our host communities.

## Australia region

	2018	2017
Fatalities	<b>0</b>	0
TRIFR	<b>8.27</b>	10.44
Recordable injuries	<b>46</b>	61
SER	<b>6.50</b>	4.84

The region's TRIFR reduced to an all-time low of 8.27. This represents a 67% improvement in the rate since the current safety strategy was introduced in 2013.

At the heart of Gold Fields Australia's safety efforts are the ongoing Visible Felt Leadership and Vital Behaviours programmes, both of which were introduced in 2014. Our annual survey among employees indicated that the workforce believe that safety rules are carefully observed even if it means work is slowed down (82% agreement). These programmes have also been integrated into the construction activities at Gruyere.

Another important component of our strategy is the use of innovation and technology to reduce exposure to risk. A key project has been the deployment of the Newtrax system at our Granny Smith mine. This system allows for real time monitoring of personnel underground and also immediately notifies personnel of an emergency that requires them to move to a refuge chamber. In

addition, the deployment of proximity detection has been completed for heavy equipment in the St Ives pits and underground at Granny Smith – it integrates with the Newtrax system and operates on a frequency that provides for better signal penetration around corners.

Remote loading at Granny Smith and at the Invincible underground at St Ives has also been introduced, which allows an operator to move material underground from a dedicated operating room on surface. The remote loading system at Agnew is still operated from underground with plans to move this activity to the surface. By moving personnel to a surface environment we are reducing employees' exposure to risk. The system also includes guidance and automation technologies which will remove risks associated with human error.

A biannual review of all safety and environmental-related incidents at our sites identified that field-level risk assessments were not being

undertaken to the extent and quality required. Based on the outcomes of our 2018 reviews, we will focus on the following in 2019:

- Refresher training to emphasise the importance of anticipating risk, and to ensure that field-level risk assessments are being conducted as required

- The majority of incidents, though relatively minor in nature, are dominated by employees placing themselves, particularly their hands (50% of the injuries in 2019), at risk

- Integration of safety performance into talent management protocols needs to be investigated

- A renewed focus on safety among contractor workers

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Aligning our operations to a common leading and lagging indicator scorecard  
The implementation of the SER continues to gain momentum at all sites, and a standard has been developed to ensure that appropriate governance protocols are in place.

IAR-63

**Table of Contents****62 The Gold Fields** Integrated Annual Report 2018

Safety continued

## West Africa region

	2018	2017
Fatalities	<b>0</b>	1
TRIFR	<b>0.49</b>	0.50
Recordable injuries	<b>12</b>	12
SER	<b>4.30</b>	2.23

Damang's TRIFR in 2018 was 0.80 and Tarkwa's 0.31, resulting in a combined rate of 0.49 for 2018 (2017: 0.50). Both mines accelerated their SERs, with Damang and Tarkwa recording 5.17 and 3.82, respectively. Both mines have observed improvements in safety behaviour since the introduction of this leading indicator.

37 near-miss incidents were investigated by the mines during 2018 to identify their main causes, which included:

- Maintenance culture and operation of defective equipment
- Supervision and risk assessments
- Limited fatigue management training for some contract drivers

All significant investigation findings were either rectified immediately or action plans were put in place to address them.

A focus of safety management in 2018 was our open pits at both mines. High-risk working areas were being cordoned off and access limited,

potential water seepages through the pit high walls were re-engineered, and warning signs were erected at designated areas in the pits to caution all personnel of possible dangers of rock falls.

Tarkwa and Damang launched a joint 'Take 5' safety campaign to reinforce the five steps required to ensure safety at the mine, being Stop and Think, Look for Hazards, Assess the Risk, Make the Changes, and Do the Job Safely.

## South Africa region

	2018	2017
Fatalities	<b>1</b>	2
TRIFR	<b>2.07</b>	2.91
Recordable injuries	<b>38</b>	64
SER	<b>0.49</b>	0.80

All lagging safety indicators showed an improvement at South Deep during 2018. However, these were overshadowed by the fatal incident recorded in October (2017: two fatalities). The mine's TRIFR improved by 29%, LTIFR by 41%, and serious injury frequency rate (SIFR) by 43%, due, in part, to the 45-day strike action at South Deep which halted operations.

The improvement in safety can be attributed to the Purposeful Visible Felt Leadership initiative launched during the year, which demonstrated safety leadership to all employees by focusing on engagement, key leading indicators and critical controls. The introduction of new shift arrangements resulted in improved supervision, which enabled employees and supervisors to focus more on safety-related issues.

Prior to the fatality in October, South Deep achieved over two million fatality-free shifts. After the fatal incident, an in-loco investigation

was conducted by the DMR, in conjunction with organised labour and management, which led to a section 54 instruction being issued to halt all trackless mobile machinery.

The DMR issued an additional eight section 54 instructions during the year (2017: 15) for, among others, ineffective secondary support, poor housekeeping, inadequate dust suppression, poor water controls, and unsafe working conditions. These resulted in partial production stoppages. The mine seeks to address the underlying reasons for section 54 instructions as soon as feasible, and has over the year implemented mitigation strategies, such as a change in shift configuration to improve supervision, changes to tramming shift arrangements and dedicated operational maintenance teams.

Seven gravity-related fall-of-ground accidents occurred in 2018 compared to nine in 2017, amid a strong focus on primary and secondary ground support. Seismic-related events at South Deep

occur frequently, but the mine is working with a number of academic institutions to achieve greater predictability of events. As a result, the number of seismic damage incidents in 2018 fell by 33% to 26. No injuries were reported during these events, but the resultant rock bursts did damage sidewalls and/or hanging walls. This required that the affected areas to be cleaned out and re-supported.

As part of South Deep's effort to engineer-out safety risks, a proximity detection system (PDS) was rolled out which warns both pedestrians and drivers of railed and trackless vehicles of each other's proximity. South Deep made steady progress on the implementation of the remedial action plan on the PDS for both rail-bound equipment and trackless mobile machinery. Our aim for this system is to stop and slow down vehicles, as well as warn of unauthorised positions and entries.



**Table of Contents****Health*****Introduction***

Occupational health is critical to Gold Fields' operations and we are committed to reducing our employees' exposure to occupational health risks, including those associated with silicosis, tuberculosis (TB), noise-induced hearing loss (NIHL), diesel particulate matter (DPM) and hearing loss.

Our Occupational Health and Safety Policy Statement, revised in 2018, sets out our approach and we endeavour to provide a workplace that is conducive to the health of our employees. The implementation of the ICMM's critical controls guidelines (p63) is key to ensuring healthy workplaces and assists with the identification and mitigation of adverse health impacts on our employees.

Longer term, we are working in a collaborative initiative with the

***Regional performance*****Silicosis and TB**

As per the South African mining industry regulations for silica dust exposure, 95% of all personal silica dust samples taken must be below 0.05mg/m<sup>3</sup> by 2024. By the end of 2018, 18% of the employee silica dust samples exceeded this level, compared with 24% in 2017. This was mainly attributed to the progress made in improving engineering controls, such as improved dust allaying and footwall treatment in high risk areas. Installation of automated footwall treatment and upgrading of internal tip dust suppression systems will further improve conditions in 2019.

During 2018, the number of silicosis cases submitted to the health authorities decreased to eight from

Since 2014, Gold Fields, along with five other companies in South Africa, has been involved in negotiations with the legal representatives of former mineworkers suffering from Silicosis in the so-called Silicosis class action case. In May 2018, the companies and legal representatives reached an historic settlement in this matter, whereby the gold companies will contribute over R5.2bn (US\$400m) towards a settlement trust fund, which will be used to pay compensation to all former mineworkers who are confirmed to have contracted Silicosis during their time working on the mines. In instances where these workers may have passed away, their dependants will receive a benefit. Gold Fields has provided an amount of US\$32m (R390m) for its share of the settlement cost.

The settlement also provides for compensation for workers who have been diagnosed with certain severe forms of TB. In December 2018, the Johannesburg High Court initiated

ICMM on Innovation for Cleaner, Safer Vehicles (p75). In addition, we are implementing new technologies that allow us to move material underground through remote loading via an operating room on surface, thus moving operations away from potential risks.

All of Gold Fields regions run dedicated health programmes, tailored to both the national and local context of each mining operation. These programmes aim to identify and manage chronic medical conditions within the workforce, while also maximising its productive capacity and reducing absenteeism.

Health programmes are a strong focus for our South Deep mine, due to the heightened health risks associated with deep-level underground mining, as well as the prevalence of many chronic diseases as a result of the relatively poor socioeconomic conditions in the country. While there were no occupational health related deaths at our mines during 2018, seven contractors and employees in our service died as a result of wider health related issues: five from HIV/Aids-related complications, one from cerebral malaria and one from drug-resistant TB. Our condolences go out to the families and friends of our colleagues.

11 in 2017, while the silicosis rate per 1,000 employees increased to 1.72 from 1.71 in 2017 because of the reduced workforce. All employees diagnosed with silicosis were initiated on a six-month course of TB prophylaxis. However, as per the 2014 Mine Health Safety Council milestones, no South Deep employee who joined the mine after 2008 and had previously not been exposed to silica dust has contracted silicosis. Continued focus is being placed on the dust mitigation strategy.

the process by which the settlement could eventually be made an order of court and subsequently implemented.

The mine recorded 15 CRTB cases in 2018, compared to 21 in 2017, and the CRTB rate improved to 3.23 per 1,000 employees in 2018 from 3.26 in 2017. Due to the mechanised nature of our operation, this rate is significantly better than the 5.45/1,000 recorded for the rest of the mining industry and 5.67/1000 for South Africa in 2017.

#### Occupational diseases at South Deep (rate per 1,000 employees and contractors at year-end)

	2018	2017	2016	2015	2014
Noise Induced Hearing Loss (NIHL) <sup>1</sup>	0.86	0.78	0.80	0.68	1.52
Cardio-Respiratory Tuberculosis (CRTB)	3.23	3.26	5.26	6.16	9.15
Silicosis	1.72	1.71	1.12	1.54	2.67
Chronic Obstructive Airways Disease (COAD) <sup>2</sup>	0.65	0.47	0.64	0.17	0.76
South Deep workforce	4,643	6,432	6,277	5,837	5,246

<sup>1</sup> Numbers are now presented per 1,000 employees and contractors. Comparatives have been restated

<sup>2</sup> Based on the number of cases submitted for compensation



---

**Table of Contents****64 The Gold Fields Integrated Annual Report 2018**

## Health continued

**HIV/Aids**

HIV/Aids management is integrated into Gold Fields' mainstream health services at South Deep. Voluntary counselling and testing (VCT) is offered to prospective and permanent employees, including contractors, by the occupational health practitioners during regular employee health assessments. This has the added benefit of directly addressing the interaction of HIV/Aids with related health issues such as TB.

Gold Fields is committed to lowering the HIV/Aids levels at South Deep, where the prevalence rate is 5.6% (percentage of the workforce living with HIV/Aids). There was an increase in the number of employees who tested positive for HIV/Aids in 2018, from 45 in 2017 to 79 in 2018. From 2014 to 2018, approximately 5,786 employees have been counselled and tested for HIV. A total of 326 employees are currently on the highly-active anti-retroviral treatment (HAART) programme.

South Deep's integrated HIV/Aids and TB strategy directly addresses interactions between these diseases. It has four key pillars:

**Promotion:** This includes regular publicity campaigns and condom distribution at all workplaces

**Prevention:** VCT is provided to all mine employees and contractors on a confidential basis. In 2018, the mine's VCT participation rate was around 17% (2017: 29%)

**Treatment:** Free HAART is provided to HIV-infected employees through onsite, medical doctor-staffed clinics. In 2018, 31 employees joined the HAART programme (2017: 36). This takes the total number of active participants to 326 (2017: 336), with 605 cumulatively enrolled since the HAART programme began in 2004. Employees' dependants can also receive HAART via the Company's medical aid schemes. We do not provide treatment to employees from contracting firms, which provide their own support

**Support:** This includes doctor-based primary healthcare, psychological counselling and social services for all employees and contractors. South Deep also supports a number of community-based HIV/Aids projects

**Malaria**

South Deep conducts quarterly wellness and wellbeing campaigns, during which employees and community members are informed about chronic medical diseases, including malaria, and are made aware of the risks associated with the discontinuation of medical treatment. During 2018, 19 employees were tested for malaria, of whom 10 tested positive.

**Noise**

There were four new cases of NIHL at South Deep mine (2017: five). Personal noise samples above the regulated occupational exposure limit of 85 dB(A) improved from 1.8% in 2017 to 0.9% in 2018 – by 2024 no noise samples

should be above that level. In line with the industry regulators' 2024 milestones, all noise emitting equipment should be below 107 dB(A) by then. Only 1.7% of South Deep's equipment was still above that level at year-end.

A survey indicated 87% compliance among employees in terms of

wearing hearing protection devices in the working places. In response, South Deep has rolled out ear-moulded protection devices to all underground employees exposed to high noise levels. The mine is also working through the Minerals Council of South Africa to encourage equipment manufacturers to produce low noise emission equipment. During 2018, the mine's auxiliary fans were sound attenuated or retrofitted with silencers to ensure fan noise levels do not exceed 107dB(A).

## **DPM**

Diesel Particulate Matter (DPM) is a critical health issue at underground mines in South Africa. Although the Occupational Exposure Limit (OEL) for DPM has not yet been promulgated by the regulator, an industry-best practice limit of 0.16mg/m<sup>3</sup> has been adopted in South Africa. South Deep has set a benchmark to have 95% of all personal samples measured below 0.16mg/m<sup>3</sup> by 2024. DPM results above the 0.16mg/m<sup>3</sup> limit improved slightly from 11.54% in 2017 to 10.96% in 2018. In an effort to reduce DPM exposure, South Deep continues to drive compliance to maintenance schedules and utilises only tier 3 and 4 machinery running on lower sulphur content diesel. Drill rigs only use diesel when travelling and switch to electrical when drilling.

## **Substance abuse**

During 2018, 6,206 cannabis (2017: 7,755) and 277,100 (2017: 273,500) alcohol tests were performed. Nine employees were tested positive for cannabis and 82 were tested positive for alcohol. All employees who tested positive for these substances were put through an employee assistance programme. Should an employee be tested positive for a second time, a formal hearing is conducted that could lead to dismissal.

IAR-66

**Table of Contents**

There were no new cases of NIHL reported during 2018. Furthermore, due to the nature of our Cerro Corona operation, the exposure levels and concentration of personal and area DPM samples are insignificant.

Chewing coca leaves is a cultural practice in the high altitude areas of Latin America, but which has deleterious impacts on those who practice it. Cerro Corona's ongoing programme to eradicate coca leaf consumption covers topics such as loss of insurance coverage, chronic fatigue and malnutrition. The entire workforce was taken through an awareness-raising refresher programme in 2018, which was incorporated into the new employee induction course. Six of the mine's host communities and 130 family members of employees were also taken through the course.

The Chilean Ministry of Health inspected Salares Norte's polyclinic, focusing on verifying compliance with hypobaric requirements and emergency response. The regulator verified the project's compliance with health and emergency requirements. We also implemented the regulator's occupational health protocols at the project.

No new cases of NIHL were reported during the year.

Our control strategies with regard to DPM are effective, with the majority of our samples yielding results substantially below the exposure limit recommended by the Australian Institute of Occupational Hygienists.

Mental health has been highlighted as a problem that is particularly acute among Fly-In, Fly-Out workers at mining camps. Historically, our operations have implemented a range of initiatives to promote mental health

amongst our employees. However, additional initiatives have been identified for implementation:

At St Ives, we have introduced 'Mates in Mining' as part of our 'Vital Behaviours' programme, through which 400 employees received training in mental health during 2018. This programme includes providing them with the necessary skills to identify and facilitate early interventions when mental health issues become evident

At Granny Smith, our 'Vital Behaviours' programme absorbed an initiative known as LIVINWell, which aims to enhance employee wellbeing by encouraging them to speak up when challenged with mental health issues and to seek help. The intent is to abolish the stigma associated with mental health

Gold Fields Australia also support the national 'RU OK day' initiative, which supports our mine-specific programmes. Our sites launched specific interventions on the day, and provided information sessions on mental health. For employees who are experiencing mental health problems, we are providing assistance in helping them address their problems

Contact with silica dust is limited at our Ghanaian operations. Mitigation measures have been implemented to ensure efficiency of existing controls, which have proven to be effective in reducing silica concentration levels.

Our workforce in Ghana faces a high risk of exposure to malaria and we have a comprehensive malaria control strategy in place, which incorporates education, prevention, prophylaxis and treatment. It also includes provision of mosquito repellent for workers, support for community health facilities and rapid diagnosis and treatment. In 2018, 227 employees (2017: 392) tested positive for malaria after 1,405 individuals (2017: 2,460) were tested at both Tarkwa and Damang. None of the treated cases proved fatal. The

lower treatment numbers were due to the move to contractor mining at Tarkwa. During the year, 279 company housing units were covered under the malaria vector control indoor spraying programme, and 700 insecticide-treated bed nets were distributed to community residents.

HIV/Aids management is integrated into Gold Fields' mainstream health services, and VCT takes place during regular employee health assessments. In Ghana, where the national HIV/Aids rate is around 2%, employees and contractors have access to a confidential VCT programme which they receive free of charge. During 2018, about 60% of the workforce underwent the VCT, of whom two tested positive. By year-end, Ghana had 10 employees on HAART (2017: 34).

Both Tarkwa and Damang identified a number of personal noise exposures exceeding the regulated limit of 85dB(A). Employees were educated and counselled to use existing control measures to prevent hearing damage. On average, 43% of tested vehicles and machines exceeded the noise limit, but the use of hearing protection reduced the noise exposure by employees to below regulated limits. Equipment that exceeds the limits is also being re-engineered to reduce noise levels.

During Tarkwa's contract mining transition, employees underwent compulsory exit medical assessments. Two cases of silicosis, nine cases of NIHL and 67 musculoskeletal disorders were identified. Employees retired on medical grounds were duly compensated as per regulations and the collective agreement.

Drug and alcohol testing continued at both our Ghanaian operations, and 87 contractors and three Gold Fields employees tested positive either for alcohol or drugs at Tarkwa. In line with the region's zero tolerance for drug and alcohol policy, all employees who tested positive have either been dismissed or banned from the site. Testing is compulsorily for all employees and contractors entering the mine.

IAR-67

**Table of Contents****66 The Gold Fields** Integrated Annual Report 2018

## Energy management

Amid rising energy costs, increasing depth of our underground mines and longer hauling distances for our open pits, our energy strategy focuses on ensuring security of supply, improving energy efficiencies and reducing the cost of energy while, at the same time, minimising our contributions to and building resilience against climate change.

**Group energy performance**

Gold Fields' energy spend, which combines our spending on electricity and fuels, accounts for a significant portion of our operating costs. During 2018, this percentage rose to 22% of operating costs from 17% in 2017, or 15% of our AISC (2017: 12%).

Given the importance of energy to the Group operations, we have set a number of aspirational goals for the year

gas-generated, increasing the use of renewables and rolling out training and awareness programmes. During 2018, Cerro Corona in Peru became the first Gold Fields mine and the first mine in Peru to be certified to the ISO 50001 standard, and we aim to have all our operations aligned with the standard by 2020.

Total energy consumption decreased by 4% to 11,628TJ in 2018, from 12,178TJ in 2017, with 69% comprising fuel usage and 31% electricity, compared to a 67%/33% split in 2017. Fuel spend amounted to 52% (2017: 44%) of the total energy spend, and electricity spend accounted for the rest.

Total Group energy spend increased by 17% to US\$302m (US\$146/oz) in 2018 from US\$258m (US\$115/oz) in 2017, largely due to an average 23% increase in diesel prices paid by our Ghanaian and Australian

capacity about 54% of total electricity capacity with an additional 16MW of capacity being evaluated. The independent power producers (IPPs) supplying the gas are finalising the construction of the gas pipeline to our Tarkwa and Damang mines in Ghana (77km) and have completed the pipeline to the Gruyere project in Australia (200km). This is a safer and more reliable option for supplying gas than trucking it to these operations.

Renewable energy is also becoming a viable option for our operations, not only due to their positive impact on our carbon emissions but also because the cost of renewables is rapidly decreasing. At present, Gold Fields has 55MW of solar capacity and 18MW of wind capacity under study at our South African, Australian and Ghanaian mines. Two of our Australian mines, Granny Smith and Agnew, are also finalising the construction of battery storage facilities (p72). Our investments in renewables will result in solar and wind being added to our supply mix, initially at our Australian mines, where it is set to reach at least 10% of total energy usage by 2020. Several additional opportunities are being assessed at the rest of our operations. We also remain

2020:

Maintain energy security outside and Australian operations, which are the top 10 Group risks

Achieve 5% to 10% energy savings off our annual energy plans each year

Achieve 17% carbon emission reductions each year up to 2020, equivalent to 800,000t CO<sub>2</sub>-e of cumulative carbon emission reductions over the two years

Gold Fields has developed integrated energy and carbon management strategies at both Group and operational level that are aligned with the global ISO 50001 energy management system standard. The key pillars of this strategy are to reduce our diesel usage, to switch from diesel-generated electricity to cleaner

**Gold Fields electricity consumption by source**

mines. This was slightly offset by oil price hedges at our Ghanaian and Australian operations, which realised net gains of US \$14m during 2018. In 2018, we invested US\$3m in energy initiatives, which delivered 411TJ of savings and resulted in long-term cost savings of US\$29m (US\$14/oz), compared with US\$22m (US\$10/oz) in 2017.

With the exception of our South Deep mine in South Africa, which is still heavily reliant on coal-fired electricity, all of our operations are using low-carbon gas, with grid and diesel generators as emergency supply. During 2018, our Group had 134MW in installed gas

committed to our target of using renewables for 20% of the energy requirements of new projects over their life-of-mine.

*More details on Gold Fields climate change management and carbon emission performance can be found on p97-99.*

**Group energy consumption**

IAR-68

---

**Table of Contents*****Energy savings initiatives***

Since 2013, the implementation of our integrated energy and carbon management strategy has realised cumulative savings totalling 1,685TJ, or 2.2%, of total energy consumption over the period. These savings amounted to US\$92m and avoided 432kt CO<sub>2</sub>-e in carbon emissions (6% of our total Scope 1 and 2 emissions over the same period). During 2018, Scope 1 and 2 carbon emissions, totalling 149kt CO<sub>2</sub>-e, were abated. Our Scope 1, 2 and 3 emissions decreased to 1,852Mt CO<sub>2</sub>-e from 1,959Mt CO<sub>2</sub>-e in 2017.

***Eskom electricity supply to South Deep***

South Deep's electricity is supplied by Eskom, the state-owned utility which generates 95% of its electricity from coal-fired power stations. As a result, South Deep is Gold Fields' electricity most carbon intensive operation.

Eskom remains a critical risk to our South Deep operations, both from a supply reliability and a cost perspective. Eskom's financial and operational viability have significantly weakened over the past few years, given the utility's inability to service its debt obligations and keeping its power plants running consistently and efficiently. Since June 2018, Eskom has issued several emergency notices

While energy efficiency initiatives have a dual benefit of improving energy productivity and reducing our carbon footprint, a number of our energy initiatives have significant carbon footprint reduction impacts without necessarily reducing energy usage. These include fuel switching from diesel to gas-generated electricity or renewable energy technologies).

Gold Fields aims to deliver further energy savings through greater energy efficiencies and the use of new technologies. We implemented 16 new energy saving projects in 2018, which include:

and initiated rolling blackouts, calling on large power users to reduce demand. Eskom has been plagued with coal shortages at its coal power stations and frequent plant breakdowns, given the ageing fleet whose maintenance has been deferred over the years.

South Deep, like other large power users, has a curtailment agreement with Eskom under which the mine is expected to reduce power demand when called upon by Eskom, but preserving a minimum critical load to achieve hoisting of staff and water pumping. As a short-term response, we reschedule our operations by stopping our process plant, when possible, and reschedule hoisting of ore and equipment.

## Regional energy spend

Changing lighting systems to new, efficient, light-emitting diode (LED) systems which, are expected to save 5.53TJ at Tarkwa, with emission reductions of 830t CO<sub>2</sub>e and cost savings of US\$338,000 a year, and an annual saving of US\$60,000 at Cerro Corona

Rolling out more fuel efficient drill rigs and hauling trucks

Replacing diesel generators with gas and solar systems

Optimising compressed air systems

Replacing inefficient cooling fans

Comminution circuit optimisation.

Our medium-term responses include running our own emergency diesel generators to ensure safe operations, but also continue investing in energy efficiency initiatives, to improve our energy productivity, reduce our carbon footprint and save energy costs. Our long-term solution is to increase our own supply capacity, including bringing in renewables into the power mix, including the solar photovoltaic plant currently in the review phase (p73).

On the cost side, Eskom tariffs have escalated sharply well ahead of inflation over the past few years and the tariff trajectory going forward remains uncertain. In 2010 a unit of electricity cost R0.36/kWh (in nominal terms); in 2018 the equivalent unit cost was R0.85/kWh for large industrial customers. In March 2019, Eskom received the go-ahead to raise its average tariff by 14% for 2019 followed by increases of 8% and 5% for 2020 and 2021 respectively. These will add significant cost pressures on South Deep and strengthen the case for reduced dependence on the utility.

IAR-69



**Table of Contents****68 The Gold Fields** Integrated Annual Report 2018

Energy management continued

**Regional performance***Regional performance***KEY RISKS**

Stable electricity supply and pricing

Limited renewable energy opportunities

**STRATEGIC RESPONSES**

Long-term energy supply agreements

Energy reduction target set

*2018 vs 2017 performance*

	<b>2018</b>	<b>2017</b>
Total energy usage (TJ)	<b>1,082</b>	997
Energy split electricity/fuel (%)	<b>50/50</b>	55/45
Total energy spend (US\$m)	<b>26</b>	22
Energy spend per oz (US\$/oz)	<b>82</b>	72
Energy initiatives savings (TJ)	<b>34</b>	27
Energy cost savings (US\$m)	<b>0.8</b>	0.6
CO <sub>2</sub> -e emissions abated (kt)	<b>2.56</b>	2.00

## 2018 KEY DEVELOPMENTS

Electricity to Cerro Corona is supplied by an independent power producer, generated from hydro (30%) and gas (70%), and supplied via a transmission line. This makes it the least carbon intensive electricity in our portfolio.

Cerro Corona energy spend and consumption increased in 2018

compared to 2017, due to greater tonnages mined in 2018 and consequently higher diesel and electricity consumption.

Among efficiency initiatives, Cerro Corona recently upgraded the haulage fleet to higher capacity trucks to improve diesel usage intensity, has been applying a diesel additive in its mining fleet and rolled

out an LED lighting initiative for its pit lighting. Cerro Corona is also evaluating battery-operated vehicles for the transport of personnel within the mine. A pilot project was initiated in Q1 2019, and, depending on the results, we will investigate gradually replacing the diesel bus fleet with electric buses.

### *Regional performance*

#### KEY RISKS

Increase in oil and diesel prices

Remote location of our operations

Reliance on energy supplies from

third parties

#### STRATEGIC RESPONSES

Increased investment in energy

self-sufficiency

Investment in renewables commenced

### *2018 vs 2017 performance*

	2018	2017
Total energy usage (TJ)	<b>3,142</b>	3,631
Energy split electricity/fuel (%)	<b>41/59</b>	41/59
Total energy spend (US\$m)	<b>78</b>	81
Energy spend per oz (US\$/oz)	<b>88</b>	86
Energy initiatives savings (TJ)	<b>207</b>	21
Energy cost savings (US\$m)	<b>10.5</b>	3.4
CO <sub>2</sub> -e emissions abated (kt)	<b>33.60</b>	25.82

## 2018 KEY DEVELOPMENTS

Our Australian operations run on gas-generated electricity. Diesel is used primarily for our fleet vehicles and machinery. To further embed energy management into operational activities, we implemented an energy steering committee during the year.

Energy spend at our Australian operations was lower in 2018 than 2017 due to the divestment from Darlot and operational adjustments. These included a 20% decrease in diesel usage as St Ives moved to increased underground operations. Hedging 50% of our diesel

purchases during 2018, realised a net gain of US\$4.6m in 2018, cushioned the impact of higher diesel prices.

At Granny Smith, we increased the generation capacity of the gas power station's turbines and started development of a 8MW solar farm with 2MW battery storage facility, due for completion in Q4 2019. Both projects will address growing energy demand from the Wallaby underground mine, reduce gas consumption and cut carbon emissions.

Agnew is investing in a hybrid gas and renewable energy power supply with the capacity to expand to meet future mine growth. The gas supply and base load power plant is under construction and will start supplying energy to the mine in Q3 2019. Additional phases of the project are being investigated, with further development likely to occur during H2 2019.

At Gruyere, the 200km gas pipeline was completed, and gas introduced into the 45MW power plant. We are also piloting five solar power depressurisation pumps around the open pit.

IAR-70

**Table of Contents***Regional performance***KEY RISKS**

- Costly, unreliable national grid
- Gas supply concerns
- Mandatory renewable energy targets

**STRATEGIC RESPONSES**

- Gas pipeline construction
- Energy reduction targets set
- Investigating renewable energy

*2018 vs 2017 performance*

	<b>2018</b>	<b>2017</b>
Total energy usage (TJ)	<b>5,709</b>	5,647
Energy split electricity/fuel (%)	<b>28/72</b>	28/72
Total energy spend (US\$m)	<b>164</b>	143
Energy spend per oz (US\$/oz)	<b>233</b>	201
Energy initiatives savings (TJ)	<b>145</b>	102
Energy cost savings (US\$m)	<b>17.0</b>	18.0

CO<sub>2</sub>-e emissions abated (kt)**106.61**

80.94

**2018 KEY DEVELOPMENTS**

Our Ghanaian mines completed their transition from the national grid to an independent power producer (IPP), Genser Energy, during 2018. The IPP commissioned the last of the gas units at the Tarkwa power plant in February 2018 and now supplies 40MW to Tarkwa and 18MW to Damang mine. We maintain nominal grid electricity consumption and our own emergency diesel generators ensure we have sufficient back-up infrastructure. Since the switch over, we have realised operational costs

savings and processing efficiency gains.

During 2018, energy spend at our Ghanaian operations was higher than in 2017 primarily due to higher diesel prices. We hedged 50% of our diesel purchases against Brent crude prices, realising a net gain of US\$7.9m in 2018. Heavy rainfalls and increased pit dewatering contributed to higher diesel consumption in 2018.

Genser Energy is advanced with construction of a 77km buried natural gas pipeline from the port of Takoradi

to our mines, which is expected to be commissioned during Q2 2019. This will enable the IPP to convert both plants from propane to natural gas and discontinue transportation of gas on public roads, minimising road transportation risks.

Assessment for renewable energy is at an advanced stage, in support of the government efforts to increase the use of renewable energy by 2020, especially for mining.

***Regional performance*****KEY RISKS**

- Eskom's future electricity tariff increases
- Increased risk of load-shedding
- Uncertainty around renewable

energy rules

**STRATEGIC RESPONSES**

- Industry pressure against hefty

- Eskom tariff hikes
- Implementing energy efficiency

initiatives  
Finalisation of the solar photovoltaic

power usage

### *2018 vs 2017 performance*

	2018	2017
Total energy usage (TJ)	<b>169</b>	190
Energy split electricity/fuel (%)	<b>96/4</b>	94/6
Total energy spend (US\$m)	<b>33</b>	34
Energy spend per oz (US\$/oz)	<b>211</b>	122
Energy initiatives savings (TJ)	<b>24</b>	26
Energy cost savings (US\$m)	<b>0.8</b>	0.4
CO <sub>2</sub> -e emissions abated (kt)	<b>6.43</b>	7.10

### **2018 KEY DEVELOPMENTS**

South Deep's electricity is supplied by Eskom, the state-owned utility which generates 95% of its electricity from coal-fired power stations. As a result, South Deep is Gold Fields' most carbon intensive operation.

Total energy usage was down by 21TJ in 2018 due to lower production, primarily due to a halt in production as a result of the labour strike during the fourth Q4. Energy

spend, however, did not decline at the same rate due to a high baseload demand profile and an average 5.2% electricity tariff increase during the year. (See p71)

Due to regulatory uncertainty around the use of private power purchase agreements, South Deep has delayed the signing of a 25-year power purchase agreement with an IPP for a 40MW solar photovoltaic facility at the mine. We are exploring ways to

develop the facility incrementally in line with government's recent Integrated Resource Plan, which for plants with a generation capacity above 10MW, requires both ministerial exemption and a power generation licence for IPPs.

## Table of Contents

### 70 The Gold Fields Integrated Annual Report 2018

#### Innovation and Technology

We need to operate as a low-cost gold producer in order to achieve our free cash-flow margin target. To this end we have set ourselves a medium-term aspiration of AIC of approximately US\$900/oz by 2020. We need to do this within the context of a number of industry-wide challenges that include longer discovery to development times, a fall in average gold grades and a gold price that has declined around 30% since September 2011.

Advances in innovation and technology provide an opportunity for gold miners to digitise and automate their operations, which will help increase levels of efficiency, reduce costs, improve safety and further mitigate environmental impacts.

Gold Fields I&T strategy has five key objectives:

1. Grow reserve life: reduce discovery cost and cycle time from discovery to development handover
2. Sustain and grow cash margin: improve operational efficiencies to

4. Improve health and safety: distance people from active mining areas

5. Maintain social licence to operate: reduce mining waste/tailings and emissions

To guide the delivery of these objectives, clear execution principles have been defined, and the strategy will be selectively applied at each mine based on relevance and robust business cases. Other principles include that only proven technology will be deployed, a fast follower approach will be used and each region will have its Innovation and technology champion.

We are following a staged approach that will progressively move our operations through the phases of modernisation, integration and ultimately automation, when appropriate and within strict cost parameters. These stages have been broken into three horizons .

Pulling data from all areas onto an integrated platform to enable more effective operational decisions

**Horizon 2** Transformation phase: completing the integration and optimisation of our data and systems and developing an innovative culture. This will allow us to develop a single, real-time view of all operating aspects of a mine, which in turn enables more flexible and responsive production planning and scheduling, all of which can be managed from remote operating centres. To be successful and sustainable, the mine of the future needs to be supported by new ways of working and a culture of innovation building this culture is an additional area of focus during Horizon 2

**Horizon 3** The Gold Fields mine of the future is delivered during this horizon, when and where appropriate. A new level of productivity and safety is achieved through automation, robotics and autonomous operations that are connected through remote sensors

sustain cash margin by the use of automation, information, integration and innovation

3. Implement a future operating platform: develop a fully connected mine with a manufacturing culture of collaboration and innovation

**Horizon 1** Modernisation phase: foundations are put in place to support the use of future technologies. This involves:

Increasing the use of sensors to improve the data we receive from our machines

Upgrading our data backbone to allow our IT systems to efficiently manage higher volumes of data

IAR-72



**GOLD FIELDS INNOVATION & TECHNOLOGY STRATEGY*****Progress to date***

During 2018 we advanced a number of important Horizon 1 projects:

Fibre networks were installed underground and in some mining pits – these lay the foundation for connecting people and machinery at the face to employees and systems on-surface

At Granny Smith we trialled new technology to improve the precision alignment of drills, and increased the number of tele-remote systems that control machinery at both this operation and St Ives

Drones were deployed at Tarkwa and Damang to conduct surveying by remote

Cerro Corona rolled out new fleet management software

Granny Smith, South Deep and St Ives improved their people and equipment tracking systems which are designed to improve man-machine interface safety.

***Looking ahead***

In the year ahead, each Region will define the operating platform, systems and technology required to achieve the strategic goals of Horizon 2, thereby laying the platform required for digital mining. These plans will also outline the technical design, resources, skills, funding and training required to support the successful roll-out of I&T projects at each site. Furthermore, the regions have been asked to bolster their I&T resources, appoint an I&T lead and roll-out workforce communication on their I&T programmes. Around US\$9m has been set aside for I&T projects during 2019.

In the longer term, Gold Fields is working with the ICMM on a plan to make mining vehicles cleaner and safer. Under the Innovation for Cleaner Safer Vehicles (ICSV) programme, the ICMM is working with leading truck and mining equipment suppliers to accelerate innovation and develop a new generation of mine vehicles. The programme aims to:

Introduce greenhouse gas emission-free surface mining vehicles by 2040

Minimise the operational impact of diesel exhaust by 2025

Make collision avoidance technology available to mining companies by 2025

Gold Fields CEO Nick Holland is one of three ICMM member CEOs on the ICSV advisory council.

IAR-73

**Table of Contents****72 The Gold Fields Integrated Annual Report 2018**

## A fit-for-purpose workforce

**Workforce profile**

Our workforce is structured to support the delivery of immediate and long-term strategic objectives. During 2018, the two most significant people-related developments were the restructuring exercise and related strike action at South Deep, as well

as the transition from owner to contractor mining at Tarkwa. The key people-related balanced scorecard objectives were driving diversity and inclusion, managing the talent pipeline and ensuring succession planning for critical roles, and strengthening a values-based culture that drives delivery.

Due to the workforce restructuring at South Deep, Tarkwa and Damang, overall workforce numbers dropped 5% from 18,594 (2017) to 17,611 (2018). The number of full-time employees declined by 37% from 8,856 to 5,601, while the number of contractors rose 23% from 9,738 to 12,010.

**Workforce by region (end December)**

	Total workforce		Employees	Proportion of Nationals		
	2018	2018		2017	2018	
<b>Total workforce by region</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Americas	2,322	373	365	1,949	1,669	100%
Australia	3,176 <sup>1</sup>	1,577	1,449	1 599 <sup>2</sup>	888	100%
South Africa	4,643	2,472	4,012	2,171	2,420	85%
West Africa	7,370	1,079	2,910	6,291	4,761	99%
Corporate	100	100	120	0	0	94%
Total	17,611	5,601	8,856	12,010	9,738	

**Key HR metrics (end December)**

Edgar Filing: GOLD FIELDS LTD - Form 20-F

<b>Category</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total workforce	<b>17,611</b>	18,594	18,091	16,850	15,440
HDSA employees South Africa (%) <sup>3</sup>	<b>72</b>	71	72	71	71
HDSA employees South Africa senior management (%) <sup>3</sup>	<b>43<sup>5</sup></b>	57	55	48	47
Minimum wage ratio <sup>4</sup>	<b>2.39<sup>6</sup></b>	2.43	2	2	2
Female employees (%)	<b>19</b>	16	15	14	14
Ratio of basic salary men to women	<b>1.25</b>	1.25	1.31	1.09	1.10
Employee wages and benefits (US\$m)	<b>442</b>	506	482	435	468
Average training hours per employee	<b>262</b>	223	273	240	181
Employee turnover (%)	<b>35<sup>7</sup></b>	6	12	8	20

<sup>1</sup> Includes Gruyere

<sup>2</sup> High increase due to the employment of contractors for Gruyere construction phase

<sup>3</sup> Excluding foreign nationals, but including white females; HDSAs - Historically Disadvantaged South Africans

<sup>4</sup> Entry level wage compared to local minimum wage

<sup>5</sup> Lower ratio due to South Deep restructuring

<sup>6</sup> Excluding Ghana, as the region only employs management level employees with the move to contractor mining. Ratio is 3.39 if Ghana is included

<sup>7</sup> High turnover due to South Deep restructuring and transition to Tarkwa contractor mining

IAR-74

---

**Table of Contents*****Key developments in 2018*****South Deep restructuring**

Ongoing losses at South Deep during 2017 led to a restructuring exercise in Q4 2017 and Q1 2018 during which 261 employees and 47 managers (25% of management level employees) accepted voluntary severance packages. Despite these interventions the mine continued to experience a cash burn of around R100m (US\$8m) a month, and, in August 2018, South Deep embarked on its most significant restructuring to date. In addition to operational interventions, the mine issued a section 189 notice in terms of South Africa's Labour Relations Act to its trade unions, the National Union of Mineworkers (NUM) and UASA, to reduce the workforce by around 30%.

At the end of the 60-day consultation period and after receiving submissions from the unions, South Deep started implementing the retrenchments of 1,082 employees and 420 contractors. The NUM opposed these retrenchments and commenced a legal, no work, no pay strike action on 2 November 2018.

The strike was characterised by violence and intimidation, with protesters blocking access to the mine in contravention of the collective agreement and court interdicts served on the NUM and its members. Although critical essential services were maintained, employees who wished to return to work were prevented from doing so by a group of around 200 NUM branch members and supporters. The mine experienced a cash burn of around R6m (US\$450,000) per day during the 45-day strike as no production was possible.

Amid the continued violence, and following representations from many NUM members wanting to return to work, the NUM National and Regional suspended the NUM branch and called off the strike on 13 December 2018. On 18 December 2018 a settlement agreement was signed with the trade unions, which included the retrenchment of the affected employees and contractors. Retrenched employees received the agreed upon financial packages, portable skills training and financial advice.

As part of the settlement agreement, the NUM and management also agreed to renegotiate key aspects of the collective and other labour agreements. These were concluded in March 2019.

**Tarkwa contractor mining**

Our Tarkwa mine in Ghana made the transition from owner to contractor mining during 2018. As the mine matures it will incur increasing costs, which would have made the current owner mining model unsustainable. These costs include higher blasting costs as the pits deepen, increased fuel costs due to longer hauling distances, increasing cost of reagents and other input materials, high exploration costs, the cost of replacing an ageing fleet, and the year-on-year escalation of union-negotiated wage increases. A change to contractor mining at our Damang mine in 2016 has seen a

significant turnaround in productivity and operational flexibility, with a potential upside in terms of the mine's longevity.

The Ghana Mineworkers' Union (GMWU) opposed the move to contractor mining on the basis that Gold Fields had no justifiable basis to

change its business model. However, its application to the Labour Division of the High Court was dismissed, following which Gold Fields issued severance letters to 1,346 employees in the mining and heavy equipment (HME) department and 765 employees in other departments. Of these, 1,209 of affected HME employees were absorbed by the two mining contractors appointed and 505 of the other affected employees were re-engaged by the mine on fixed-term contracts. In Damang, a further 306 employees were moved from a full-time to a contractor basis. All affected employees received generous retrenchment packages in line with Ghana's labour laws and were offered financial wellness training.

***Balanced scorecard objectives***

**Driving diversity and inclusion**

We continued to focus on building a more diverse and inclusive workforce, with particular emphasis on employing more women, residents from our host communities and, in South Africa, people from historically disadvantaged communities. This forms a key pillar of the HR strategy. A diversity policy was approved by the Board during the year in addition to increasing employee representation from diverse groups, it also emphasises the importance of ensuring that all people are treated with dignity and respect.

Diversity training was rolled out to managers, with a particular emphasis on cultural awareness and how to identify and overcome unconscious bias. This training will support our efforts to increase and retain the number of people we employ from diverse backgrounds.

Key diversity indicators include the percentage of women among our employees (excluding contractors) in management, women in mining and Indigenous/local/HDSA people:

	<b>Australia</b>	<b>Ghana</b>	<b>Peru</b>	<b>South Deep Corporate</b>	<b>Group</b>	
Total women	20%	9%	18%	23%	49%	19%
Women in management	17%	5%	16%	17%	43%	18%
Women in mining	13%	9%	4%	17%	0%	13%
Indigenous people/localisation/HDSA	2%	3%	99%	50%	79%	56%

IAR-75

---

**Table of Contents**

**74 The Gold Fields Integrated Annual Report 2018**

A fit-for-purpose workforce continued

**Managing talent pipeline and ensuring succession for critical roles**

We continued to monitor succession planning and regional and operational level by tracking turnover rates with a focus on critical roles. The following figures indicate the extent of succession cover across the group:

**Australia:** 73% of Regional Exco and 100% of Mine Exco roles

**Ghana:** 10% of Regional Exco and 46% of Mine Exco roles

**Peru:** 33% of Regional Exco and 91% of Mine Exco roles

**South Deep:** 44% of management roles

**Corporate:** 19% of all corporate roles

The reason for the low rate at Corporate level is that we have a lean corporate structure with few supporting roles. The low rate in Ghana reflects the move to contractor mining at both mines.

**Strengthening a values-based culture that drives delivery**

At the end of 2018, we rolled out an employee engagement survey as part of the ongoing work to drive a values-based, high-performance culture. Amongst other things, the survey measured employee satisfaction; understanding of strategy; and the extent to which the work environment supports employees in the achievement of their objectives. Its findings will feed into our HR work during 2019.

In 2019, initiatives are set to be implemented to address key areas of concern in each region and measurements of living the Gold Fields values will be incorporated into employees' balanced scorecards.

***Workforce remuneration, benefits and wellness***

We successfully concluded wage negotiations in:

**Ghana:** a 4% average salary increase was finalised with the GMWU, backdated for 2018 for all qualified active and ex-employees

**Peru:** wage increases varying between 5.3% and 5.8% a year for 2017, 2018 and 2019 were awarded to the unionised contractor workforce

**South Deep:** a three-year wage agreement for 2018 to 2020 was concluded, with an average annual compounded salary increase of 7.31% over three years for Category 4 to 8 employees, miners, artisans and officials. Other benefits included higher loco driver allowances, an increase in the housing allowance, introduction of a funeral benefit plan and improved maternity leave

High levels of employee indebtedness have resulted in the approval of just 47% of bond applications by our South Deep employees, equating to the sale of only 126 houses under the mine's Tswelopele Homeownership Scheme. A review of the scheme considered employee willingness to invest in property close to the mine and the time it could

take for employees to clear their debts. Alternative options to house our employees and their families are currently being considered.

A Group Flexible Work Guideline was approved by Exco and provides regions with a framework to implement flexible work practices where appropriate and suited to local conditions.

The mental health of Fly-In Fly-Out (FIFO) employees remains an industry-wide issue in Australia. Detail on how we are addressing this issue can be found on p69.

### ***Training and developing our people***

Gold Fields continued to focus on programmes and policies that develop and retain people who are skilled and motivated to deliver sustainable value creation. These programmes and policies are fundamental to ensuring we have the skills needed to keep our business agile, innovative and well-positioned

to take on the challenges in our sector. They include:

- Our new diversity policy
- Our employee climate survey
- Disciplinary and grievance processes
- Talent management processes
- Learning and development approach
- Human rights
- Our approach to vulnerable people
- Focus on gender rights

### ***Looking ahead to 2019***

HR targets and focus areas for 2019 include the following:

- Achieve 5% increase in productivity beyond the business plan
- Further enhance leadership capability to align leadership skills with new competency framework
- Continue to entrench diversity by:
  - Accelerating the development of female employees
  - Training leadership to embrace multicultural diversity
  - Improving ranking in the Bloomberg Gender Equality Index
  - Implementing a transformation strategy
  - Developing a baseline for measurement of the employment of vulnerable people across regions
  - Achieving >54% HDSA representation among South Deep management and <4% expatriate representation in Ghana
- Decrease turnover of critical roles to 5%
- Improve performance management through line manager coaching programmes



---

**Table of Contents**

***Summarised Remuneration Report***

This is a summarised version of the Remuneration Committee's Remuneration Report, the full version of which can be found in the Annual Financial Report on p28 – 60.

**Our remuneration philosophy and practices**

Gold Fields' remuneration philosophy is underpinned by a pay-for-performance approach, in which people are rewarded for delivery against Balanced Scorecard (BSC) objectives.

There is a direct cascade of strategic objectives from the Group BSC – which is informed by the Group strategy – to the regional, operational, departmental and, ultimately, individual BSCs. This

ensures that each individual's objectives are aligned to the Gold Fields strategy and all employees play a role in contributing to the overall value creation of the Group.

During 2018, the overall framework of our Remuneration Policy remained unchanged and no changes were made to the remuneration mix for executives. We did, however, make a number of enhancements and refinements to the implementation, including:

Enhancing the link between performance and strategy by:

- Simplifying the Gold Fields strategy to a strategy-on-a-page to enhance communication
- Implementing the cash-settled LTI plan for management-level employees, complete with localised targets
- Refreshing the four drivers of the strategic objectives to maximise total shareholder return (TSR) sustainably
- Ensuring strategic alignment between Group, regional and personal scorecards
- Clarifying policies, where appropriate, to remove ambiguity and to cater to the numerous jurisdictions in which Gold Fields operates

**Gold Fields' remuneration practices**

We do:

Provide pay for performance:

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

75% of CEO's total remuneration is pay-at-risk

A significant percentage of the CEO's short-term incentive is based on corporate performance

The CEO's long-term incentive is entirely performance-based through performance shares

Performance share awards are earned based on absolute and relative TSR and free cash-flow margin (FCFM)

Threshold (partial) performance share payouts require relative TSR performance at least at the median when compared to the performance comparator group and absolute TSR to exceed the cost of equity

Have a clawback policy

Have executive director share ownership guidelines through the executive minimum shareholding plan

Require a double-trigger for CEO and CFO upon a change of control

Promote retention with equity awards that vest over three years

Have an independent Remuneration Committee, with all members being independent directors

Retain an independent remuneration consultant whose primary purpose is to advise the Remuneration Committee

Conduct annual advisory votes on our remuneration policy and implementation report, as they appear in the Remuneration Report

We do not:

Reprice underwater share options

Pay dividends on unearned performance shares

Provide guaranteed bonuses

Grant share awards to non-executive directors

Allow the use of unvested LTI awards as collateral, or protect the value of unvested awards, or the value of any shares and securities held as part of meeting the MSR provisions

Provide financial assistance to directors or prescribed officers

IAR-77

**Table of Contents**

**76** **The Gold Fields** Integrated Annual Report 2018

A fit-for-purpose workforce continued

*Our remuneration mix*

IAR-78

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **77**

IAR-79

**Table of Contents****78 The Gold Fields Integrated Annual Report 2018**

A fit-for-purpose workforce continued

***Executive directors and prescribed officers remuneration***

The table of remuneration for executive directors and prescribed officers based on the total single-figure remuneration prescribed by King IV is displayed below. King IV requires the disclosure of a total single figure of remuneration, received and receivable for the reporting period that ties remuneration to the individual's performance for the period.

The definitions used in the adoption of these remuneration reporting requirements under King IV follow below. These should assist in a clearer understanding of the values and related terminology used in the table of remuneration.

***Reflected***

In respect of the LTI plans, remuneration is reflected when performance conditions have been met during the reporting period. If the only remaining vesting condition is continued employment, the remuneration is reflected in the period when all other performance conditions have been met. Remuneration included may not have legally transferred to the individual, and the individual may not yet have the unconditional right to enjoy the benefits thereof.

***Settlement***

This refers to remuneration that has been included in the total-single figure remuneration in respect of any prior period but has only been unconditionally transferred to the individual concerned in the current period.

Remuneration for executive directors and prescribed officers All figures in US\$ '000

Name	Status		Salary <sup>1</sup>	Pension		Cash incentives <sup>2</sup>
				contribution	fund	
N Holland	Executive Director	2018	1,251.6	26.5		661.5
		2017	1,186.9	26.3		1,002.2
P Schmidt	Executive Director	2018	626.6	48.2		306.2
		2017	588.6	48.2		542.7
L Rivera <sup>8</sup>	Prescribed Officer	2018	668.6	72.8		134.0
		2017	626.3	48.4		270.4
A Baku <sup>9</sup>	Prescribed Officer	2018	808.0	185.8		634.8
		2017	784.7	180.5		719.8

Edgar Filing: GOLD FIELDS LTD - Form 20-F

R Butcher	Prescribed Officer	2018	384.5	37.3	192.4
		2017	353.0	37.9	278.5
N Chohan	Prescribed Officer	2018	367.2	26.5	213.9
		2017	342.8	26.3	288.3
B Mattison <sup>10</sup>	Prescribed Officer	2018	453.6	26.5	271.9
		2017	426.7	26.3	369.9
T Harmse	Prescribed Officer	2018	369.7	26.5	215.3
		2017	344.7	26.3	290.1
A Nagaser	Prescribed Officer	2018	243.3	27.0	131.1
		2017	228.1	25.3	192.0
S Mathews <sup>11</sup>	Prescribed Officer	2018	438.2	29.5	289.4
		2017	397.5	21.2	326.1
M Preece	Prescribed Officer	2018	541.7	26.5	168.8
		2017	338.2	16.6	
R Bardien <sup>12</sup>	Prescribed Officer	2018	274.3	24.3	150.5

Average exchange rates were US\$1 = R13.20 for FY2018 and US\$1 = R13.33 for FY2017. No termination payments during the year

<sup>1</sup> The total US\$ amounts paid for 2018, and included in salary were as follows: NJ Holland US\$406,700, P Schmidt US\$124,150 and BJ Mattison US\$88,200. The total US\$ amounts paid for 2017, and included in salary were as follows: NJ Holland US\$396,500, P Schmidt US\$121,000 and BJ Mattison US\$86,000

<sup>2</sup> The annual bonus accruals for the year ended 31 December 2017 and 31 December 2018, paid in February 2018 and February 2019, respectively

<sup>3</sup> The values of the 2015 LTI Plan with a performance period ending 31 December 2017 is reflected in the 2017 figures

The values of the 2016 performance shares with a performance period ending 31 December 2018 is reflected in the 2018 total single figure of remuneration based on a US\$3.29 price as at 31 December 2018. The vesting date is 1 March 2019 and will be reflected in the 2019 cash value equivalent on settlement

<sup>4</sup> The 2017 total single figure of remuneration includes the cash equivalent value of matching shares awarded in terms of the MSR policy in 2017

<sup>5</sup> Other includes special bonuses and incidental payments unless otherwise stated

<sup>6</sup> Includes cash incentive, cash LTI plan and matching shares reflected for the year

IAR-80

**Table of Contents****Not yet settled**

This refers to remuneration that has been included in the total single figure of remuneration in the current period but has not been unconditionally transferred to the individual concerned in the current period, or where an election has been made by the individual to defer the settlement thereof in fulfilment of their minimum shareholding requirement.

**Unconditional transfer**

Means that the individual now enjoys full right to the remuneration (excluding any applicable clawback), and it is no longer subject to any further service, employment or other conditions.

For the two executive directors, the 2018 total single figure of remuneration reported is lower than was reported for the 2017 period. The reasons are as follows:

Matching shares awarded (US\$942,800 and US\$157,500 for the CEO and CFO respectively) were included in the reporting for the 2017 period as required, with none in 2018

Both the CEO and CFO have lower cash-incentives in 2018 than in 2017 due to these being performance-related outcomes as described in Section 2

				<b>Total</b>			
				<b>single</b>		<b>Add:</b>	<b>Total</b>
				<b>figure</b>		<b>Less:</b>	<b>cash</b>
				<b>of</b>		<b>amounts</b>	<b>equivalent</b>
	<b>LTI plan</b>	<b>Matching</b>		<b>of</b>		<b>not yet</b>	<b>cash</b>
	<b>reflected<sup>3</sup></b>	<b>shares</b>	<b>Other<sup>5</sup></b>	<b>remuneration</b>		<b>settled<sup>6</sup></b>	<b>value on</b>
		<b>reflected<sup>4</sup></b>				<b>settlement<sup>7</sup></b>	<b>remuneration</b>
	1,027.2			2,966.8	(1,688.7)	1,475.6	2,753.7
	463.5	942.8	-	3,621.7	(2,408.5)	677.6	1,890.8
	646.4		2.1	1,629.4	(952.6)	1,011.2	1,688.0
	459.0	157.5	4.0	1,800.0	(1,159.2)	891.2	1,532.0
			385.7	1,261.3	(519.7)	481.3	1,222.9
			253.3	1,198.4	(486.7)	111.0	822.7
	621.9		68.0	2,318.6	(1,256.8)	1,237.2	2,299.0

Edgar Filing: GOLD FIELDS LTD - Form 20-F

463.5	51.9	150.2	2,350.6	(1,235.2)	924.4	2,039.8
90.3			704.5	(282.7)	267.6	689.4
			669.4	(278.5)	323.2	714.1
248.7		1.8	858.2	(462.7)	403.5	799.0
126.0	54.0	3.3	840.7	(468.3)	417.2	789.6
410.1		2.5	1,164.6	(681.9)	672.5	1,155.1
297.0	55.4	1.0	1,176.3	(722.3)	622.2	1,076.2
331.6		7.8	950.8	(546.9)	548.0	951.9
252.0	10.0	6.8	929.9	(552.1)	484.3	862.1
124.8		0.4	526.6	(255.9)	245.1	515.8
90.0		0.7	536.1	(282.0)	221.1	475.2
274.2		4.9	1,036.3	(563.6)	514.2	986.9
		10.0	754.8	(326.1)		428.7
		0.4	737.3	(168.8)		568.6
			354.8			354.8
		106.1	555.2	(150.5)		404.7

<sup>7</sup> The 2018 figure includes the bonus related to the 2017 financial year paid in February 2018 and the 2015 cash LTIP vested and settled in March 2018. The 2017 figure includes the bonus related to the 2016 financial year paid in February 2017 and the 2014 cash LTIP vested and settled in March 2017.

<sup>8</sup> L Rivera other payments for 2018 relate to cash in lieu of 2016 share award payable upon vesting in March 2019. His appointment package and conditions were approved by RemCo but the LTI award was inadvertently not executed hence he was never physically awarded. This value reflects the equivalent cash compensation in this regard. Cash Incentives include legislated bonus portion. Company contributions to pension erroneously not reported previously

<sup>9</sup> A Baku other payments for 2018 relate to approved profit share bonus payment approved and 2017 relates to leave allowance in line with related policy.

<sup>10</sup> BJ Mattison other payments for 2018 relate to a service award in line with Company practice.

<sup>11</sup> S Mathews other payments for 2018 relate to bonus payment in lieu of most improved operation bonus scheme.

<sup>12</sup> R Bardien Appointed on 1 February 2018. Other payments relate to sign on bonus.



**Table of Contents**

IAR-82

Table of Contents

**The Gold Fields** Integrated Annual Report 2018 **81**

Introduction  
Financial performance  
Summarised financials



**Table of Contents****82 The Gold Fields** Integrated Annual Report 2018

## Financial performance

**Introduction**

The focus of Gold Fields' business strategy is to grow margin and free cash-flow (FCF) for every ounce of gold produced, and to sustain this FCF in the long term. In this regard, our target is to generate a FCF margin of at least 15% per region at a notional long-term planning gold price of US\$1,200/oz. However, to ensure the sustainability of this cash-flow, the Group had to reinvest in the portfolio during 2017 and 2018, spending project capital of US\$502m over this period. Importantly, Gold Fields spent this capital on projects that will improve the overall quality of its asset base and enhance FCF generation in the future.

After two years of elevated levels of project capital, 2019 looks set to be an inflection point for Gold Fields in terms of FCF generation. During 2018, the Group spent US\$64m at Salares Norte and incurred project capital of US\$277m (US\$125m at Damang, US\$134m at Gruyere, and US\$18m at South Deep), underpinning a net cash-outflow of US\$132m (2017: US\$2m).

Further project capital of US\$143m will be spent at Damang and Gruyere in 2019, with the majority scheduled for the first half of the year. The project capital is then expected to decrease significantly in H2 2019,

at which point an increase in FCF is anticipated. Once the capital bill has rolled off, Gold Fields does not envisage spending material growth capital in the short to medium term. The objective is to reap the rewards of the capital invested through an increase in FCF, which will go towards decreasing debt and, potentially, increased dividends.

The Group's FCF margin, which is adjusted for share-based payments, Salares Norte exploration expenditure and Damang and Gruyere project capital, remained steady at 16% in 2018 (2017: 16%). Encouragingly, this is in line with our targeted 15% FCF margin at a US\$1,200/oz gold price.

Despite the significant project capital incurred, our priorities for the cash we generated have remained unchanged during the reinvestment period:

**Rewarding our shareholders with dividends**

Our policy is to pay out between 25% and 35% of normalised earnings

**Funding growth projects**, which will improve the quality of the Gold Fields portfolio. The bulk of the project capital is being spent on Damang in Ghana and Gruyere in Western Australia. Once these two mines reach full production, which is anticipated by 2020, they are set to significantly improve Group AIC and, subsequently, cash generating ability

**Maintaining the strength of the balance sheet** and limiting the increase in debt through the peak capital expenditure years. Gold Fields ended 2018 on a net debt:adjusted EBITDA of 1.45x. Once we have incurred all project capital expenditure on Damang and Gruyere, our target is to once again reduce our net debt:EBITDA to 1.0x.

IAR-84

**Table of Contents*****2018 financial performance***

Gold Fields' financial performance was underpinned by the strong operational performance of the Ghanaian, Australian and Peruvian assets in 2018, with South Deep presenting a drag on Group results. The outperformance of these operations (relative to guidance), coupled with a US Dollar gold price received that was higher than our business planning price, enabled the Group to contain the cash-outflow, limit the increase in net debt and maintain a healthy balance sheet during the year. Net debt increased to US\$1,612m during 2018 from US\$1,303m at end 2017, resulting in a net debt:adjusted EBITDA of 1.45x at 31 December 2018 (December 2017: 1.03x). A large portion of this increase was due to the US\$165m upfront payment relating to the Asanko Gold acquisition.

Net revenue declined by 7% to US\$2,578m in 2018 from US\$2,762m in 2017, driven by the decrease in production coupled with a slightly lower gold price received. Cost of sales decreased by 3% to US\$2,043m in 2018 from US\$2,105m in 2017. The bulk of Gold Fields' costs in Australia and South Africa are incurred in local currencies. As such, the slight strengthening of the Australian Dollar and South African Rand had a negative impact on costs in US Dollar terms and ultimately profits in these geographies during 2018.

The Group AISC of US\$981/oz and All-in Costs (AIC) of US\$1,173/oz in 2018 compared with AISC of US\$955/oz and AIC of US\$1,088/oz in 2017. Encouragingly, costs came in below guidance (AISC: US\$990/oz – US\$1,010/oz; AIC: US\$1,190/oz – US\$1,210/oz) for the sixth consecutive year. The increase in AIC was driven by an increase in Salares Norte expenditure and project capital incurred at Gruyere.

Other salient features during 2018 included:

- Royalty of US\$63m in 2018 compared with US\$62m in 2017

- Total capital expenditure of US\$814m in 2018 versus US\$834m in 2017

- A decrease in the normal taxation charge to US\$146m in 2018 (2017: US\$205m)

- Asset write-downs and impairments of US\$520m were recognised in 2018 (2017: US\$200m), comprising mainly a US\$482m impairment of South Deep

Taking into account all of the above, the net loss attributable to Gold Fields' shareholders amounted to US\$348m in 2018, compared to a net loss of US\$19m in 2017. Headline earnings were US\$61m in 2018 compared to US\$210m in 2017.

A detailed analysis of our financial performance is provided in the management's discussion and analysis of the financial statements in the 2018 Annual Financial Report on p61 – 124.

The consolidated income statement, statement of financial position and cash flow statement extracted from the 2018 Annual Financial Report are provided on p150 – 154.

## Free Cash-Flow

Gold Fields recorded a net cash-outflow (see footnote 3 on p2) of US\$132m in 2018 compared with an outflow of US\$2m in 2017. Included in the 2018 number is project capital of US\$125m (2017: US\$115m) and US\$134m (2017: US\$81m) for Damang and Gruyere, respectively. South Deep recorded a net cash-outflow of US\$141m compared with an outflow of US\$60m in 2017. US\$143m in project capital is budgeted for 2019, with the majority scheduled to be spent during H1 2019.

At a mine level, cash generation remained strong in 2018. Excluding project capital and off-site exploration expenditure, mine cash-flow was US\$334m (US\$195m in Australia, US\$114m in Peru, US\$149m in Ghana and a negative US\$123m in South Africa) versus US\$441m in

2017. Our Australian, Ghanaian and Peruvian mines collectively generated a net cash-flow of US\$457m (2017: US\$484m), demonstrating again the quality of this portfolio of assets.

FCF margin, which is adjusted for share-based payments, Salares Norte exploration expenditure and Damang and Gruyere project capital, remained unchanged at 16% in 2018 compared to 2017.

## Dividends

Gold Fields has a long and well-established policy of rewarding shareholders by paying out between 25% and 35% of normalised earnings as dividends. This policy is viewed as an important element of Gold Fields' investment case, and we have consistently honoured this commitment with an average pay-out of approximately 30% of earnings every year over the past nine years.

Despite recording a net cash-outflow in 2018, the Group maintained its dividend policy and declared a final dividend of R0.20/share for the year. Together with the interim dividend of R0.20 per share (for the six months ending on 30 June 2018), this brings the total dividend for 2018 to R0.40/share. In 2017 we paid a total dividend of R0.90 per share.

## Reducing debt

A strategic objective of management during the peak capital expenditure years (2017 and 2018) has been to maintain a healthy balance sheet and minimise the increase in net debt through limiting the cash-outflow.

Net debt increased by US\$309m during 2018 to end the year at US\$1,612m (end December 2017: US\$1,303m). This includes US\$165m related to the Asanko Gold acquisition, which closed on 31 July 2018. The outperformance of the international portfolio and a higher gold price received than budgeted enabled Gold Fields to end 2018 on a better than expected net debt:adjusted EBITDA ratio of 1.45x (2017: 1.03x).

**Table of Contents****84 The Gold Fields** Integrated Annual Report 2018

## Financial performance continued

During 2018, the Group successfully extended the maturity of its US\$380m term loan by 12 months to 6 June 2020 (from 6 June 2019). As such, the first material debt maturity is now due in June 2020. In addition, having entered into an A\$500m revolving credit facility in June 2017, Gold Fields' balance sheet is in a comfortable position with regards to solvency and liquidity. At the end of 2018, the Group had committed and uncommitted loan facilities totalling US\$2.5bn, A\$500m and R4.2bn, of which US\$976m, A\$50m and R2.2bn, respectively, are unutilised. Our debt is currently rated BB+ by

Standard & Poor's and Baa3 (investment grade) by Moody's, the latter being an upgrade from 2017.

During the course of 2019, Gold Fields will look to refinance and extend the maturities of its syndicated bank facilities (US\$1.3bn) and US\$1bn bond (US\$852m outstanding).

**Hedging**

Given the high levels of project capital expenditure incurred during the year, together with the volatility in commodity prices and exchange rates, as well as our higher net debt

position, management continued with the short-term, tactical hedging programme that was implemented in 2017. These hedges were put in place to protect cash-flows during the investment phase, and Gold Fields will look to continue the hedging programme during the first half of 2019, whilst the remainder of capital is spent on Damang and Gruyere. Hedges during 2018 and those put in place in Q1 2019 are in the table below. Net realised gains from these hedge positions were US\$17m in 2018, compared with US\$13m in 2017.

2018				
Hedge	Country	Quantity hedged	Hedging instrument and price	Hedge term
Gold hedge	Australia	453koz (51% of production)	Zero-cost collars; Average (Ave) floor price of A\$1,703/oz, Ave cap price of A\$1,767/oz	Apr 2018 Dec 2018
	Australia	221koz (25% of production)	Swaps; Ave strike price of A\$1,714/oz	June 2018 Dec 2018
	Ghana	489koz (69% of production)	Zero-cost collars; Ave floor price of US\$1,300/oz,	Jan 2018



Edgar Filing: GOLD FIELDS LTD - Form 20-F

<b>Copper</b>	South Africa	production) 64koz (41% of	Ave cap price of US\$1,418/oz Zero-cost collars; Ave floor price of R600,000/kg,	Dec 2018 Jan 2018
	Peru	production) 29.4kt (92% of	Ave cap price of R665,621/kg Zero-cost collars; Ave floor price of US\$6,600/t,	Dec 2018 Jan 2018
<b>Oil</b>	Ghana	production) 126 million litres	Ave cap price of US\$7,431/t Swaps; Equivalent Brent crude swap price	Dec 2018 June 2017
<b>hedge</b>	Australia	78 million litres	US\$49.80/bbl Swaps; Equivalent Brent crude swap price	Dec 2019 June 2017
			US\$49.92/bbl	Dec 2019

2019

Hedge	Country	Quantity hedged	Hedging instrument and price	Hedge term
<b>Gold</b> <b>hedge</b>	Australia	283koz (31% of guidance)	Swaps; Ave strike price of A\$1,751/oz	Jan 2019 Dec 2019
	Australia	173koz (19% of guidance)	Zero-cost collars; Ave floor price of A\$1,720/oz,	Jan 2019
	Australia	456koz (51% of guidance)	Ave cap price of A\$1,789/oz Zero-cost collars; Ave floor price of A\$1,800/oz,	Dec 2019 Jan 2019
	South Africa	113koz (59% of guidance)	Ave cap price of A\$1,869/oz Forwards; Ave strike price of between R615,103/kg and R620,000/kg	Dec 2019 Between June 2019
				Dec 2019
<b>A\$ Forex</b> <b>hedge</b>	Australia	US\$366m	Average strike price between US\$0.7075 0.7330/A\$	Jan 2019 Dec 2019
<b>Oil</b>	Ghana	126 million litres	Swaps; Equivalent Brent crude swap price	June 2017
<b>hedge</b>	Australia	78 million litres	US\$49.80/bbl Swaps; Equivalent Brent crude swap price	Dec 2019 June 2017
			US\$49.92/bbl	Dec 2019

IAR-86

**Table of Contents****Consolidated income statement**

for the year ended 31 December 2018

	United States Dollar		
<i>Figures in millions unless otherwise stated</i>	2018	2017	2016
<b>CONTINUING OPERATIONS</b>			
Revenue	2,577.8	2,761.8	2,666.4
Cost of sales	(2,043.0)	(2,105.1)	(2,001.2)
Investment income	7.8	5.6	8.3
Finance expense	(88.0)	(81.3)	(78.1)
Gain on financial instruments	21.0	34.4	14.4
Foreign exchange gain/(loss)	6.4	(3.5)	(6.4)
Other costs, net	(44.8)	(19.0)	(16.8)
Share-based payments	(37.5)	(26.8)	(14.0)
Long-term incentive plan	(1.1)	(5.0)	(10.5)
Exploration expense	(104.2)	(109.8)	(86.1)
Share of results of equity accounted investees, net of taxation	(13.1)	(1.3)	(2.3)
Restructuring costs	(113.9)	(9.2)	(11.7)
Silicosis settlement costs	4.5	(30.2)	
Gain on acquisition of Asanko	51.8		
Impairment, net of reversal of impairment of investments and assets	(520.3)	(200.2)	(76.5)
Profit on disposal of investments			2.3
(Loss)/profit on disposal of assets	(51.6)	4.0	48.0
<b>(Loss)/profit before royalties and taxation</b>	<b>(348.2)</b>	214.4	435.8
Royalties	(62.5)	(62.0)	(78.4)
<b>(Loss)/profit before taxation</b>	<b>(410.7)</b>	152.4	357.4
Mining and income taxation	65.9	(173.2)	(189.5)
<b>(Loss)/profit from continuing operations</b>	<b>(344.8)</b>	(20.8)	167.9
<b>DISCONTINUED OPERATIONS</b>			

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Profit from discontinued operations, net of taxation		13.1	1.2
<b>(Loss)/profit for the year</b>	<b>(344.8)</b>	(7.7)	169.1
<b>(Loss)/profit attributable to:</b>			
Owners of the parent	<b>(348.2)</b>	(18.7)	158.2
Continuing operations	<b>(348.2)</b>	(31.8)	157.0
Discontinued operations		13.1	1.2
<b>Non-controlling interests</b>	<b>3.4</b>	11.0	10.9
Continuing operations	<b>3.4</b>	11.0	10.9
	<b>(344.8)</b>	(7.7)	169.1
<b>(Loss)/earnings per share attributable to owners of the parent:</b>			
Basic (loss)/earnings per share from continuing operations cents	<b>(42)</b>	(4)	19
Basic earnings per share from discontinued operations cents		2	
Diluted basic (loss)/earnings per share from continuing operations cents	<b>(42)</b>	(4)	19
Diluted basic earnings per share from discontinued operations cents		2	

IAR-87

**Table of Contents****86 The Gold Fields** Integrated Annual Report 2018

Financial performance continued

**Statement of financial position**

at 31 December 2018

United States Dollar

*Figures in millions unless otherwise stated***ASSETS****Non-current assets**

Property, plant and equipment

Goodwill

Inventories

Equity accounted investees

Investments

Environmental trust funds

Deferred taxation

**Current assets**

Inventories

Trade and other receivables

Cash and cash equivalents

Assets held for sale

**Total assets****EQUITY AND LIABILITIES**

Equity attributable to owners of the parent

Stated capital

Other reserves

Retained earnings

Non-controlling interests

**Total equity****Non-current liabilities**

	2018	2017
	5,183.2	5,505.7
	4,259.2	4,892.9
		76.6
	133.3	132.8
	225.1	171.3
	235.3	104.6
	60.8	55.5
	269.5	72.0
	921.1	1,114.4
	368.2	393.5
	153.2	201.9
	399.7	479.0
		40.0
	6,104.3	6,620.1
	2,586.1	3,275.8
	3,622.5	3,622.5
	(2,110.3)	(1,817.8)
	1,073.9	1,471.1
	120.8	127.2
	2,706.9	3,403.0
	2,781.9	2,363.1

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Deferred taxation	<b>454.9</b>	453.9
Borrowings	<b>1,925.3</b>	1,587.9
Provisions	<b>319.5</b>	321.3
Finance lease liabilities	<b>80.1</b>	
Long-term incentive plan	<b>2.1</b>	
<b>Current liabilities</b>	<b>615.5</b>	854.0
Trade and other payables	<b>503.0</b>	548.5
Royalties payable	<b>12.5</b>	16.3
Taxation payable	<b>5.2</b>	77.5
Current portion of borrowings	<b>86.3</b>	193.6
Current portion of finance lease liabilities	<b>8.5</b>	
Current portion of long-term incentive plan		18.1
<b>Total liabilities</b>	<b>3,397.4</b>	3,217.1
<b>Total equity and liabilities</b>	<b>6,104.3</b>	6,620.1

IAR-88

**Table of Contents****Cash-flow statement**

for the year ended 31 December 2018

*Figures in millions unless otherwise stated*

	United States Dollar		
	2018	2017	2016
<b>Cash flows from operating activities</b>	<b>557.8</b>	762.4	917.5
Cash generated by operations	<b>998.0</b>	1,286.5	1,245.4
Interest received	<b>6.8</b>	5.1	7.3
Change in working capital	<b>(16.3)</b>	(69.4)	(2.3)
Cash generated by operating activities	<b>988.5</b>	1,222.2	1,250.4
Interest paid	<b>(91.0)</b>	(90.4)	(81.7)
Royalties paid	<b>(65.5)</b>	(66.0)	(76.4)
Taxation paid	<b>(217.2)</b>	(239.5)	(155.6)
Net cash from operations	<b>614.8</b>	826.3	936.7
Dividends paid/advanced	<b>(57.0)</b>	(70.7)	(40.7)
Owners of the parent	<b>(45.5)</b>	(62.8)	(39.2)
Non-controlling interest holders	<b>(9.8)</b>	(6.4)	(0.2)
South Deep BEE dividend	<b>(1.7)</b>	(1.5)	(1.3)
Cash generated by continuing operations	<b>557.8</b>	755.6	896.0
Cash generated by discontinued operations		6.8	21.5
<b>Cash flows from investing activities</b>	<b>(886.8)</b>	(908.6)	(867.9)
Additions to property, plant and equipment	<b>(814.2)</b>	(833.6)	(628.5)
Proceeds on disposal of property, plant and equipment	<b>78.9</b>	23.2	2.3
Purchase of Gruyere Gold project assets			(197.1)
Purchase of Asanko Gold joint venture investment	<b>(165.0)</b>		
Purchase of investments	<b>(19.3)</b>	(80.1)	(12.7)
Proceeds on disposal of investments	<b>0.5</b>		4.4
Proceeds on disposal of APP	<b>40.0</b>		
Proceeds on disposal of Darlot		5.4	
Contributions to environmental trust funds	<b>(7.7)</b>	(16.7)	(14.8)
Cash utilised in continuing operations	<b>(886.8)</b>	(901.8)	(846.4)
Cash utilised in discontinued operations		(6.8)	(21.5)

Edgar Filing: GOLD FIELDS LTD - Form 20-F

<b>Cash flows from financing activities</b>	<b>257.3</b>	84.2	37.0
Shares issued			151.5
Loans raised	<b>691.7</b>	779.7	1,298.7
Loans repaid	<b>(431.9)</b>	(695.5)	(1,413.2)
Payment of finance lease liabilities	<b>(2.5)</b>		
Cash generated by continuing operations	<b>257.3</b>	84.2	37.0
Cash generated by discontinued operations			
Net cash (utilised)/generated	<b>(71.7)</b>	(62.0)	86.6
Effect of exchange rate fluctuation on cash held	<b>(7.6)</b>	14.3	0.1
Cash and cash equivalents at beginning of the year	<b>479.0</b>	526.7	440.0
<b>Cash and cash equivalents at end of the year</b>	<b>399.7</b>	479.0	526.7

IAR-89

**Table of Contents**

IAR-90



**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018 **89**

Overview  
Environmental stewardship  
Stakeholder relations

IAR-91

**Table of Contents**

**90 The Gold Fields Integrated Annual Report 2018**

Overview

Sustainable gold mining is imperative for Gold Fields' longevity and key to being the company of choice for all our stakeholders – our workforce, government, businesses, capital providers and our communities. This means developing mines across the world, operating responsibly and profitably over lives-of-mine and creating shared value for stakeholders.

Through environmental stewardship, we protect and enhance relationships between our operations and the communities in close proximity. By minimising the impact of our operations on these communities, ensuring ongoing meaningful engagement with stakeholders, and implementing sustainable development policies, we create Shared Value and deliver clear economic, social and environmental benefits to them.

The five key elements of our sustainable development strategy are:

The ability to fulfil our commitment to stakeholders requires that we operate sustainably and profitably. Above all, we require the highest levels of corporate governance and compliance. This is essential given the long-term, capital-intensive nature of our mining projects, as well as the, at times, challenging social and political contexts in which we operate.

In this section we deal with our licence and reputation, a pillar of our balanced scorecard. The section is divided into two parts, environmental stewardship and stakeholder relations.

Regulatory licences are issued by all levels of governments of the countries we operate in, and requires, first and foremost, good corporate citizenship from Gold Fields in terms

of adherence to all relevant legislation. This includes the payment of taxes and other levies, as well as a robust governance and compliance approach. By building strong relationships with our stakeholders, we ensure that we operate beyond pure compliance.

During 2018, Gold Fields' total value distribution to our stakeholders was US\$2.71bn (2017: US\$2.85bn), in the form of payments to governments, capital providers, communities, businesses and our workforce. Over 90% of the value created remains in the countries of operation and increasingly in the communities that host our mines and projects.

Our objectives	Priorities	More info
Energy and climate change	Maintain security of supply Stabilise energy costs Drive renewables and a lower carbon energy mix Start managing climate change adaptation risks	p70 73 p97 99
Social acceptance	Build strong community and government relationships Drive impact through Shared Value Enhance stakeholder engagement and communications	p106 124
Water stewardship	Set and achieve water withdrawal and recycling/reuse targets Achieve water security through catchment approach	p100 102
Integrated mine closure and progressive rehabilitation	Business-wide integrated approach Liabilities optimised through progressive closure and rehabilitation Address social transition at closure	p105
Integrated approach	Achieve collaboration across disciplines Regional leadership Integrated planning	p29 39

**Table of Contents**

## Environmental stewardship

***Introduction***

Gold Fields seeks to enhance the environments in which it operates and limit the impact that mining can cause on the surrounding areas. To manage this, we remain committed to responsible environmental stewardship.

Gold Fields has three Group environment-related policy statements, on environmental stewardship, climate change and materials stewardship, and five environmental guidelines, on energy and carbon management, water management, tailings management, mine closure and biodiversity. Furthermore, all regions are aligning processes to our critical control management approach (p63).

Our approach to environmental stewardship is guided and informed by several external standards as well as local legislation, supported by risk management, internal policies and priorities. Additional local priorities are identified through

In 2018, we completed the process of recertifying our operations in terms of the new ISO 14001 (2015) environmental management standard. During the year, Agnew, St Ives, Damang, Tarkwa, Cerro Corona and South Deep secured recertification, while an audit will be conducted at Gruyere in 2019. Other than Gruyere, no operation is due for recertification in 2019.

During 2018, risk assessments were completed in all regions on the transport of hazardous materials. No material risks were identified. Opportunities for improvement were found, the most important of which was the construction of a pipeline to deliver gas to our Ghana operations instead of by road (p73).

***Environmental incidents***

A scale of Level 1 (most minor) is used to 5 (most severe) to report environmental incidents. We have not experienced any Level 4 or 5 environmental incidents over the

adjacent to affected water courses. Drinking water was provided to these communities, though monitoring showed that their water supplies were safe to drink. No lasting environmental impacts were identified, and, after the permeable rock burden was removed, the area was rehabilitated to the original design with a final clay tie-in. The storage facility was recommissioned.

On 16 December, over a period of three hours, approximately 180m<sup>3</sup> of water containing tailings from the Cerro Corona TSF flowed through an authorised diversion pipe into a creek leading to the Tingo river. A nearby fish farm on the bank of the river was affected. The incident did not compromise the dam's integrity or physical stability. Gold Fields immediately communicated the incident, and subsequently sent a full report, to the environmental authorities. An emergency response team was activated and corrective measures were taken immediately to stop the discharge; within 24 hours the environmental parameters in the river had returned to normal.

stakeholder consultation.

All our mines are certified according to the International Cyanide Management Code (ICMC), which prescribes how to manage, treat, transport, store and dispose of cyanide. Our operations work to prepare for recertification audits every three years by helping to identify and address potential gaps in advance. South Deep, Damang and Tarkwa were successfully recertified during 2018 and Q1 2019. Gruyere was recommended for pre-operational certification. However, we are still awaiting confirmation by the International Cyanide Management Institute. Gold Fields does not use mercury for the beneficiation of gold or in any of its processes.

past ten years.

During 2018, we experienced two Level 3 environmental incidents (2017: two):

During the commissioning of Damang's Far East tailings storage facility (FETSF) in April, supernatant water leaked into the external environment. Permeable waste rock overburden, originally believed to represent natural ground during construction, led to the transfer of the liquid to underlying waste rock fill, which had not been identified and from there to an adjacent water body. Deposition was immediately returned into the East TSF (ETSF) and downstream monitoring initiated. The incident was communicated to relevant regulatory bodies and communities

Rehabilitation of the affected area also started immediately and was completed within 20 days. No fines nor sanctions have as yet been formalised.

### Group environmental incidents

	Level 2	Level 3
Year	incidents	incidents
2014	54	4
2015	67	5
2016	131	3
2017	83	2
<b>2018</b>	<b>68</b>	<b>2</b>

IAR-93

**Table of Contents**

**92 The Gold Fields Integrated Annual Report 2018**

Environmental stewardship continued

***Supporting biodiversity***

Our Biodiversity Conservation Practice guideline ensures that we integrate biodiversity conservation into all aspects of mine life, from pre-feasibility to closure. We aim to contribute to the conservation of biodiversity where opportunities arise. Furthermore, we subscribe to the International Council on Mining & Metals (ICMM) Position Statement on Mining and Protected Areas, which includes a commitment to respect protected areas and an undertaking not to explore or mine in World Heritage listed sites. Biodiversity considerations are incorporated into our integrated mine closure and progressive rehabilitation processes.

Two examples indicating our commitment to biodiversity are:

During 2018 we invested around US\$2.2m in environmental programmes at our Salares Norte project in the Atacama Desert of northern Chile, including US\$700,000 on initiatives to protect the endangered Short-tailed Chinchilla found in the area. During 2018, with the help of environmental experts, we continued improving our the baseline information on the Chinchilla and worked on a detailed plan and protocol to relocate them if the EIA is approved.

The St Ives operations in Western Australia extend over a large salt-lake system known as Lake Lefroy. In recent years, the riparian (bank) zones of such salt lake systems have been recognised as areas of sensitive biodiversity. The current mining disturbance of the Lake Lefroy riparian zone by St Ives and other mining companies is limited to 90ha or 2.5% of the riparian habitat. St Ives has undertaken numerous ecological studies and monitoring programmes in the area. The studies indicate that, outside of the physical disturbance of a small portion of the riparian zone, mining and related activities have no discernible impact on the area's biodiversity. Nonetheless, as part of the Beyond 2018 project at St Ives, regulatory approval of which is still awaited, we have included protection measures for Lake Lefroy's fauna.

**Table of Contents**

## Climate change

Gold Fields' climate change programme focuses on the assessment and mitigation of climate change-related risks, including the development and implementation of action plans and energy management programmes to reduce emissions (p70 – 73), while at the same time ensuring water security (p100 – 102). Gold Fields' objectives are to minimise the Company's contribution to climate change and to build resilience to impacts of climate-related risks on our operations and host communities. It is increasingly clear that the negative physical impacts of climate change are real and immediate, due to:

The long-term risks posed by climate change to the Group's operations and surrounding communities

Increasing efforts to regulate carbon emissions in most of our jurisdictions

Taxes increasingly imposed by governments on non-renewable

formerly the Carbon Disclosure Project. The report details aspects of governance and climate-related risks, as well as our risk management framework, our strategic approach in adapting to and mitigating impacts of climate change, and presents trends in our key climate change-related metrics.

Gold Fields has been disclosing emissions, risks and opportunities for more than 10 years through the CDP. Key energy and carbon emissions data are assured externally. Gold Fields maintained its A- score for its 2018 CDP performance, ranking it among the leaders in the mining sector for both our disclosures and management practices.

***Group performance and strategies***

Our carbon emission performance mirrors the energy usage trends at our operations. These are detailed on p70 – 73. Gold Fields' disclosures cover all three carbon emission scopes, Scope 1 – 3, both in absolute figures and intensities. Total Scope 1 – 3 CO<sub>2</sub>-e emissions during 2018 amounted to 1.85Mt, a

significant drop from 1.96Mt in 2017, reflecting the decrease in total energy usage to 11.62TJ in 2018 from 12.18TJ in 2017. Emission intensity was unchanged from the 0.66t CO<sub>2</sub>-e/oz in 2017, due to a decline in Group gold production. Our aspirational target is to reduce cumulative carbon emissions by 800kt CO<sub>2</sub>-e between 2017 and 2020. Cumulative carbon emission reductions from 2017 – 2018 totalled 265kt CO<sub>2</sub>-e.

Our commitment to low-carbon and renewable energy is a significant contributor to our efforts in reducing

energy consumption

Climate change-related regulations, comprising carbon emission and renewable energy targets, continue to evolve across our regions, and we consistently assess and investigate how these changes will affect our operations. These are detailed in the regional reports on p98 – 99.

***Task Force on Climate-related Financial Disclosures (TCFD)***

Business impact on the climate, and companies’ ability to withstand climate change, are issues of increasing global importance, and vital to our stakeholders. In 2018, Gold Fields became the second Johannesburg Stock Exchange Limited (JSE)-listed company in South Africa (and the first mining company) to publicly back the United Nations (UN)-endorsed recommendations of the TCFD. The recommendations have been adopted by many national financial regulators.

By following the TCFD, we will be reporting our climate-related performance in a more targeted and practical way than before, linking it to financial risks and opportunities. In 2019, we will release our first TCFD report, which will replace our annual submission in terms of the CDP,

The 2018 Group risk register includes the impact of climate change among the top 20 Group risks. Furthermore, the Board’s Safety, Health and Sustainable Development (SHSD) Committee reviews the performance of energy and climate change programmes on a quarterly basis. Every five years we review our vulnerability to climate change and develop Group-wide strategies and programmes in response to these.

During 2017 our Ghanaian operations piloted use of an ICMM climate-data viewer tool, which provides insight into physical changes in precipitation, temperature, wind and water stress levels. These outcomes were used in developing adaptation plans, such as reviewing design flood lines and inclusion of climate change impacts in our project standards. The ICMM tool is in the process of being rolled out to our other operations.

**Gold Fields Scope 1 & 3 CO<sub>2</sub> Emissions**

carbon emissions. All our operations, other than South Deep, are largely powered by LP gas, a low carbon energy source. In Q1 2019, Granny Smith and Agnew announced significant renewable energy projects to be operational later in 2019 or early 2020 (p72). South Deep, Tarkwa and Damang are also investigating developing renewable energy assets in the near future.

Given the water security impact of climate change to our operations, we also closely monitor our water usage and spending and invest in water security and efficiency initiatives.



**Table of Contents**

**94 The Gold Fields Integrated Annual Report 2018**

Climate change continued

*Regional performance*

**KEY RISKS**

Water shortages during drier months

Ability to deliver concentrate for shipping during severe weather events

**STRATEGIC RESPONSES**

Seek approval for water abstraction in regular Environmental Impact Assessment (EIA) updates

Ensure that an alternate route to the port is ready for use

Dynamic and predictive water balances

**2018 KEY DEVELOPMENTS**

In April, Peru released a Climate Change Framework law, seeking collaboration between government and the private sector on the government's commitments to:

Reduce emissions by 20% to 30% below business-as-usual by 2030

Meet 20% of carbon reduction goals through the energy, industry, transport, resources and waste sectors

The mine is looking at ways in which it can contribute to the achievement of these targets.

As part of Cerro Corona's climate resilience plan, the mine:

Commencing the permitting process for withdrawing additional water from the Tingo river in preparation for a low rainfall year

Evaluated the key risks of route disruptions as a result of flooding or landslides for transporting ore concentrates to the Salaverry port

Increase storage capacity at the port and Cerro Corona	Constructed an additional storage building for ore concentrate at the Salaverry warehouse.
--------------------------------------------------------	--------------------------------------------------------------------------------------------

**KEY RISKS**

- Adequacy of flood management measures
- Declining water availability
- Tailings dam stability
- Increased cooling costs
- Legislative changes

**STRATEGIC RESPONSES**

- Flood management plans and critical hazard standards
- Trialling site-based weather modelling at Gruyere
- Maintenance of water balances
- Implemented energy management plans, with a savings target of up to 10%
- Conversion to renewable energies at Agnew, and the assessment thereof at Granny Smith
- Dynamic and predictive water balances

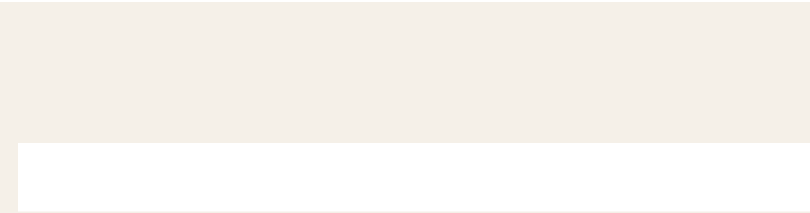
**2018 KEY DEVELOPMENTS**

Australia’s government is reviewing the safeguard mechanism (SGM) introduced in 2016, which applies to facilities emitting more than 100,000 tonnes CO<sub>2</sub>-e emissions each year. We expect Gruyere, once operational, to also be governed by the SGM with the baseline determined by its production plan. Penalties are applied for exceeding emission baselines, or domestic carbon offsets must be purchased to make up the difference. Our Agnew and Granny Smith mines have not exceeded their baseline, but St Ives did so in 2017; emission credits from the Granny Smith gas power were used to offset the penalties. The main impact of the SGM review, which is expected to be implemented by mid-2019, will be the transition from historic to calculated baselines, which will better reflect our operations’ current production profiles.

We continue to manage the lack of certainty regarding the government’s climate change policy through efforts to improve energy efficiencies, as well as taking advantage of the government’s carbon abatement initiatives. During 2018, this initiative at Granny Smith generated 21,032 Australian Carbon Credits Units (ACCUs), with a positive balance of 13,450 ACCUs for use against future liabilities or trading in the open market.

<b>KEY RISKS</b>	<p><b>2018 KEY DEVELOPMENTS</b></p> <p>Increased operational costs linked to road maintenance, replacement of tyres and dewatering</p> <p>Increased volumes of contaminated water requiring treatment</p> <p>Short-term impacts to mining during intense rainfall events</p>
<b>STRATEGIC RESPONSES</b>	<p>Ghana experienced abnormally heavy rainfalls, which impacted both Tarkwa and Damang, and resulted in production delays, the Tarkwa pits being flooded, and additional diesel usage for dewatering. In response, we modified our pumping, storage and pit dewatering strategies.</p> <p>In 2018, we implemented recommendations of the climate change risk and vulnerability assessment conducted in 2017, including increasing pumping capacity for pit dewatering, reduced reliance on the national power grid, which is reliant on hydro power, and engaging communities on climate change impacts. We also started a new water treatment facility at Damang, which includes adding chemicals to reduce nitrate levels to approved standards, while improving water treatment costs and effectiveness.</p> <p>To meet the requirements of the Renewable Energy Act of 2011, proposals for renewable power, amounting to 6MW for Damang and Tarkwa, are currently being investigated.</p>
	<p>Staggering of pit floors to aid drainage and dewatering</p> <p>Review catchment mapping</p> <p>Implement a control process for maintaining</p>

road quality for long haulage routes  
 Dynamic and predictive water balances  
 Provision made for rain delays in operational plan



**KEY RISKS**

Variability in rainfall intensity increasing costs of alternative water sources  
 Temperature increases affect surface cooling plant efficiency and causes heat stress for surface employees  
 Climate change-related regulatory uncertainty

**STRATEGIC RESPONSES**

Dynamic and predictive water balances  
 Reduce freshwater withdrawals  
 Reduce potential Scope 1 and Scope 2 emissions through improved diesel efficiencies and renewable energy

**2018 KEY DEVELOPMENTS**

South Deep continues to work with an independent power producer (IPP) to finalise the construction of a solar photovoltaic (PV) plant at the mine, though the approach may be more incremental than originally envisaged, taking cognisance of more recent financial and regulatory requirements. In terms of the plan, the IPP will raise funding for the plant in return for a long-term purchase power agreement with South Deep. Funding issues are currently being finalised. The IPP is consulting with the Department of Energy on regulatory clarity around the licensing, technical and other requirements of the plant.

Legislation to levy taxes on companies' Scope 1 CO<sub>2</sub> emissions will come into effect on 1 June 2019. South Deep's exposure to the tax is minimal as its Scope 1 emissions, largely related to diesel usage, were only 5,504t CO<sub>2</sub>-e in 2018. A carbon tax levy of R0.10/l was announced by the Finance Minister in early 2019, which amounts to an exposure of around R197,000 (US\$15,000) for South Deep. However, should Eskom, the state utility, be allowed to pass on the cost of the tax on diesel usage to customers, their electricity tariffs could rise significantly.

IAR-97

**Table of Contents****96 The Gold Fields** Integrated Annual Report 2018

## Water management

Access to clean water is a fundamental human right and a vital resource for Gold Fields' mining and ore processing activities. We are committed to responsible water stewardship as it enables security of supply to our own operations. Managing our impact on and access to water is also essential to maintaining our licence to operate, as water is a critical resource for many of our host communities.

We have adopted an integrated approach to water management, including alignment to the ICMM Water Position Statement, baseline water assessments at the operations, and the adoption of a catchment approach to water management based on risk and opportunity analyses. Through careful management, we are able to reduce our environmental impact through responsible use, storage and release of water, while also reducing our costs. Furthermore, we aim to develop our water management policy by Q2 2019.

***Group performance***

All our operations have predictive and dynamic water balances in place.

During 2018, Gold Fields spent a total of US\$32m on water management and projects (2017: US\$29m). Our operations are investing heavily in improving water management practices, including pollution prevention, recycling and water conservation initiatives.

Water withdrawal<sup>1</sup> across the Group decreased to 21.2Gt (2017: 32.9Gt), including a total of 14.5Gt relating to freshwater usage. The main reason is a change in the definition of water withdrawal to align with the ICMM Water Reporting Guideline. Dewatered and diverted water<sup>4</sup> was previously reported as withdrawn water by our Australian operations, but has been reclassified as water diverted in alignment with the ICMM definitions as it is not used in

**Total water used in processes<sup>5</sup>****Water withdrawal per tonne processed****Water recycled/reused as percentage of total**

The ICMM Position Statement on water stewardship commitments was adopted by Gold Fields in 2017. Gaps in terms of our alignment with the ICMM statement were assessed and closed-out by each of our operations in 2018. During this year, we also engaged an external company to conduct a third-party review to verify this alignment to the position statement. This company confirmed our overall alignment rating and found a strong commitment to water stewardship at both corporate and operational levels, with transparent communication and disclosure of our water performance statistics both internally and externally. They also found a need for greater alignment of Gold Fields operations water balances within the context of the water requirements of the wider catchment area, particularly adjacent communities.

the mine processes. Water withdrawal per tonne processed declined to 0.64Kl (2017: 0.96Kl) and per ounce produced to 10.3Kl in 2018 (2017: 14.8Kl), in line with the significant drop in water withdrawal.

Water recycled<sup>2</sup> or reused<sup>3</sup> amounted to 41.4Gl (2017: 43.3Gl). The ICMM has recommended a recycling/reuse target of 65% for mining operations, which we adopted in 2018 and we achieved 66% (2017: 57%).

We benchmark our water usage by participating in the CDP water disclosure programme. The CDP's water score is an indicator of a company's commitment to transparency around its water risks, and the sufficiency of its response to them. During 2018, Gold Fields achieved a B score, down from the A- score in its 2017 CDP water assessment. This is a notch below the top mining performers and reflects broader assessment criteria for the mining sector, many of which are not relevant to Gold Fields.

<sup>1</sup> *Water withdrawal* – The the sum of all water drawn into Gold Fields' operations from all sources (including surface water, ground water, rain water, water from another organisation or state/municipal provider) for any use at the mine

<sup>2</sup> *Recycled water* – water/waste water that is treated before being recycled and reused

<sup>3</sup> *Reused water* – water/waste water that is re-used without treatment at the same operation

<sup>4</sup> *Diverted water* – water pumped from our underground operations or pits that is discharged into the environment with regulated limits so as to ensure continued and safe mining

<sup>5</sup> *Total water used in process* = water withdrawal + water recycled/reused

*Regional performance*

**KEY RISKS**

Poorly developed public water infrastructure

Cerro Corona being blamed for ongoing or perceived water quality pollution by neighbouring mines

Leakage of polluted water from our mine into neighbouring rivers

Water-related activism at local and regional levels

**STRATEGIC RESPONSES**

Cerro Corona has a water management strategy in place that includes:

Permits for water use

Water balance to control the volume of run-off water stored in the TSF

**2018 KEY DEVELOPMENTS**

Cerro Corona remains committed to providing local communities with potable water and implements projects focusing on water provision and improvement of municipal water systems. The Health Authority approved the registration of Cerro Corona’s water systems used for human consumption.

On 16 December 2018, approximately 180m<sup>3</sup> of water containing tailings from the Cerro Corona TSF in Peru, flowed through a creek and reached the nearby Tingo river. This has since been rectified (p95).

We continued negotiations to purchase land for a water treatment plant for the Haulgayoc drinking water system, improving the availability of drinking water for about 4,000 beneficiaries.

Two water efficiency projects, which will reduce the consumption of drinking water in the accommodation camp and reduce the evaporation from water ponds, are

Rainwater storage and recycling

Community water supply programmes

Water monitoring and quality controls at discharge points

Proactive engagements with community organisations and local government

Diversion channels for clean water

Water permits for the mine, plant and tailings dam

planned for 2019/2020.

## KEY RISKS

The limited availability of fresh water

Impacts of flooding from extreme events

## STRATEGIC RESPONSES

Water management strategies are in place, including the development and maintenance of appropriate water balances, linked to operating strategies and post-closure water management plans

The operations have a long history of using saline to hypersaline water

Nano-filtration water treatment technologies are being evaluated at St Ives to remove magnesium from the water, improving the quality of

## 2018 KEY DEVELOPMENTS

Granny Smith implemented an initiative to improve surface water through harvesting rain and surface water and reinjecting this water into an aquifer, improving recharge rates and yield. This reduces the reliance on the Mt Weld borefield and supplements the water required for the process plant and Wallaby underground mine.

St Ives has two water agreements in place: the first with the Water Corporation, terminating in 2050, which provides for the majority of the potable water, as well as an agreement with a neighbouring mine, which provides for declining entitlements until 2021 when it will be replaced in full by provisions from the Water Corporation.

Agnew receives water from a number of sources, including a range of pits filled with rainwater.

At the Gruyere project, two borefields will supply the mine and the Gruyere village. The Yeo borefield will serve as the main water source for Gruyere's processing plant. To date, 21 boreholes have been drilled and



recycled water

installation of a 95km water pipeline to the processing plant has commenced.

IAR-99

**Table of Contents**

**98 The Gold Fields Integrated Annual Report 2018**

Water management continued

**KEY RISKS**

Intense periods of precipitation during Ghana's rainy seasons

Water pollution affecting communities adjacent to both operations

Providing potable water in the event of possible water pollution

The impact of illegal mining on water sources

Mining landforms affecting natural surface water flow

**STRATEGIC RESPONSES**

Water management strategies include:

Water storage and reuse

An inaugural Regional Water Working Group was held in Q4 2018, seeking to identify and further incorporate water management opportunities at our Ghanaian operations.

Brine recirculation from the Tarkwa northern heap leach pads continued in 2018. Tarkwa is also examining contracting external companies to provide more advanced treatment options for brine and increase treatment capacity. Damang implemented the treatment of nitrate-laden water from the open pits. The mine also established a water monitoring team, comprising members of the local community, to enhance transparency and communication of water results.

Both operations now have fully functioning water balance software, with teams trained in developing water management models.

Water volume and quality monitoring  
Controlled water releases to external  
water bodies

Landform reviews to ensure adequate  
surface water drainage

Expanded cut-off trenches

Enhanced pit dewatering strategies

### KEY RISKS

Growing concerns around water  
scarcity in South Africa

Seepage plumes at South Deep's  
Doornpoort TSF

### STRATEGIC RESPONSES

Usage of a number of water sources,  
including recycling and conservation  
initiatives, water treatment plants,  
boreholes and access to the public  
water system

Ongoing water monitoring,  
containment in storage facilities,  
water treatment and purification, to  
ensure water security and mitigate  
water pollution. Undertaking studies  
of the mine's impact on the wider  
catchment area, including a  
post-closure water management plan  
and the Leeuspruit legacy study

Participation in the existing catchment  
forum

Environmental educational lectures  
and tours for local communities

### 2018 KEY DEVELOPMENTS

The Department of Water and Sanitation (DWS) issued  
South Deep's water licence in December 2018.

South Deep and Sibanye-Stillwater jointly undertook a  
study of the impact of historical mining pollution in the  
Leeuspruit stream, which flows through the operational  
area of both companies. The Leeuspruit Legacy Project  
report was presented to the DWS and an environmental  
NGO, the Federation for a Sustainable Environment.  
Both parties supported the study and recommended that  
further work be undertaken. A risk assessment and  
development of a remediation and closure plan with  
costs are under way.

Seepage plumes have previously been identified at  
South Deep's Doornpoort TSF. As part of the project to  
contain and reduce these plumes, 13 boreholes and two  
seepage sumps were equipped with a pumping and  
monitoring system, which is monitored on an ongoing  
basis.



**Table of Contents**

## Waste and tailings

The most significant waste materials produced by our operations are tailings, waste rock, chemical waste and hydrocarbon waste. By managing these wastes responsibly, we minimise the environmental and potential social impact, so as to maintain our licence to operate.

All of our operations have tailings management plans in place, including closure and post-closure management plans. In total, as at end-2018, our ten operations (including three JV sites) contained 33 tailings dams, of which 14 were active and one under construction. With regards to active TSFs, Gold Fields currently has two in-pit tailings dams operating at Agnew and St Ives, five downstreams/centreline tailings dams and seven upstream tailings dams.

Gold Fields operations with active downstreams/centreline tailings dams are Cerro Corona, Damang and Tarkwa.

The new Gruyere TSF, currently in construction, is also a downstream TSF. Gold Fields has only three operations where upstream tailings are being used, being South Deep, Tarwa and Granny Smith.

As two of our sites, South Deep and Granny Smith, are located in relatively dry regions, limited amounts of water need to be stored on the facilities, significantly reducing the risk of saturation on the dams. Tarkwa's upstream tailings dams in Ghana have been constructed from imported fill materials, and are designed assuming worst-case scenario conditions, to ensure the embankments remain stable throughout both the wet and dry seasons, and also for the life of the facility.

***TSF management***

The mining industry's TSFs are in the spotlight following the catastrophic tailings failure at Vale's Feijão iron ore mine in Brumadinho, Brazil, in January 2019, which resulted in over 300 deaths. This follows the 19 fatalities during the Samarco TSF failure in 2015, and significant environmental damage after the Mt Polley tailings dam collapse in 2014.

After the Samarco accident, the ICMM members developed a Tailings Position Statement in 2016 and approved a tailings aspirational goals roadmap in late 2018. Gold Fields' Group Tailings Management Guidelines are aligned to the ICMM Tailings Position Statement. The guidelines were strengthened during 2017 with the inclusion of additional performance guidance and minimum assessment criteria. Subsequent to the Brumadinho tragedy, the ICMM agreed to

establish an independent panel of experts to develop an international standard for tailings facilities for its member companies.

## **METHODS OF TAILINGS CONSTRUCTION**

### **Upstream**

### **Downstream**

*Source: Jon Engels [www.tailings.info/disposal/conventional.htm](http://www.tailings.info/disposal/conventional.htm)*

*The two most common designs for a raised tailings embankments are upstream and downstream TSFs. A downstream tailings facility is one where the new embankment raise is constructed and supported beyond the downstream slope.*

*Downstream TSFs may have supernatant water ponded against the embankment, as shown in the diagram, or they may have a tailings beach.*

*In upstream tailings dams, each new embankment raise is constructed partially on the embankment immediately below and partially on the consolidated tailings beach adjacent to the embankment.*

All Gold Fields TSFs, as well as associated pipeline and pumping infrastructure, are subject to an independent, external audit every three years or more frequently where required by local circumstances or regulations as well as

regular inspections and formal annual Engineer of Record reviews.

A number of improvement areas were recommended, including:

- Seismicity design considerations
- Appointment of an Engineer of Record for each TSF
- Dam break assessments
- Update of emergency response plans
- TSF seepage management and control

In addition to closing out these identified gaps during 2018, Gold Fields also embarked on a programme to further improve operational safety of its TSFs, including moving away from the construction of upstream facilities

IAR-101

**Table of Contents**

**100 The Gold Fields** Integrated Annual Report 2018

Waste and tailings continued

to centre-line or downstream designs, consideration of filtered and dry stacked tailings, as well as in-pit tailings disposal.

These are in line with the main areas of work under the ICMM's aspirational goals: improving critical controls and reducing tailings water content.

The following actions have been implemented or are currently in process at our operations:

The use of a new downstream TSF for the Damang Reinvestment project

The use of filtered and dry stacked tailings for the planned Salares Norte mine

Gold Fields is also working with Lepanto Mining, its majority partner in the Far Southeast project in the Philippines, on enhancing risk mitigating measures for the TSF used by Lepanto for tailings disposal from its nearby gold mine. Gold Fields and Lepanto have commissioned external consultants to undertake detailed hydrological, seismic and geotechnical reviews and make recommendations on strengthening the TSF. The TSF is located in a region with high seismic activity and frequent typhoons.

Our technical teams are also working with Asanko Gold to further strengthen risk assessment and governance of the lined and upstream-designed TSF at the Asanko gold mine (AGM) JV in Ghana.

During 2018, two new TSFs were commissioned at our West African operations: the FETSF at the Damang mine and TSF 5 at Tarkwa.

***Waste management***

**Group mining waste**



The increased use of in-pit tailings disposal in Australia (Agnew and St Ives)

Increased use of tailings for underground backfill at the Granny Smith and St Ives Invincible mines

Improved governance over seepage control at TSFs through the installation of liners. All new TSFs recently constructed at Tarkwa, Damang and Gruyere are lined

In February 2019, the Gold Fields Board also requested strengthened governance of the Group's TSFs through among others, quarterly TSF update reports, continuous environmental monitoring, including satellite monitoring scans, and increased external and independent verification. These are currently being investigated by management with a view to rapid implementation.

Total Group waste rock volumes mined decreased to 149Mt in 2018 from 171Mt in 2017, due to lower volumes moved at our Tarkwa and St Ives mines. Tailings depositions were at 41Mt in 2018,

unchanged from 2017 and despite a sharp fall in depositions at South Deep, due to lower production.

Gold Fields has set a target to maintain the general landfill waste mass (non-hazardous waste other than tailings and waste rock) at 2015 levels of 11.2Mt, by ensuring a reduction in the waste that reaches landfill through greater use of on-site waste separation and recycling. During 2018 the Group reduced landfill waste by 19% to 9Mt as a result of lower waste volumes at Damang, Cerro Corona and St Ives.

**Table of Contents****Mine closure**

Sustainable and integrated mine closure remains one of Gold Fields five key sustainability focus areas. We aim to reduce our environmental, community and social impacts, optimise our closure liabilities and, where possible, enhance asset values. Integrated mine closure planning and progressive rehabilitation are a crucial part of our mine closure management programme.

The Group's focus on progressive rehabilitation during mining operations was advanced in 2018. Progressive rehabilitation presents many opportunities for mining operations, including building credibility with regulators and stakeholders, reducing closure liabilities and achieving cost savings through:

- Utilising available equipment
- Eliminating the need for contractor mobilisation costs
- Utilising current resources such as the environmental management team
- Potential tax savings

supporting the Gold Fields focus on social transitioning.

All mining operations have closure plans and closure cost estimates in place, which are reviewed and updated annually. Noteworthy was that the Western Australian Department of Mines, Industry Regulation and Safety informed the St Ives mine in 2018 that its closure plan had been approved for implementation and would be used as a benchmark for other Western Australian mines. The mine closure plan has established a platform for the site's progressive rehabilitation and has realised an 11% reduction of the closure liability of A\$14m (US\$10.5m) through improved closure planning and practices.

All operations updated their 2018 closure cost estimates, which were externally assured. The funding methods used in each region to make provision for the mine closure cost estimates are:

Peru bank guarantees

Australia existing cash and resources<sup>1</sup>

Ghana reclamation security agreements and bonds underwritten by banks along with restricted cash

South Africa contributions into environmental trust funds and guarantees

The total gross mine closure liability for Gold Fields rose by 5% to US\$400m in 2018. A breakdown is provided in the table below.

## Improving the rehabilitation knowledge base

Progressive rehabilitation opportunities, as identified in mine closure plans, have been embedded in our mines' 2019 business plans. Our operations have identified practical progressive rehabilitation activities and costs that are aligned to regulatory requirements and which can be implemented in 2019. The 2020 objective is to identify integrated mine closure opportunities to reduce the Group's long-term closure liabilities. This means planning for post-closure and long-term sustainability in consultation with our communities and other stakeholders. Ongoing participation in the ICMM Mine Closure Working Group and Social Guidance for Closure Taskforce is

**Group closure estimates 2018 (US\$m)**

	2018	2017
Australia region <sup>1</sup>	178 <sup>2</sup>	179
West Africa region	100	98
Americas region	79	62
South Africa region	42	42
<b>Group total</b>	<b>400</b>	381

<sup>1</sup> Due to legislative changes introduced in Western Australia, there is no longer a legal obligation to have unconditional performance bonds in place for mine closure liabilities. Such liabilities for continuing operations are now self-funding. In addition, companies are now required to pay a levy to the state based on the total mine closure liability. This levy is 1% of the total liability per mine, paid annually. This levy goes into a state administered fund known as the Mine Rehabilitation Fund. Capital and interest from the fund will be used to rehabilitate legacy sites or sites that have prematurely closed or been abandoned

<sup>2</sup> Includes 50% of the total Gruyere closure cost estimate

**Table of Contents****102 The Gold Fields** Integrated Annual Report 2018

## Stakeholder relations

The quality of our relationships with our stakeholders, those individuals and organisations who have a substantial influence on our ability to create value, are integral to our licence to operate. We consistently balance the needs and expectations of our stakeholders with the best interests of Gold Fields, and therefore cultivate relationships that are open, transparent and constructive. Gold Fields has well established stakeholder engagement practices, and we actively engage our key stakeholders continuously on material issues and publicise these engagements. We consider the following to be our key stakeholders: shareholders and other investors, employees and contractors, communities, governments and business partners (suppliers).

Our Stakeholder Relationship and Engagement Policy, approved by the Board in February 2018, was rolled out during the year as part of the alignment with King IV to adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders

***Investor relations***

Gold Fields has positioned itself as a globally diversified gold mining company with a portfolio that is characterised by mechanised underground and open-pit mining. Central to our vision of leadership in sustainable gold mining, is the objective of positioning the Group as a focused, lean and globally diversified gold mining company that generates significant free cash-flow, and provides investors with leverage to the price of gold.

Mining is a long-term game. As a business, we need to balance investing for future growth of our portfolio whilst generating cash today. Through our investment projects and strategic decisions, we aim to sustainably extend the life of Gold Fields overall portfolio at lower costs than today. We believe that this is also a prerequisite for improving the confidence with which long-term investors as well as buy-side and sell-side market participants view Gold Fields.

people-related balanced scorecard objectives were driving diversity and inclusion, managing the talent pipeline and ensuring succession planning for critical roles, and strengthening a values-based culture that drives delivery.

For a full analysis of our stakeholder relationship with our workforce see p76 78.

***Government relations***

As the issuers of mining licences, developers of policy and implementers of regulations, host governments are among Gold Fields most important stakeholders. This requires first and foremost good corporate citizenship from Gold Fields in terms of adherence to all relevant legislation, including the payment of taxes and other levies. We are committed to working with governments at national, regional and local level in establishing sound and transparent working relationships that benefit the

in the best interests of the company . We further developed an internal portal to register material engagements with our key stakeholders. Our management teams have been incentivised to enhance the number and quality of their engagements with these stakeholders during 2019.

We create and distribute value for all stakeholders in the countries in which we operate. Our total value distribution, graphically depicted on p6, highlights the economic value we created at Group level during 2018, as well as value created in our individual regions. Gold Fields' total value distribution during 2018 amounted to US\$2.71bn (2017: US\$2.85bn), in the form of payments to governments, business partners, our workforce, host communities and capital providers.

For a full analysis of our stakeholder relationship with investors, see the Capital Discipline section on p84-90 and the Portfolio Management section on p40-55.

### ***Employee relations***

Our workforce is critical to safe operational delivery. We remain focused on ensuring we have the necessary skills, culture and workforce profile required to meet our objectives and that our workforce is structured to support the delivery of immediate and long-term strategic objectives.

During 2018, the two most significant people-related developments were the restructuring exercise and related strike action at South Deep, as well as the transition from owner to contractor mining at Tarkwa. The key

countries and host communities.

Gold Fields does not provide financial contributions to political parties and lobby groups unless explicitly approved by the Gold Fields Board of Directors in accordance with the Company's Code of Conduct. No political donations were made in 2018.

A worrying development over the past few years has been a strong resurgence of resource nationalism in many leading mining jurisdictions. During 2018, these have been particularly pertinent in our South Africa and West Africa regions.

**Table of Contents**

Our engagement in Peru is focused at local, regional and national government levels to address operational, social and sustainability matters. A business-friendly national government is in power in Lima and our engagement with the relevant departments is largely carried out via the National Chamber of Mines, Oil and Energy, especially on regulatory matters. Gold Fields Peru's legal stability agreement, signed with the Peruvian government in 1997 to facilitate the build-up of our Cerro Corona mine, expired during 2017 and Gold Fields is now subject to the same taxation regime as the rest of the mining sector.

Traditionally, regional and local level officials in the Cajamarca province, which is home to Cerro Corona, have adopted anti-mining strategies and policies, reflecting wider public sentiment among communities. During 2018 there were a number of socio-economic conflicts related to mining in the Cajamarca province, but a more business-friendly government was elected which has stressed the need to build trust between mines and communities. This will make it easier for our social and environmental policies as well as our extensive engagement with all stakeholders, to gain further traction and support not only from community

members but also with regional and local authorities.

Our engagement activities will be intensified during 2019 following our tailings leak in December 2018 which, while having a negligible environmental impact, received wide publicity in Cajamarca province and led to protest action at the mine (p116). The extension of Cerro Corona's life-of-mine to 2030 will also require more long-term community investment programmes and strategies.

From a regulatory perspective, Gold Fields' South Deep mine is guided primarily by the Mineral and Petroleum Resources Development Act (MPRDA) of 2002. In 2014, critical amendments to the MPRDA were tabled by the government in the MPRDA Amendment Bill, but the bill has still not been signed into law amid opposition to some of the proposed changes. Among other things, the proposed MPRDA grants the Minister of Mineral Resources discretionary powers which we believe go beyond the original intent of the Act and are unconstitutional, such as the ability to unilaterally set the terms of the Mining Charter at his/her discretion.

One of the key requirements of the MPRDA, which Gold Fields supports, is to facilitate meaningful and substantial participation of Historically Disadvantaged South Africans (HDSAs) in the mining industry. To provide guidance on this open-ended requirement, the Mining Charter, as

revised in 2010, was published by the DMR, providing for a range of empowerment actions and a corollary time frame. In terms of the Mining Charter, all mining rights holders are required to submit an annual compliance assessment to the DMR on progress made against meeting the annual targets in the Charter. Gold Fields continues to comply with this process.

The DMR published Mining Charter 3 in September 2018 after consultation with the industry through the Minerals Council South Africa (MCSA, formerly the Chamber of Mines). The MCSA considers most aspects of the Charter a framework within which the industry can live. There are, however, critical areas over which Gold Fields and the industry has very deep concerns, namely that the Charter does not fully recognise the black economic empowerment (BEE) ownership credentials of previous BEE transactions. This is the case in respect of mining right renewals and transfers of these rights. Such a requirement has a severely dampening effect of the attractiveness of South African mining in the eyes of investors and appears

also a breach of a Court declaratory order handed down in April 2018 which supported the so-called 'once empowered, always empowered' principle. The MCSA continues to engage with the Minister and the DMR in an effort to resolve these concerns, and may also follow due process in this regard.

Gold Fields supports achieving a solution that is viable to support economic growth and economic transformation while at the same time fostering a sustainable mining industry in South Africa in which investment is encouraged and rewarded.

While the renewal of South Deep's mining licence is only due in 2040, we are concerned by the prospect of having to renegotiate our licence under completely different circumstances to those that prevailed when our licence was awarded in 2010. We believe that our current BEE ownership level of 35% meets the principles and spirit of the original Mining Charter, and has created the framework for the ongoing transformation of South Deep.



**Table of Contents**

**104 The Gold Fields Integrated Annual Report 2018**

Stakeholder relations continued

**Mining Charter Scorecard**

All mining rights holders in South Africa (including South Deep as the mining rights holder) are required to submit an annual compliance assessment to the DMR on progress made against meeting the annual targets in the Mining Charter.

Gold Fields has reviewed its 2018 performance against the 2014 Mining Charter. South Deep’s 2018 scorecard is shown on this page and illustrates Gold Fields achievements against the provisions of an online scorecard created by the DMR in 2015. In aligning with Mining Charter 3, South Deep has conducted a gap analysis against the Mining Charter 3 scorecard guidelines released by the DMR in December 2018, though there are still some areas of uncertainty and ongoing consultations between the DMR and the MCSA.

As part of its obligations under its mining licence, South Deep also submits a five-year Social and Labour Plan (SLP). The SLP includes projects benefiting communities that are impacted by mining, both in host communities and labour-sending areas. An SLP requires the mining industry to develop and implement comprehensive local economic development, skills and human resource programmes (including employment equity plans and facilitated home ownership) and mine community development.

Under its 2013 to 2017 SLP, South Deep spent approximately R750m (US\$53m) in terms of its various SLP commitments. A draft SLP for the period 2018 to 2022 was submitted to the DMR in December 2017 and resubmitted in August 2018 for approval. The draft SLP outlines future financial commitments of over R283m (US\$20m), with the bulk of this R258m (US\$18m) being dedicated to human resource development programmes, including learnerships, bursaries and skills development.

Element	Description
<b>Reporting Ownership Housing and living conditions</b>	Report on the level of compliance with the Revised Charter for the calendar year Minimum target for effective HDSA ownership Conversion and upgrading hostels to attain the occupancy rate of one person per room Conversion and upgrading hostels into family units

<p><b>Procurement and enterprise development</b></p>	<p>Procurement spent on BEE entity</p> <p>Multi-national suppliers contribution to the social fund</p>
<p><b>Employment equity</b></p>	<p>Diversification of the workplace to reflect the country's demographics to attain competitiveness</p>
<p><b>Human resources development</b></p>	<p>Developing requisite skills, including support for South Africa-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology, mining, beneficiation, as well as environmental conservation</p>
<p><b>Mine community development</b></p>	<p>Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis</p>
<p><b>Sustainable development and growth</b></p>	<p>Improvement of the industry's environmental management</p> <p>Improvement of the industry's mine health and safety performance</p>
<p><b>Beneficiation</b></p>	<p>Utilisation of South Africa-based research facilities for analysis of samples across the mining value chain</p> <p>Contribution towards beneficiation</p>

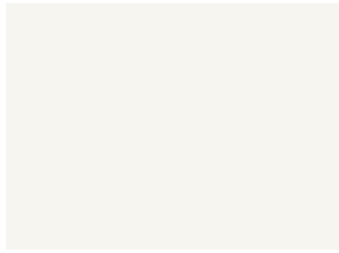
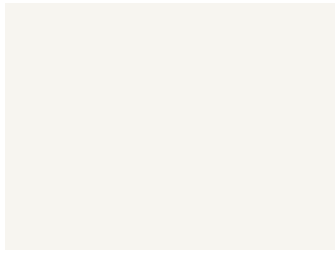
<sup>1</sup> Includes members of the SA Regional Executive Committee and the South Deep mine Executive Committee

<sup>2</sup> Core skills include A, B and C graded employees in the miner and artisan categories as well as officials with core skills for mining and/or working in a core mining area(s)

**Table of Contents**

<b>Measure</b>	<b>2018 Mining Charter compliance target</b>	<b>Progress against targets as at 31 December 2018</b>
Documentary proof of receipt from the DMR	Annually	South Deep annual submission
Meaningful economic participation	26%	35%
Percentage reduction of occupancy rate towards 2014 target	Occupancy rate of one person per room	0.49 person per room ratio
Percentage conversion of hostels into family units	Family units established	100%
Capital goods	40%	75%
Services	70%	81%
Consumable goods	50%	91%
Annual spend on procurement from multi-national suppliers	0.5% of procurement value	1.2%
Top management (Board)	40%	50%
Senior management <sup>1</sup>	40%	50%
Middle management	40%	45%
Junior management	40%	52%
Core and critical skills <sup>2</sup>	40%	70%
Human resources development expenditure as a percentage of total annual payroll (excluding mandatory skills development levy)	5%	7.7% (R123m)
Implement approved community projects	Up-to-date project implementation	The two remaining 2013 – 2017 SLP projects, brought forward from 2017 a poultry farm and a bakery were fully implemented during 2018 with total spend

<p>Implementation of approved environmental management programmes (EMPs)</p>	<p>100%</p>	<p>of R4.8m. Regarding the 2018 – 2022 SLP, effective 1 January 2018, for which DMR approval is still pending – project implementation commenced with a focus on project plans and Memorandums of Understanding with project partners. Actual implementation as at 31 December 2018 was therefore at 0%. This will accelerate once DMR approval has been received.</p> <p>R44.1m was spent on SED (including community trusts), with 0.05% spent on training 14 small medium and micro-sized enterprises (SMMEs). 100%</p> <p>An EMP performance assessment was undertaken in Q1 2018. The assessment was conducted by ECO Partners Consulting in terms of NEMA Regulation. The results of the assessment were submitted to the DMR in April 2018.</p>
<p>Implementation of tripartite action plan on health and safety</p>	<p>100%</p>	<p>South Deep is also ISO 14001:2015 certified, which assists tracking the implementation of the EMP commitments. In addition, the mine commissions annual reviews of the mine closure cost estimates, using independent experts. 96%</p>
<p>Percentage of samples in South African facilities Added production volume contribution to local value addition beyond the baseline</p>	<p>100% Section 26 of MPRDA (% of above baseline)</p>	<p>The implementation of the two remaining programmes of the five culture transformation pillars (elimination of discrimination and risk management) is still in progress. 100%</p> <p>Current regulations and guidelines are not clear in relation to the baseline levels and targets. However, Gold Fields has made a capital intensive investment in our smelting facility at South Deep, which adds significant value to the gold being mined as well as creating jobs. Gold Fields also owns</p>



2.76% of Rand Refinery, which has established the Gold Zone. The aim is for the Gold Zone to become a major hub for precious metals fabrication in South Africa for global export, while at the same time assisting local communities with skills development (including beneficiation).

IAR-107

**Table of Contents**

**106 The Gold Fields** Integrated Annual Report 2018

Stakeholder relations continued

In March 2016, Gold Fields Ghana entered into a Development Agreement (DA) with the government of Ghana for both the Tarkwa and Damang mines. The highlights of the agreement include a reduction in the corporate tax rate from 35% to 32.5% and a sliding scale royalty tax based on the gold price. The US\$1,251/oz average gold price our mines received during 2018 attracted a royalty of 3%, the lowest in terms of the formula.

The DA applies if Gold Fields spends US\$500m at each of the two mines for an 11-year period for Tarkwa and a nine-year period for Damang. The DA can be extended by a further five years should additional investments of US\$300m each be made.

The DA was a critical consideration for Gold Fields Ghana to commence with the US\$341m capital reinvestment programme at Damang during 2017. This investment has significant socio-economic benefits for communities around Damang. The DA will also lead to cost and cash-flow benefits for the Tarkwa mine. The mine has accelerated its near-mine exploration activities, which, if successful, will enable it to invest in future expansion when required.

Another DA commitment by Gold Fields was funding the construction of the 33km road between Tarkwa and Damang at an estimated cost of US\$26m. This project is set to be completed in early 2019. The DA does not apply to the Asanko gold mine, in which we acquired a 45% stake during 2018, but our investment illustrates the confidence

we have in Ghana's fiscal and regulatory framework.

The DA has cemented our status as one of the largest contributors to the country's fiscus. In 2018, Gold Fields paid US\$90m in direct taxes, royalties and dividends to the government of Ghana (2017: US\$105m). The government holds a 10% interest in the legal entities controlling our Tarkwa and Damang mines.

During 2018 the Ghanaian government issued a letter to the mining sector requiring all gold companies, including Gold Fields, to sell 30% of their gold production to the government with a view to refining it and adding value to the metal locally. The Chamber of Mines is continuing to engage with the government through a joint committee which is looking at mutually beneficial strategies to add value to the country's gold resources.

During 2017, the gold industry twice managed to halt attempts by the Western Australian government to increase the gold royalty tax from 2.5% to 3.75%. Political pressures to boost state revenues from the sector remain. To garner ongoing public and political support for the industry Gold Fields, together with West Australian industry peers in the Gold Industry Group, will continue to highlight the positive social and economic contributions the sector makes and how this can be further enhanced through growth in gold mining rather than through higher taxes and royalties.

The commencement of the Native Title Act 1993 significantly changed

the regulatory framework in Australia with respect to industry engagement with Indigenous People. Until recently, there has not been a legal requirement for Gold Fields to engage with Native Title groups, as our mines are located on mining tenements that were granted prior to the commencement of this legislation. This position has shifted significantly in the last few years, as Native Title claims have been lodged and determined over many areas in which Gold Fields operates. In addition, the entry into a joint venture with Gold Road Resources for development of the Gruyere project, has handed Gold Fields its first comprehensive agreement with a Native Title group for the development of a mine.

In response, Gold Fields has significantly stepped up engagements with Native Title groups in recent years and, during 2018, developed a

comprehensive Indigenous Peoples strategy. The strategy, as well as our engagements, are discussed on p114 115.

In November 2018, the Modern Slavery Bill 2018 was passed by the country's House of Representatives. Companies with a turnover of A\$100m a year will be required to report annually on their actions to ensure transparency in their supply chains, including the steps they are taking against modern slavery. A preliminary assessment of Gold Fields Australia's key human rights risks and the effectiveness of its control framework, including supply chain risks, has been undertaken. Gaps identified will now to be addressed.

IAR-108

**Table of Contents****The Gold Fields** Integrated Annual Report 2018 **107*****Community relations***

We recognise the importance of solid relations with our host communities to our social licence to operate. Host communities are identified by each of our operations for the purpose of securing our mining licences – both legal and social. These communities reside in the vicinity of our operations, have been directly affected by exploration, construction or operations, and have a reasonable expectation regarding the duties and obligations of the mining operator. We aim to avoid and minimise negative impacts of our operations on our host communities while maximising the positive benefits.

In 2018, all operations prepared community relations and stakeholder engagement strategies and three year plans focused on maintaining the social licence to operate in their host communities. The regions are progressing with implementation of their plans. Progress on highlights for all of our mines is outlined in the infographics on p114 – 121.

We remain focused on social investment that results in a meaningful and sustainable impact on our host communities, and therefore strive to create Shared Value through host community employment and procurement.

*An infographic detailing how we create value for our communities is on p7.*

Community investment drives integrated development. We focus on socio-economic development (SED) initiatives and Shared Value programmes to create and share value with our host communities. These projects create positive socio-economic impacts for host communities by targeting their priority needs, which we have identified as:

- Employment, particularly for youth
- Skills and enterprise development
- Environmental rehabilitation
- Access to water

**SED spending**

We have invested US\$25.7m (2017: US\$17.5m) in SED projects in our host communities during 2018, mainly in the following areas:

- Infrastructure development
- Education and training
- Economic diversification

These investments are detailed for each region on p114 – 120.



## Group and regional SED spend

### Grievance mechanism

We are committed to addressing community issues and concerns timeously and effectively. Therefore, we rely on a grievances system to maintain confidence and transparent communication with our stakeholders. Our grievance mechanism enables and encourages community members to freely put forward their complaints, while obligating our mines to address the grievances within an agreed period.

Not managing a complaint can lead to further conflict and discontent within our host community. In certain instances we engage members from our local communities to act as mediator should our teams not be able to resolve the grievance. During 2018, our operations dealt with 127 economic, social, and environmental grievances lodged by our host communities (2017: 76). 88 of these grievances were resolved and 39 are still being dealt with.

### Measuring our impact and relationships

We conduct independent assessments to gauge the strength of our relationships with our host communities. In South Africa and Ghana, we use the ICMC Understanding Company Community Relations (UCCR) tool, while in Peru we have used the IPSOS research tool to assess our mine-community relationships.

Reflecting a positive upward trend in company community relationship at our operations, the headline findings of these assessments are reflected below:

Region	Description
South Africa	Community support rose from 33% in 2015 to 52% in 2017
Peru	Community acceptance improved from 5% in 2012, to 7% in 2014, to 32% in 2016
Ghana	Strong community support with a relationship index of 73% at Damang and 78% at Tarkwa in 2015

We plan to commission independent assessments of our community support again in 2019. Beyond the relationship assessment, Gold Fields has also instituted socio-economic impact assessments and piloted a social return on investment study of

South Deep's community investment projects. These assessments focused on:

The South Deep host community socio-economic baseline study, using available secondary economic and social data to measure quality of life and contribution indicators for South Deep host communities in 2011 and 2016

IAR-109

## **Table of Contents**

### **108 The Gold Fields Integrated Annual Report 2018**

#### Stakeholder relations continued

A social impact measurement and valuation study that provides measurable indicators of the effectiveness, impact of and Social Return On Investment (SROI) of South Deep's 15 most critical community investment projects. The assessment showed that 10 projects had a SROI greater than the money spent. An SROI guide has been developed and we plan to roll it out at our other operations.

#### **Shared Value programmes**

Shared Value is created when we take a proactive role in simultaneously addressing business and social needs, and benefit both communities and our mines. To achieve synergies of sustainable development with the communities, understanding Shared Value as an opportunity for mutual development is the generator of positive opinion for our work with the communities surrounding our operations, as well as the generator of solid ties of coexistence with our neighbouring communities.

Gold Fields continues to focus on maximising in-country and host community economic impact wherever it operates. In order to obtain this, we increase the proportion of sustainable host community procurement and employment to drive Shared Value. Group guidance on host community procurement spend and job creation, which are our most critical Shared Value projects, was developed during the year and was implemented in all our regions.

Both the communities and Gold Fields benefit from host community employment and procurement programmes.

#### **Benefits to the community**

- Build the capacity of local companies to take advantage of mining industry spend
- Provide employment and enhance the livelihoods of host communities through increased incomes
- Enhance the development of small and medium-scale business nodes in host communities
- Improve skills of the youth in host communities to meet the current and future skills needs of our mines

#### **Benefits to Gold Fields**

- Increase supply base and reduce risks related to supply of critical inputs
- Reduce inventory and, as such, the locking up of capital
- Reduce cost and lead time in procuring inputs
- Develop a pipeline of skilled personnel in host communities
- Secure and enhance social licence to operate

#### **Host community employment**

We consistently strive to maximise local opportunities and employ host community members at our operations. We build a skills base in our communities through investments in education and skills development. We make our community a priority when employment opportunities arise and encourage our contractors and suppliers to also employ from the community. Job creation is further promoted through our SED initiatives.

A multi-disciplinary team at Cerro Corona works to increase host community employment by using host community employees for seasonal labour requirements.

Australia has a strategy to increase employment of Indigenous Peoples through growing a pipeline of work-ready persons, developing a culturally-inclusive workplace and creating broader opportunities for service provisions to the mines.

Both Tarkwa and Damang have community employment committees in place, comprising representatives from the community, to increase host community workforce employment with a specific focus on youth employment. At Tarkwa, the community employment committee co-ordinated job vacancies with the mine contractors, who then recruited 130 youth from our host communities in 2018.

At South Deep, employment declined due to the restructuring process at the mine. Local economic development projects enabled 258 jobs.

In the table below we set out the number of host community members including both employees and contractors working at each of Gold Fields regions in relation to our total workforce.

## HOST COMMUNITY WORKFORCE<sup>1</sup> EMPLOYED FROM TOTAL WORKFORCE

Region	Host community workforce number		2017	2016	2015	2014
	2018	2018				
Peru	633	27%	28%	23%	29%	24%
Ghana	5,411	73%	68%	72%	67%	66%
Australia <sup>2</sup>	647	29%	29%	95%	90%	94%
South Deep <sup>3</sup>	2,568	55%	16%	13%	14%	12%
Group	9,259	56%	40%	48%	59%	57%

<sup>1</sup> Workforce comprises total employees and contractors

<sup>2</sup> Australia's 2017 and 2018 performances are based on its new host community definition which is aligned with the Group's host community definition where communities are those living within an operations' direct area of influence. These numbers exclude the Perth head-office and the Gruyere project. Previous years' numbers have not

*been restated*

<sup>3</sup> *South Deep's 2018 performance is based on its revised host community definition which is aligned with needs of the regulator, local government and community stakeholders as well as with the Group's guidance. Previous years numbers have not been restated*

IAR-110

**Table of Contents**

In 2018, our operations set targets to increase their host community workforce employment. At the end of 2018, 56% of our workforce, or 9,259 people, were employed from our host communities. The sharp increase reflects the prioritisation of host community employment by our Ghanaian operations and the expansion of our South Deep host community to reflect the 2016 municipal boundary change. It now includes all individuals who reside in the Rand West City Local Municipality. The previous definition required individuals to own property in or have been born in the area. We seek to maintain the current levels of host community employment during 2019. Our management teams at the

mines are incentivised to achieve long-term host community job creation targets.

**Host community procurement**

We focus on host community procurement to create sustainable community jobs and supply opportunities. We achieve this by supporting areas where community suppliers can participate, identify community suppliers with the ability to supply the mine and providing skills development to close capability gaps. It is key that we procure goods and services from the countries and host communities, where feasible, given the remote locations of several of our mines.

The Group has made good progress on preferential host community procurement with all regions exceeding their 2018 targets. We spent a total of US\$441m on host community procurement, which was 27% of our total spend.

Of our total procurement spend of US\$1.81bn for 2018, 85%, or US\$1.54bn, was spent by our mines on businesses based in countries where Gold Fields has operations (2017: US\$1.62bn/88%). US\$441m, or 27%, was spent on suppliers and contractors from the mines' host communities (2017: US\$774m/45%). In 2019 we seek to sustain 2018 host community procurement spending levels.

**LOCAL AND HOST COMMUNITY PROCUREMENT**

Region	Local (in-country) spend					Host community spend				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Peru	96%	90%	89%	87%	88%	16%	7%	8%	7%	5%
Ghana	86%	85%	79%	64%	72%	32%	13%	7%	9%	6%

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Australia <sup>4</sup>	99%	99%	99%	97%	99%	24%	79%	71%	66%	69%
South Deep <sup>5</sup>	100%	100%	100%	100%	100%	29%	18%	14%	10%	9%
Group	93%	94%	92%	85%	91%	27%	45%	38%	35%	39%

<sup>4</sup> Australia's 2018 performance is based on its new host community definition which is aligned with the Group's host community definition where communities are those living within an operation's direct area of influence. Previous years' numbers have not been restated.

<sup>5</sup> South Deep's 2018 performance is based on its revised host community definition which is aligned with needs of the regulator, local government and community stakeholders as well as with the Group's guidance. Previous years' numbers have not been restated.

### In the regions

#### West Africa

Both Tarkwa and Damang significantly exceeded their host community procurement targets of 15% by achieving 40% and 27% of total procurement spend respectively in line with the redefinition of host community procurement. The two mines spend a combined US\$229m on procuring from host community suppliers. Following the transition to contractor mining at Tarkwa, the two mining contractors committed to the established procurement model, including procuring from established host community suppliers.

#### Americas

In Peru, host community procurement spend for 2018 was US\$24m, 16% of total procurement spend, against a target of 9%. A steering committee was established to align host community procurement with Group guidance, deliver on spend targets and identify work opportunities to shift purchasing from non-host community companies to those enterprises within our host community, and to focus on host

community employment by non-host community businesses.

#### Australia

In 2018, Australia invested a total of US\$147m in host community procurement, 24% of total procurement spend, against a target of 18%, for the year. This region is implementing seven strategic initiatives for procurement processes to enable host community and Indigenous People participation in the value chain. We initiated a process of implementing the Host Community Vendor Programme, which is based on a three-phase approach aimed at identifying, engaging and mobilising local vendors.

#### South Africa

The definition of host community has been reworked in 2018 to include the Rand West City Local Municipality and all those that reside in it, and the 2018 host community procurement spend has been restated in line with the revised definition. South Deep's host community procurement spend for 2018 was R518m (US\$39m), 29% of total spend and ahead of its 20%

target for the year. In 2017 the spend was R448m (US\$34m), 18% of total spend.

Beyond the relationship assessment, Gold Fields has also instituted socio-economic impact assessments and piloted a social return on investment study of South Deep's community investment projects. These assessments focused on:

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

The South Deep host community socio-economic baseline study, using available secondary economic and social data to measure quality of life and contribution indicators for South Deep host communities in 2011 and 2016  
A social impact measurement and valuation study that provides measurable indicators of the effectiveness, impact of and Social Return On Investment (SROI) of South Deep's 15 most critical community investment projects. The assessment showed that 10 projects had a SROI greater than the money spent  
We plan to roll out similar studies at our other operations.

IAR-111



## **Table of Contents**

### **110 The Gold Fields** Integrated Annual Report 2018

#### Community relations in Australia

Our operations in Australia are situated in remote regions of Western Australia. Our host community definition covers communities within the Eastern Goldfields region, with a primary postal address that is located within a determined perimeter of the mine. Previously, given the Fly-in, Fly-out nature of most of our mines, we extended that definition to include Perth

Our host communities are home to an estimated 37,000 people in the Shires of Laverton, Menzies, Kalgoorlie, Coolgardie and Leonora. The majority of the people reside in the city of Kalgoorlie, near our St Ives mine, with an estimated population of over 29,000. The Indigenous population makes up only about 9% of this total, with a greater representation in isolated locations

Indigenous People are a key part of our host communities, and important stakeholders for our operations in Western Australia. This includes those Indigenous People who hold, or claim to hold, Native Title rights and interests over the area on which our sites are located

The combined area of registered and determined Native Title claims over Western Australia is approximately 90% of the state's land mass. All Gold Fields operations in Australia are covered by Native Title determinations or claims

Many of our sustainability projects have been funded by the Gold Fields Australia Foundation.

#### Build relationships and trust

##### Indigenous People strategy

Because of their traditional rights and important connection to land, Indigenous People are key stakeholders whose support is critical in achieving social acceptance. The relationship with our indigenous stakeholders has been focused in recent years on management of cultural heritage in our areas of operation. The current status of our relationships are:

At Gruyere, we have built our relationship with the Yilka People (who are the determined Native Title holders for the area, together with the Sullivan Edwards family) through a formal Native Title agreement. Through regular engagement we have been able to pursue opportunities for employment and contracting, as well as manage environmental and cultural heritage issues throughout the construction phase

At St Ives, we engage with the Ngadju People, the determined native holders for the area, with a focus on the conduct of heritage surveys. We also participate in community activities in the nearby town of Kambalda and the city of Kalgoorlie

At Agnew, we have relationships with the Tjiwarl People (determined Native Title holders for part of the land) and the Wutha People (Native Title claimants over the remaining part of the Agnew property). We regularly engage with both groups in relation to the conduct of heritage surveys, and have been exploring opportunities to formalise these arrangements with both groups

At Granny Smith, our key relationship is with the local community at Laverton. We continue to build on our relationship with Indigenous People in the area through the conduct of heritage surveys and cultural awareness programmes

During 2018, we launched Gold Fields Aboriginal Participation Strategy, based on three pillars societal staging, employment attraction and retention, and value chain participation and identified actions to be completed under each pillar. Many of these had a focus on the employment of and procurement from Indigenous People (refer to Create and share value ) with some early successes. We identified a need to bring our existing initiatives and planned programmes together under a consolidated strategy. This strategy was launched in Q1 2019 and seeks to ensure that Gold Fields Australian region has a strategy that is aligned with key internal Group policies, as well as external guidelines.

The key steps under this strategy are to:

- Engage to build trusted relationships and resolve conflict

- Deliver benefits that have real impact

- Demonstrate respect

- Manage risks and impacts

## MATERIAL UNWANTED EVENTS AT OUR SITES

Material unwanted events (MUEs) at our sites can affect our social licence to operate.

This is how we addressed them:

- Completed a bow-tie analysis for 15 safety-related, and 13 consolidated, health, environment and community MUEs

- Developed audit tools to address the 15 health, environment and community MUEs

- Aligned our sites to the critical control management methodologies

- Developed a regional heritage management standard

IAR-112

**Table of Contents**

Create and share value

## HOST COMMUNITY PROCUREMENT

During 2018, our supply chain department commenced development of a host community vendor programme to generate greater opportunities for local businesses to supply to our operations. This was achieved by investing A\$198m (US\$147m) 24% of total spend in host community procurement, exceeding our 2018 target of 18%, through 279 host community suppliers

Pursuing procurement initiatives to enable host community and Indigenous people to participate in the value chain  
The engagement of Indigenous People in the conduct of heritage surveys and cultural awareness training of our workforce

Supporting our mining contractor, Downer EDI Mining, to identify and develop opportunities for Indigenous contracting opportunities at Gruyere

## HOST COMMUNITY EMPLOYMENT

Our Australian operations have a strategy in place to increase employment of Indigenous People by growing a pipeline of people who are work-ready, developing a culturally inclusive workplace and creating broader opportunities for service provisions to the mines. During 2018, we achieved the following:

We exceeded our target for employment of Indigenous People through additional job opportunities

We continued discussions with key contractors at Gruyere to increase the jobs for and employment of Indigenous People

We engaged with training companies to assist with the identification of potential traineeship programmes for members of our host communities

For more details of our host community programmes see p7 and p112 113.

## OTHER MATERIAL VALUE CREATION PROJECTS

The following projects were funded by the Gold Fields Australia Foundation:

Our St Ives operation provides a three-year, A\$150,000 (US\$112,000) grant to the East Kalgoorlie Primary School to support around 150 Aboriginal students and their families

Annual funding of A\$30,000 (US\$22,000) provided to Teach, Learn Grow, a programme that addresses educational inequality at schools in our host communities

We contributed A\$50,000 (US\$37,000) to the Lions Outback Vision programme, which will allow eye specialists to perform diabetic retina screening in the Goldfields region, particularly for Aboriginal people

Gold Fields Australia funds Football West, the governing body for fast-growing soccer in Western Australia, through an annual sponsorship of A\$100,000 (US\$75,000) for three years. Football West has a strong commitment to the region, inclusiveness and cultural and gender diversity.

### Measure actions and impacts

### Engagement with communities

2017	2018
10	87

### Grievances

One grievance was carried over from 2017, which was lodged on behalf of the Sullivan Edwards Native Title group and related to the Gruyere project. While not formally closed, Gold Fields has received no further communication regarding the issue. The Sullivan Edwards families were found to hold Native Title by the Federal Court of Australia in 2016, together with the Yilka People. However, prior to this determination, the Sullivan Edwards Native Title claim was being run as a separate and unregistered claim, which meant that they did not have the same procedural rights as the Yilka People, whose Native Title claim was registered. The Yilka People and the Sullivan Edwards families are currently engaged in a process to appoint a single corporation to represent them. We continue to engage with the Yilka and Sullivan Edwards families together, wherever possible.

Beyond this grievance, in 2018 we had one further community-related grievance, which was resolved.

IAR-113

**Table of Contents**

**112 The Gold Fields** Integrated Annual Report 2018

Community relations in Americas

Cerro Corona is located in the district of Hualgayoc in Peru's northern Cajamarca province, where agriculture and cattle raising are the main economic activities. The mine's direct area of influence, which has around 5,100 inhabitants, includes the city of Hualgayoc and five rural villages – El Tingo, Pilancones, Coymolache Alto, Coymolache and La Cuadratura (2014)

Poverty among the Cajamarca region's 1.3m residents is high and education levels low by national standards. While 90% of the district's population now has access to electricity, only 53% have access to potable drinking water in their homes

Cerro Corona's latest perception study (2016) indicates that the main needs of our local communities are access to drinking water, employment and support for their economic activities

Mesías Guevara, a candidate with a neutral stance towards mining, was elected as Cajamarca regional governor during 2018. Previous governors have been strongly anti-mining and the province has seen anti-mining protests by communities

During 2018, we changed our main mining contractor from San Miguel to MUR-WY. While there were initially some protests against this decision by affected workers, MUR-WY prioritised the hiring of host community personnel

In 2017, Cerro Corona announced an extension of its life-of-mine by six years to 2030. Our community engagement strategies have been adjusted to the new timescales

The majority of our community projects are funded by our Gold Fields Peru Foundation APPD  
**Build relationships and trust**

Cerro Corona hosts a monthly Dialogue Roundtable, in which progress on several development projects is provided and future work discussed with the Hualgayoc district local government and community organisations. We also meet regulatory with representatives from our villages, local business organisations and worker representatives

We regularly engage with and support events hosted by our communities near Cerro Corona. Among others, we sponsored the Cajamarca Book Fair, the El Tingo Agricultural and Livestock Fair and supported the Patronage Festival in Honour of Our Lady of Carmen in Hualgayoc, one of the most important religious festivals in the province

We host regular school and community visits to our mine, as well as visits from other interested organisations and institutions

We trained 29 journalists from community media on investigative journalism to build a better understanding of responsible mining

Manage risk and impact

## POTENTIAL PROTESTS AS A RESULT OF ALLEGED IMPACTS OF BLASTING ON HOST COMMUNITIES

**Risk:** Possible social protests set off by the collapse of houses with structural damage in Hualgayoc, as well as houses allegedly affected by in-pit blasting in the Pilancones hamlet.

### Action

Engagement with the Pilancones community to address housing claims and joint monitoring of vibrations and noise  
We submit weekly blasting schedules to the local municipal authorities and place notices announcing blasting times at the Gold Fields office in Hualgayoc

Close coordination with communities for temporary evacuation of families and their cattle before blasting

An assessment carried out during 2016 and 2017 identified 22 houses to be rebuilt in Hualgayoc because of a high risk of collapse. So far ten houses have been rebuilt and the demolition and reconstruction of six others is currently ongoing

A reconstruction committee has been set up in Hualgayoc, comprising community representatives, the municipality and other authorities

**2018 spend:** US\$471,000



## COMMUNITY ACTION AGAINST TAILINGS SPILLAGE

**Risk:** Community action against Cerro Corona in protest of the 16 December 2018 tailings discharge into the Tingo river (p95).

### Action

Regulator, local authorities and communities notified and activated immediately on news of the leakage and environmental parameters returned to normal within 24 hours  
Rehabilitation of the affected area started immediately and was completed within 20 days community members were used in clean-up operation  
Compensation of US\$36,000 paid to a nearby trout farmer  
About US\$132,000 paid in restoration activities  
Engagement with regional environmental activists through government mediation

IAR-114

**Table of Contents**

Create and share value

**HOST COMMUNITY EMPLOYMENT AND PROCUREMENT**

By end-2018, we achieved a 27% host community employment representation above our target of 25% meaning that 633 members of our host community now work at Cerro Corona. The mine is working to increase host community employment by using host community employees for seasonal labour requirements. The new mining contractor, MUR-WY, has also focused on employing community members in line with our policies. In 2018, we successfully focused on increasing the proportion of sustainable host community procurement spend. This totalled US\$24m, 16% of our total procurement spend, against a target of 9% from 233 host community suppliers.

A steering committee was established to deliver targets, as well as align with new guidance, and to identify work opportunities to shift purchasing from non-host community companies to host community enterprises.

For more details of our host community programmes see p7 and p112-113.

**WATER SUPPLY**

During 2018, we renewed our goal of bringing permanent, high-quality water to our host community for domestic and agricultural purposes. The following projects were completed or are in development under this strategy:

Construction of the water systems for the Kiwillas and Lipiag hamlets was completed in early 2018. The construction involved 19km of distribution piping, 134 house connections, three water reservoirs and three water catchments. An additional 15 pylons were added to the project.

The Cuadratura water project commenced in 2017 and was set to be completed in mid-2018. However, the project has been delayed as negotiations continue with a private landowner. Alternatives are being identified.

**Benefits to the community:** The water systems for the Kiwillas and Lipiag hamlets have provided 1,494 families access to water at a low cost.

**Benefits to Gold Fields:** These projects further solidify our social licence to operate and reputation in a region where many mining companies have experienced water-related conflicts with their host communities.

**2018 spend:** US\$370,000

## LIVESTOCK DEVELOPMENT PROGRAMME

In Cerro Corona's direct area of influence this programme benefits 599 cattle breeders. During 2018, agricultural experts made 550 visits to farmers during which cattle were given medical treatment and 160 artificial inseminations completed.

260ha of pasture were improved or installed in the Pilancones and Alto Coymolache hamlets.

Within the wider district, we funded 329 inseminations as part of our genetic improvement project for local cattle.

Almost 400 new cows were provided to local farmers.

Milk production improvement programmes were rolled out to more than 750 families in the wider district.

Sheds for guinea pigs and hens were donated to 67 families.

**Benefit to the community:** Our livestock development programmes have improved the income and economic welfare of over 1,000 families in our communities over the years.

**Benefit to Gold Fields:** With this programme, which supports the most critical economic activity of our communities, Gold Fields further solidifies relationships with the farmers in the area, contributing to strengthening our social licence to operate.

**2018 spend:** US\$1.3m

## OTHER MATERIAL VALUE CREATION PROJECTS

We completed the 4km access road to the Cuadratura hamlet at a cost of US\$200,000, giving its 1,000 residents easier access to the surrounding area

We built and equipped a modern community centre for the El Tingo hamlet at a cost of US\$310,000

We spent US\$45,000 on constructing a Kindergarden and upgrading a children's shelter in two of our host communities

### Measure actions and impacts

### Engagement with communities

	2016	2017	2018
	123	172	325

### Grievances

There was a marked increase in grievances at Cerro Corona in 2018. However, this is an anticipated outcome of the awareness raising about the grievance mechanism in the communities. A total of 69 grievances (2017: 12) were recorded during the year, of which 21 were employment- and procurement-related grievances, 29 were environmental issues caused by perceptions of water contamination and dust, 14 related to social impacts/damage due to blasting at Cerro Corona, three grievances related to claims for property limits and two related to concerns with the results of the livestock development project. 33 of these grievances were resolved in 2018, 36 grievances are in the process of being addressed.

IAR-115

---

**Table of Contents**

**114 The Gold Fields Integrated Annual Report 2018**

Community relations in Ghana

Tarkwa and Damang are located in the western region of Ghana, which is also home to other gold mines. The Tarkwa mine is located in the Tarkwa/Nsuaem municipality, which has a total population of 90,477 (2010 census), though the mine's host communities only have a population of 47,861. The working population are mainly engaged in agriculture, the informal sector, industry and services provision. Damang is in the Prestea/Huni valley district, which has a total population of 159,304 (2010 census). Damang's nine host communities have a population of 36,231 people. Over half of the working population in the district are engaged in crop farming and almost 30% in livestock rearing. During 2018, Gold Fields acquired 45% in the Asanko gold mine, about 100km north of our existing mines. However, Asanko Gold remains the manager and has responsibility for community relations (p49). Illegal miners continue to encroach on the Tarkwa and Damang mining concessions. Encroachers are usually arrested by the patrol team (comprising the mines' protection services team and the local police) and arraigned before court for prosecution. The patrol teams have been trained in applying the Voluntary Principles on Safety and Human Rights in handling encroachers. The Tarkwa mine changed its business operating model from owner mining to contractor mining, necessitating the retrenchment of over 2,500 employees. The majority of the retrenched employees were absorbed by the mining contractors. Qualified community residents were given preferential job opportunities during the transition to contract mining. Gold Fields Ghana's community investments are managed by the Gold Fields Ghana Foundation, which receives 1.5% of our mines' pre-tax profits and US\$1 for every ounce of gold sold by them. During 2018, the Foundation invested US\$15.3m in community development (2017: US\$6.5m).

**Build relationships and trust**

In 2018, we further solidified relationships with our host communities by engaging regularly with local government, community organisations and residents, as well as dealing transparently with grievances submitted.

During 2018, 130 community youth gained employment in Tarkwa with the mining contractors through the host community employment committee, comprising Gold Fields, the contractors and community leadership. A similar committee oversees host community employment at Damang.

The Tarkwa mine collaborates with local government to implement community projects and programmes

Gold Fields celebrated 25 years in Ghana during 2018. The communications campaign included the launch of the Gold Fields Ghana Facebook page to communicate with employees and community members.

#### Manage risk and impact

### DAMANG SEEPAGE AND FLOODING

**Risk:** The Damang mine experienced a Level 3 environmental incident during the commissioning of the its new tailings storage dam (p95). A farming community, Togbe Junction, raised concerns when they found dead fish in the river. This could potentially impact the mine's social licence to operate.

#### Action

- Intensive engagements with leaders and members of the community
- Provided the community with potable water even though there was no contamination of any of the water sources used by the community
- Implemented three-year livelihood enhancement projects that were agreed with members of the community
- Ensured that surrounding communities were not impacted

**Spend to date:** US\$80,200

### TARKWA VALUATION OF CROPS AND STRUCTURES

**Risk:** During 2016, a group of farmers near the Tarkwa mine's Kottraverchy waste dump area disputed previously paid compensation and petitioned the Environmental Protection Agency (EPA) to mediate. The farmers argued that their crops and structures were not accurately assessed and valued. Various proposals by the mine and the EPA have been rejected by the farmers.

#### Action

- Independent valuation to re-evaluate the crops and structures carried out in 2017
- Meetings between Gold Fields and the Land Valuation Board (LVB) to determine the appropriate compensation to be paid

Submission of relevant documents to the LVB  
Investigation by the Ministry of Lands and Natural Resources ongoing

## TARKWA BRAHABOBOOM COMMUNITY DISPUTE

**Risk:** A group of residents within the Brahabobom host community, whose structures are close to the Tarkwa mine's Atuabo-Mantraim pits, petitioned the Commission on Human Rights and Administrative Justice (CHRAJ), alleging infractions by the mine, and demanding resettlement. After its investigation, CHRAJ recommended the following:

- Resettlement of those in the Brahabobom community who are located within 500m of the pits
- The adoption of sound blasting practices
- Operate within the provision of minerals and mining regulations

### Action

Measures that have been taken by the mine to reduce blast impacts include:

- Introduction of electronic blasting
- Reduction in the number of blast holes
- Creation of noise barriers
- Planting of vegetation between the pits and the community
- Engagement of an independent body to monitor blasts
- Suspension of mining in the area closest to the Brahabobom community

Following CHRAJ's recommendations, the Minerals Commission subsequently granted approval for blasting activities within 400m of the community, subject to the implementation of blast controls and blasting protocols. This has been officially communicated to CHRAJ. Tarkwa continues to engage on a final and amicable resolution.

IAR-116



**Table of Contents**

Create and share value

We set and monitor quarterly and yearly host community procurement and employment targets. At both Tarkwa and Damang, we exceeded our 2018 host community employment targets of 70%. This is attributed to focused efforts to hire or retain host community members during the transition to contractor mining at Tarkwa and during the retrenchments at Damang. Furthermore, our host community procurement spend at Tarkwa increased from 12% in 2017 to 27% in 2018 and, at Damang, increased from 14% to 40% in 2018, exceeding our targets of 15%.

For more details of our host community programmes see p7 and p112 113.

**REHABILITATION OF THE 33KM ROAD BETWEEN TARKWA AND DAMANG**

During 2016, Gold Fields began a comprehensive rehabilitation of the 33km public road that links the Tarkwa and Damang mines, and serves several communities along the corridor. Due for completion in Q1 2019, the road will have an asphalt finish, with safety features to prevent speeding and accidents. The total cost is US\$26m.

**Benefits to the community:** The road is being constructed by local contracting companies who were asked to source workers mostly from our host communities. The improved road will reduce travel time, increase access to social amenities and markets, reduce the cost of transportation, and increase economic activities along the route. Dust pollution will be eliminated, and safety will improve.

**Benefits to Gold Fields:** A reduction in the cost of transportation and maintenance, improvement in safety, and reduction in travel time and fatigue, which will positively impact productivity. Many Damang employees live in and around Tarkwa, and commute by this road on a daily basis.

## YOUTH EMPLOYMENT IN AGRICULTURE

In 2016, we started the Youth in Horticulture Production (YouHoP) programme in collaboration with the German government aid agency GIZ, which is aimed at creating employment opportunities and improving incomes for youth in our host community.

The second phase of the YouHoP programme started in 2018. During phase 2, 323 farmers were selected, bringing the total number of farmers engaged by the programme to 498. Other allied community employment created through YouHoP includes credit officers (12 youth), off-takers (18) and extension officers (9). During the year, farmers were training in disease and pest identification, green label certification, proper harvesting of produce, and off-take agreements.

**Benefits to the community:** The YouHoP programme reduces youth unemployment in our host communities and improves agricultural production in the area, which leads to increased income that can be reinvested in the community.

**Benefits to Gold Fields:** The YouHoP programme successfully reduces tension between the mines and the communities, maintains our social licence to operate and improves our reputation within the community.

**Spend to date:** US\$584,000

## OTHER MATERIAL VALUE CREATION PROJECTS

During 2018 we awarded 110 new scholarships and bursaries to tertiary students from our host communities, valued at US\$271,000

Following practical assessments carried out for applicants of the apprenticeship programme at Tarkwa, 50 young men and women were selected in October for training on how to operate dump trucks and excavators. Furthermore, 55 applicants received training in associated professions

A medical outreach programme was held in Tarkwa and Sekondi-Takoradi. Over 1,000 residents from nearby communities received free health screening and medication

A cocoa support programme, aimed at assisting at least 100 cocoa farmers each year, was introduced and piloted during 2018

Measure actions and impacts

Engagement with communities

	2016	2017	2018
Grievances	153	220	152

Grievances

There was a decrease in grievances submitted during 2018. 49 grievances were received by both mines through their formal mechanisms during 2018 (2017:

54), relating to social issues (7), compensation (6), and environmental issues (36). All 49 grievances received in the year, and eight unresolved ones from 2017, were resolved. The 2016 grievance relating to disputed compensation by a group of farmers near Tarkwa's Kottraverchy waste dump remains under mediation. We will migrate our grievance mechanism to an electronic system in 2019.

**Table of Contents**

**116 The Gold Fields** Integrated Annual Report 2018

Community relations in South Africa

The South African region comprises one mine, South Deep, situated about 45km from Johannesburg in the Rand West City Local Municipality of Gauteng. South Deep operates alongside mines, many of whom have gone through restructure and retrenchment processes in recent years

South Deep embarked on a section 189 process in 2018, and approximately 1,084 employees and 420 contractors were retrenched by the end of the year (p46)

South Deep has re-evaluated its definition of host communities and recognises all communities within the expanded Rand West City Local Municipality as host communities

The local municipality has around 272,000 residents, and struggles with high levels of unemployment, poverty, food insecurity and crime

The mine has delivered on its last Social and Labour Plan (SLP) projects, which ended in 2017, and has started on a new SLP cycle for 2018 – 2022 (p108)

South Deep embarked on a new communication strategy, including launching a Gold Fields South Deep Facebook page to engage with employees and community members

During 2017, South Deep conducted a Westonaria socio-economic baseline study as well as a SROI study of the impact of South Deep's 15 most critical community investment projects. These influenced the choice of 2018-2022 SLP projects

Build relationships and trust

South Deep hosted environmental visits to the mine, facilitated by the Federation for a Sustainable Environment, a local NGO, as well as open days for communities and schools aimed at increasing awareness of environmental rights and the impacts of gold mining

South Deep collaborated with the DMR on the Learners Focus Week, which targeted 300 Grade 12 learners from previously disadvantaged communities to address the shortage of skills in the mining industry

The development round table established in 2016 conducted three sessions in 2018, with representatives from the mining companies (Gold Fields and Sibanye-Stillwater), the local and district municipalities and the West Rand community stakeholder forum. A formal Memorandum of Agreement governs the round table

South Deep extensively engages the Department of Mineral Resources on issues relating to community investments, particularly around the Mining Charter and SLP

Manage risks and impact

## COMMUNITY SAFETY

South Deep's commitment to safety extends further than the borders of its operation, and the mine therefore works closely with the South African Police Service (SAPS) in Westonaria, Bekkersdal and Randfontein, as well as the Community Policing Forums (CPFs), to improve the safety of its host communities.

In 2018, there were three community incidents which resulted in the deaths of nine community members, most of them in the Thusanang informal settlement on the boundary of the mine. South Deep undertook a community risk assessment with SAPS, a number of government departments and Thusanang stakeholder groups. The risk assessment focused on empowering local stakeholders to identify risks to community safety and formulate mitigation measures.

The community safety project focuses on crime prevention through increasing visible policing, training, information sourcing and improved crime reporting. Our investments in the CPFs, which were done in conjunction with an NGO, Qhubeka, included a donation of bicycles and winter jackets to patrollers who work as volunteers in their communities. The CPFs have increased its crime prevention awareness campaigns, and are reporting an improved impact of their campaigns since the donation. Investment in the safety of our host communities solidifies and fosters relationships between South Deep and community members.

**Spend to date:** R251,000 (US\$18,000), including spending by the South Deep Community Trust

Partnerships with South Deep trusts

[South Deep Community Trust](#)

[South Deep Education Trust](#)

Spend 2018: **R3.4m** (2017: R3.1m)

Spend 2018: **R19.1m** (2017: R15.0m)

Spend to date (2010 – 2018): **R21.9m**

Spend to date (2010 – 2018): **R112.8m**

**Key projects during 2018:**

Community safety

Enterprise development

SMME development

**Key projects during 2018**

Westonaria TVET College (using funds from the now-disbanded Westonaria Community Trust)

25 scholarships (2017: 71) for high school students

58 bursaries (2017: 37) for tertiary education students

School food garden projects

IAR-118

**Table of Contents**

**Create and share value**

South Deep can make a tremendous impact on the employment rate and local economy through its work in host community employment and host community procurement. The host community definition now includes all individuals who reside in the Rand West City Local Municipality. As a result the host community workforce rose to 55% of our total workforce during 2018, though the overall number of host community employees and contractors came down as a result of the retrenchments during Q4 2018.

At the end of 2018, our host community procurement spend was 29% of total spend, or R517m (US\$39m). This exceeded the target of 20% and the minimum spend of R500m a year. Host community jobs from mine employment, procurement and community projects totalled 2,569 at the end of 2018.

For more details of our host community programmes see p7 and p112 113.

**FOOD SECURITY**

Food security at household levels is a challenge in our host communities. We therefore initiated food security projects by planting vegetable gardens in four high schools in Westonaria. The infrastructure includes a tunnel, irrigation system, water tank and gardening equipment.

**Benefit to the community:**

The planned food gardens in four high schools in Bekkersdal, Simunye and Poortjie will feed about 5,000 children South Deep employed a local enterprise for the clean-up of school grounds and preparation of soil for the food gardens

Eight school gardeners have were appointed and receive mentoring

**Benefit to Gold Fields:** Investment in the food security of our host communities will lead to increased school attendance and decreased drop-out rates.

**Spend to date:** R645,000 (US\$45,000), including spending by the South Deep Education Trust

## OTHER MATERIAL VALUE CREATION PROJECTS

South Deep entered into a new partnership with Sibanye-Stillwater to close out legacy projects from the former Gold Alliance partnership, and to align social investment projects for optimal benefit to our host communities. South Deep continues to work with the Rand West City Local Municipality, the Gauteng Department of Agriculture and Rural Development, and Sibanye-Stillwater to employ 35 people collectively as business owners of small agriculture enterprises.

We continue to support two small enterprises – a bakery and poultry project – until these have developed into sustainable businesses. The bakery has an outlet in Westonaria, supplying the local market, and also has a contract with the mine. The poultry project has successfully sold live chickens and continues to grow its profit margin. South Deep has advanced the planning of the construction of the Simunye Secondary School, which will be completed during 2019 and will benefit more than 1,200 learners who are currently being taught in a prefabricated structure.

South Deep, in partnership with the Department of Agriculture and Rural Development, supported 65 households in the Bekkersdal and Westonaria host communities with the implementation of homestead gardens, by supplying seedlings, agricultural equipment, manure, compost and basic agricultural training.

Measure actions and impacts

### Engagement with communities

	2016	2017	2018
	137	169	471



## Grievances

During 2018, seven grievances were logged, of which four were employment and procurement-related and three were of a social nature. Four grievances have been resolved, one resurfaced from 2017 grievances, one is outstanding and one is ongoing.

IAR-119

**Table of Contents****118 The Gold Fields** Integrated Annual Report 2018

## Human Rights

**Introduction**

Gold Fields' activities from exploration through to mine closure have the potential to impact the human rights of our workforce and communities, which in turn could negatively affect our ability to create value for our shareholders. Respect for human rights is a baseline expectation for all our operations and fundamental to sustainable development and responsible mining.

Gold Fields' commitment to respect the rights and dignity of its stakeholders is described in our Human Rights Policy Statement. The policy statement, which is embedded in our Code of Conduct, is aligned to the ICMM Principles on Human Rights and guided by the UN Guiding Principles on Business and Human Rights as well as the conventions of the International Labour Organisation. The policy statement also supports the United Nations Universal Declaration of Human Rights and the Voluntary Principles on Security and Human Rights. Our engagement and relationships with our key

(including, among others, suppliers and contractors) and regular training and awareness are offered to all stakeholders.

Given the nature of Gold Fields' footprint and activities, our human rights activities are currently managed through the following functions: legal and compliance, sustainable development, human resources, procurement, community relations, risk and security. A steering committee oversees the work by the various disciplines and regions on human rights and regular feedback is provided to the Board's Social Ethics and Transformation Committee.

**Salient Human Rights issues**

We are consistently looking at ways to improve our business and this includes evolving human rights through the identification of salient human rights issues in the Group. Salient human rights issues as defined by the UN Guiding Principles are those human rights that have the most severe negative

6. Mine Closure: The ineffective, incomplete or failed implementation of mine closure plans

7. Resettlement: Land acquisition, economic compensation and community resettlement

8. Breaches by suppliers/contractors: Breaches of human rights by suppliers, contractors and other business partners in our supply chain

Following the identification process we conducted detailed bow-tie analyses of these issues. The analysis included: listing the causes of each salient issue, their consequences, and preventative controls, mitigatory controls in place. It also listed future mitigation actions to be considered. The bow-tie analysis for our most important salient issue - health & safety of our workforce - is displayed on this page.

While the failure of a tailings facility is identified under the water salient issue, TSFs are in the spotlight following the catastrophic tailings

stakeholders - our workforce, our communities, governments and shareholders are discussed on p106-121.

Under the policy statement, Gold Fields commits to, among others:

Not interfering with or curtailing others' enjoyment of their human rights

Defending, where possible, employees and external Gold Fields stakeholders, such as community members, against human rights abuses by third parties

Taking positive action to facilitate the entrenchment and enable the enjoyment of human rights

The Code of Conduct, which is fully endorsed by the Gold Fields Board of Directors, guides our business ethics and values. The human rights policy statement applies to all directors, employees and third parties

impacts as a result of the company's activities or business relationships.

During 2018 we considered the stakeholder groups impacted by the key activities in the business and in our supply chain and prioritised the human rights impacts by determining their severity.

The eight salient issues identified were:

1. Health & Safety: Occupational incident or exposure leading to physical and/or psychological harm and/or illness
2. Human Resources: The impact of our working environment, policies and procedures on employees and contractors
3. Water: The loss of containment and the subsequent impact on water quality released into the environment
4. Public and private security: Abuse of power by public or private security
5. Transportation: Transport incidents involving hazardous substances and/or people

failure at the Córrego do Feijão iron ore mine in Brumadinho, Brazil, in January 2019, which resulted in over 300 deaths. In the wake of the tragedy, Gold Fields is undertaking technical reviews and strengthening governance of our TSFs as an active participant in the ICMM-led process described on p103. We are working to improve our emergency preparedness and response and community engagement around this issue, in addition to ensuring that our management and technical oversight remain vigilant.

During 2019 we plan to appoint a pilot site among our eight mines to repeat the Group process and identify its key salient human rights issues. We also plan to start the process of closing out mitigation actions identified during the Group's salient issue process.

**Table of Contents**

**Salient issues health and safety:**

**Occupational incident or exposure leading to physical and/or psychological harm and/or Illness**

<b>Considerations for further mitigation</b>	Focus on psychological harm (e.g. risks arising from Fly-In, Fly-Out work arrangements) Consideration of shared value opportunities, such as safety and wellness training
----------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

***Our due diligence actions***

Gold Fields has in place numerous policies and strategies to deal with the salient human rights issues at our mines and projects listed earlier. These cover interactions and engagements with governments, our workforce, communities, suppliers and security personnel, as well as mechanisms for dealing with stakeholders' grievances.

**Workforce Rights**

The Gold Fields policy statement notes our commitment to uphold the highest standards of human rights within our workforce, including: freedom from child labour; freedom from forced or compulsory labour; freedom from discrimination (while recognising the need to affirm previously disadvantaged groups); and freedom of association and collective bargaining. All induction training (including that provided by the Gold Fields Internal Protection

Services team) includes key human rights elements, and the Company's internal grievance mechanisms ensure employees and contractors can raise human rights concerns.

All grievances are handled by the Gold Fields Human Resources function, in consultation with legal teams for human rights concerns, which uses a defined process to record, evaluate and address legitimate complaints. Employees can also raise concerns via independent counsellors, as part of the Gold Fields Employee Assistance Programme, and make use of Gold Fields' confidential, third-party whistleblowing hotline.

All new employees are required to sign the Code of Conduct and receive awareness training during induction. Code of Conduct eLearning, which was launched in 2017, is mandatory for all employees. Gold Fields runs a human rights campaign on Human Rights Day to raise awareness of these issues.

***Performance in 2018:***

We received 61 grievances from employees, of which 14 related to harassment or discrimination. Of these, 60 were resolved, with seven cases leading to the dismissal of the accused employee or contractor. Two cases are still being addressed

By end-2018, 66% of Gold Fields employees had completed the Code of Conduct eLearning course, which was launched in 2017 and will be completed during 2019

**Community Rights**

In our engagement with communities, we ensure that the following key human rights, amongst others, are respected: Indigenous People's rights, minimisation of involuntary resettlement (subject to fair

IAR-121

## **Table of Contents**

### **120 The Gold Fields Integrated Annual Report 2018**

#### Human Rights continued

compensation where unavoidable), treatment of artisanal and small-scale miners as well as respectful security enforcement.

Environmental and social impact assessments, which assess the actual or potential impacts of our operations and projects on local communities and other stakeholders, have been undertaken by all operations. The assessments include human rights aspects. Risk assessments are undertaken on an ongoing basis and grievance mechanisms are in place at the operations to record, address and respond to social, environmental and human rights grievances.

#### ***Performance in 2018:***

We recorded two Level 3 environmental incidents - at our Damang mine in Ghana and at Cerro Corona in Peru. Both incidents were successfully mitigated. Details on p95

A group of community residents near our Tarkwa mine in Ghana have petitioned a government agency for resettlement, alleging infractions by the mine. Details on p118

#### **Suppliers**

Gold Fields' business relies on multiple, large-scale suppliers and contractors to carry out mining, development, construction and other forms of work at its operations. All suppliers and contractors are included in Gold Fields' own health and safety management systems to ensure that contractors benefit from safe and healthy working conditions. All internal and external stakeholders wishing to report human rights violations are able to make use of Gold Fields' confidential, third-party whistleblowing hotline. Where such complaints are made, the relevant Gold Fields department follows up on the matter, establishing its authenticity and, if proved accurate, institutes the appropriate corrective measures.

From a contractual point of view, all our Third Party agreements contain a standard provision requiring compliance with the Gold Fields

Human Rights Policy Statement. Compliance with the Gold Fields Supplier Code of Conduct is also required in the agreements.

The Group has developed an external Third Party screening solution to screen new and existing suppliers and contractors for an array of pre-defined risk categories, including human rights and related violations and/or transgressions. Risk profiles for active external suppliers and contractors with post-screen alerts are then established and risk mitigated. The screening solution screens all suppliers and contractors on a monthly basis for adverse media

exposure alerts, involving regulators, governments, recorded discrimination, workers' right issues and human rights transgressions in the workplace.

***Performance in 2018:***

We developed a Supplier Code of Conduct which translates the requirements of the Gold Fields Code of Conduct into terms appropriate to our suppliers

**Security**

Gold Fields' protection services teams work with both private and public security providers - for the effective and responsible protection of workers and assets. All private security contractors receive human rights training during induction, and at least annually thereafter, including on the Voluntary Principles on Security and Human Rights (VPSHR). A study was carried out during 2017 to assess the gaps between our current systems and the VPSHR - no substantive gaps were identified. Work was carried out in 2018 to close the gaps. Where we work with public law enforcement personnel, such as in Ghana in dealing with illegal mining, we ensure that the personnel operate responsibly, guided by the VPSHR.

Gold Fields is committed to responsible materials stewardship. In this context, we support global efforts to prevent the use of newly mined gold to finance conflict. We have voluntarily adopted the Conflict-Free Gold Standard of the World Gold

Council (WGC). The standard is applied at all relevant locations through assurance audits. Although we withdrew our WGC membership in 2014, we have and will continue to apply both the Standard and its guidelines.

***Performance in 2018:***

We reviewed private sector security providers' contracts to ensure they are aligned to the VPSHR

We updated our Human Rights Policy Statement to reference our support for the VPSHR

Cerro Corona used an independent contractor to carry out a detailed assessment of its human rights risks and implementation requirements, with particular reference to the VPSHR. This had the additional benefit of improving human rights awareness of senior staff

**Grievance Mechanisms**

We are committed to addressing community issues and concerns timeously and effectively. Therefore we rely on a grievance reporting system to maintain confidence and transparent communication with our stakeholders. Our grievance mechanism enables and encourages community members to freely put forward their complaints, while obligating our mines to address the grievances within an agreed period.

Not managing a complaint can lead to further conflict and discontent within our host community. In certain instances we engage members from our local communities to act as mediator should our teams not be able to resolve the grievance.

***Performance in 2018:***

Our operations dealt with 127 economic, social, and environmental grievances lodged by our host communities (2017: 76) during the year. 88 of these grievances were resolved and 39 are still being dealt with. Details of the grievances raised against our mines can be found in the community relations section on p114 - 124.





**Table of Contents**

IAR-123

**Table of Contents**

IAR-124

Table of Contents

First party: Internal audit statement  
Independent assurance statement to the Board  
of Directors and stakeholders of Gold Fields  
Key sustainability performance data  
Administration and corporate information

IAR-125

**Table of Contents**

**124 The Gold Fields** Integrated Annual Report 2018

First Party: Internal Audit Statement

Gold Fields Internal Audit (GFIA) is an independent assurance provider to the Gold Fields Audit Committee on the effectiveness of the governance, risk management and control processes within Gold Fields.

The internal audit activities performed during the year were identified through a combination of the Gold Fields risk management and combined assurance framework, as well as the risk-based methodology adopted by the Gold Fields Internal Audit function. Internal audit complies with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, in the execution of its assurance function. Furthermore, GFIA operates a quality assurance programme that involves performing detailed quality review assessments.

Annually, the risk-based annual audit plan is approved by the Audit Committee. The internal audit activities are executed by a team of appropriately qualified and experienced internal auditors, or through the engagement of external practitioners on specified and agreed terms. The internal audit team is based in South Africa and services all the Gold Fields operations globally. The Vice-President and Group Head of Internal Audit has a functional reporting line to the Audit Committee and provides quarterly feedback to the Audit Committee.

Based on the work performed by GFIA during the year, the Vice-President and Group Head of Internal Audit has presented the Audit Committee with an assessment on the effectiveness of the Company's governance, risk management and system of internal control. It is GFIA's opinion that the governance, risk management and internal control environment are effective within the Gold Field business and provide reasonable assurance that the objectives of Gold Fields will be achieved. This GFIA assessment forms one of the basis for the Audit Committee's recommendation in this regard to the Board.

**Shyam Jagwanth**

*Vice-President and Group Head of Internal Audit*

Johannesburg, South Africa

25 March 2019

IAR-126

**Table of Contents**

Independent Assurance Statement to the Board of

Directors and Stakeholders of Gold Fields Limited

ERM Southern Africa (Pty) Ltd (ERM) was engaged by Gold Fields to provide assurance in relation to selected sustainability information set out below and presented in Gold Fields 2018 Integrated Annual Report for the year ended 31 December 2018 (the Report).

**Engagement summary**

<b>Engagement scope (subject matters):</b>	<p>1. Whether the 2018 data, for the period 1 January 2018 to 31 December 2018, for the selected performance indicators listed in Tables 1 and 2 overleaf, are fairly presented, in all material respects.</p> <p>2. Whether the Directors' statement in the About this Report section of the Report that Gold Fields has complied with the ICMM Sustainable Development Framework, Principles, Position Statements and reporting requirements is, in all material respects, fairly stated.</p> <p>For environmental, health and safety and social KPIs:</p> <p>GRI Standards (in accordance option) and the GRI's Mining and Metals Sector Disclosure (2013)</p>
<b>Reporting Criteria:</b>	<p>Gold Fields GRI Standards Sustainability Reporting Guideline, V16 (September 2018)</p> <p>International Council on Mining and Metals (ICMM) Sustainable Development Framework reporting requirements (2015)</p>
<b>Standard Used:</b>	<p>For Mining Charter related KPIs:</p> <p>Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (BBSEEC) (2002) and related Scorecard (2004)</p> <p>Amendment to the BBSEEC (2010) and related scorecard (2010) for the South African Mining and Minerals Industry</p>
<b>Assurance</b>	<p>ERM CVS assurance methodology based on the International Standard on Assurance Engagements ISAE 3000 (Revised) and ISAE 3410 (for GHG Statements).</p> <p>Reasonable assurance for all Subject Matters</p>
<b>Level: Respective responsibilities:</b>	<p>Gold Fields is responsible for preparing the Report, including the collection and presentation of the selected sustainability information within it, in accordance with the reporting criteria, the</p>

design, implementation and maintenance of related internal controls, and for the integrity of its website.

ERM's responsibility is to provide an opinion on the selected information based on the evidence we have obtained and exercising our professional judgement.

***Our assurance activities***

We planned and performed our work to obtain all the information and explanations that we believe were necessary to reduce the risk of material misstatement to low and therefore provide a basis for our assurance opinion. Using the ICMM Sustainable Development Framework: Assurance Procedure (2008) as a guide, a multi-disciplinary team of sustainability and assurance specialists performed the following assurance activities, including:

Reviewing external media reporting relating to Gold Fields, peer company annual reports and industry standards to identify relevant sustainability issues in the reporting period.

Interviews with relevant corporate level staff to understand Gold Fields' sustainability strategy, policies and management systems, including stakeholder engagement and materiality assessment.

Interviews with a selection of staff and management, including senior executives, to gain an understanding of:

The status of implementation of the ICMM Sustainable Development Principles in Gold Fields' strategy and policies;

Gold Fields' identification and management of sustainable development risks and opportunities as determined through its review of the business and the views and expectations of its stakeholders;

Observation of an external stakeholder engagement meeting on material issues facing the business.

Reviewing policies and procedures and assessing alignment with ICMM's 10 Sustainable Development Principles and other mandatory requirements set out in the ICMM's Position Statements in effect as at 31 December 2018.

Testing the processes and systems, including internal controls, used to generate, consolidate and report the selected sustainability information.

Reviewing the suitability of the internal reporting guidelines, including conversion factors used.

Physical visits to interview responsible staff and verify source data and other evidence at the following sites:

South Deep, South Africa

Tarkwa, Ghana

Damang, Ghana

Granny Smith, Australia

Virtual reviews to verify source data for the following sites:

Agnew, Australia

St Ives, Australia

Cerro Corona, Peru

**Table of Contents**

**126 The Gold Fields** Integrated Annual Report 2018

Independent Assurance Statement to the Board of

Directors and Stakeholders of Gold Fields Limited continued

An analytical review of the year-end data submitted by the sites listed above, and testing of the accuracy and completeness of the consolidated 2018 Group data for the selected KPIs.

Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

***Our assurance opinion***

In our opinion:

The selected sustainability performance information set out in Tables 1 and 2 for the year ended 31 December 2018 is prepared, in all material respects, in accordance with the Gold Fields reporting criteria; and

The Directors' statement in the About this Report section of the Report that Gold Fields has complied with the ICMM Sustainable Development Framework, Principles, Position Statements and reporting requirements is, in all material respects, fairly stated.

***The limitations of our engagement***

The reliability of the assured data is subject to inherent uncertainties given the methods for determining, calculating or estimating the underlying information. It is important to understand our assurance opinions in this context. Our independent assurance statement provides no assurance on the maintenance and integrity of the Gold Fields' website, including controls used to achieve this integrity, and in particular, whether any changes may have occurred to the information since it was first published.

***Our observations***

We have provided Gold Fields with a separate detailed management report. Without affecting the opinions presented above, we have the following observations:

Following ERM's recommendation made in last year's statement for South Deep and Tarkwa mines to address deficiencies in documentation relating to safety performance information, ERM did indeed observe improvements in documentation. ERM also noted several efforts initiated by Gold Fields during 2018 to mitigate employee health and safety risks and improve safety performance. We strongly encourage Gold Fields to continue its programme of strengthening its safety culture through these efforts.

We observed considerable efforts to reduce energy consumption through energy savings initiatives implemented across the Group, notably in the Australia and West Africa regions. In addition, in response to the Task Force on

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Climate-related Financial Disclosures (TCFD) Recommendations, Gold Fields has begun to evaluate the financial risks and opportunities for its business. We encourage Gold Fields to continue its efforts in this regard and in reducing the carbon intensity of its operations.

Regarding socio-economic development spend information, consistent with last year's observations; an opportunity for improvement exists in the Australia region in structuring and formalising a process for consolidating and reporting its social performance data.

**Donald  
Gibson**

**Jennifer Iansen-Rogers**

*Partner, ERM CVS, London*

*Partner*

25 March 2019

25 March  
2019

**ERM Southern Africa (Pty) Ltd, Johannesburg, South Africa**

[www.erm.com](http://www.erm.com)

Email: [donald.gibson@erm.com](mailto:donald.gibson@erm.com)

ERM Southern Africa (Pty) Ltd and ERM Certification and Verification Services (CVS) are members of the ERM Group. Our work complies with the requirements of ERM's Global Code of Business Conduct and Ethics (available at <https://erm.com/global-code>). Further, ERM CVS is accredited by the United Kingdom Accreditation Service and our operating system is designed to comply with ISO 17021:2011. Our processes are also designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest (refer to both the abovementioned Code of Business Conduct and Ethics, and the ERM CVS Independence and Impartiality Policy available at <http://www.ermcvs.com/our-services/policies/independence/>). The ERM and ERM CVS staff that have undertaken work on this assurance engagement provide no consultancy related services to Gold Fields in any respect related to the subject matter assured.

IAR-128



**Table of Contents**

## Key sustainability performance data

Table 1. Data for selected sustainability performance indicators for the 2018 reporting year presented for reasonable assurance in accordance with Subject Matter 4 of the International Council on Mining and Metals (ICMM) Sustainable Development Framework: Assurance Procedure, and prepared in accordance with the Gold Fields Assurance KPI Definitions (available on Gold Fields Website) and the GRI Sustainability Reporting Standards.

Parameter	Unit	Reported 2018 data
<b>Environment</b>		
Total CO <sub>2</sub> equivalent emissions, Scope 1-3	Tonnes	1,852,190
Electricity purchased	MWh	1,283,940
Diesel	Kl	183,520
Total energy consumed/total tonnes mined	GJ/total tonnes mined	0.06 (11,628,058 GJ / 184,345,022 tonnes)
Total energy consumed/ounces of gold produced	GJ/ounces of gold produced	5.64 (11,628,058 GJ / 2,063,202 ounces)
Total water withdrawal	MI	21,179
Total water recycled/re-used per annum	MI	41,382
Water intensity	Kl withdrawn/ ounces of gold produced	10.3 (21,178,512 Kl / 2,063,202 ounces)
Number of environmental incidents - Level 2	Number of incidents	68

Level 3 and above	2
-------------------	---

## Health

Number of cases of Silicosis reported	Number of cases	10
Number of cases of Noise Induced Hearing Loss reported	Number of cases	13
Cardio Respiratory (Tuberculosis)	Number new cases reported	16
Number of cases of Malaria tested positive per annum	Number of positive cases	237
Number of South African and West African employees in the HAART programme (cumulative)	Number of employees	336
Percentage of South African workforce on the voluntary counselling and testing (VCT) programme	Percentage (%) of workforce	17
Percentage of West African workforce on the voluntary counselling and testing (VCT) programme	Percentage (%) of workforce	60

## Safety

Total Recordable Injury Frequency Rate (TRIFR)		
Employees, Contractors, Total	Number of TRIs/ manhours	Employees: 1.94 (43 TRIs / 22,151,709 manhours) Contractors: 1.75 (56 TRIs / 32,047,611 manhours) Total: 1.83 (99 TRIs / 54,199,320 manhours)
Number of fatalities	Number	1

## Social

	%	
Total socio economic development (SED) spend	US\$	25,711,891
Percentage of host community workforce employment	%	56
Percentage of host community procurement spend	%	27
Total value created and distributed	US\$	2,711,000,000



**Table of Contents****128 The Gold Fields** Integrated Annual Report 2018

## Key sustainability performance data continued

Table 2. Selected sustainability performance indicators for the 2018 reporting year presented for reasonable assurance in accordance with Subject Matter 4 of the ICMM's Sustainable Development Framework: Assurance Procedure, and prepared in accordance with the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (BBSEEC) (2002) and related Scorecard (2004); the Amendment to the BBSEEC (2010) and related scorecard (2010) for the South African Mining and Minerals Industry.

Parameter	Unit	Reported 2018 data
<b>Mining Charter</b>		
<b>Housing and living conditions</b>		
Occupancy rate of one person per room	Ratio (employee : hostel room)	0.49
Percentage conversion of hostels into family units	Percentage (%)	100
<b>Procurement &amp; Enterprise Development</b>		
Procurement spend from BEE <sup>1</sup> entity	Capital Goods (%)	75
	Services (%)	81
	Consumable Goods (%)	91
Annual spend on procurement from multi-national suppliers:	Percentage (%)	1.21

Contribution set aside / allocated by the mining right holders

### Employment equity

HDSAs <sup>2</sup> in management	Top (Board) (%)	50
	Senior (Exco) (%)	50
	Middle (%)	45
	Junior (%)	52
	Core Skills (%)	70

### Human Resource Development (HRD)

HRD expenditure as a percentage of total annual payroll (excluding mandatory skills development levy)	Percentage (%)	7.7
-------------------------------------------------------------------------------------------------------	----------------	-----

### Mine Community Development

Total LED <sup>3</sup> spend for the year and LED spend per SLP <sup>4</sup> project in the current year	Total LED spend (R)	4,842,948
Total SED <sup>5</sup> spend for the year, including community trusts	Total SED spend (R)	44,108,690
Up-to-date implementation of approved community projects	Percentage (%) overall implementation and of each project	0

### Sustainable Development & Growth

Approved EMP <sup>6</sup> implementation	Percentage (%)	100
Tripartite action plan on health and safety implementation	Percentage (%)	95.8
Percentage of samples in South African facilities	Percentage (%)	100

<sup>1</sup> Black Economic Empowerment

<sup>2</sup> Historically Disadvantage South African

<sup>3</sup> Local Economic Development

<sup>4</sup> Social and Labour Plan

<sup>5</sup> Social Economic Development

<sup>6</sup> *Environmental Management Programme*

IAR-130

**Table of Contents**

**The Gold Fields** Integrated Annual Report 2018

Administration and corporate information

**COMPANY SECRETARY**

**Lucy Mokoka**

Tel: +27 11 562 9719

Fax: +27 11 562 9829

e-mail: [lucy.mokoka@goldfields.com](mailto:lucy.mokoka@goldfields.com)

**REGISTERED OFFICE**

**Johannesburg**

Gold Fields Limited

150 Helen Road

Sandown

Sandton

2196

Postnet Suite 252

Private Bag X30500

Houghton

2041

Tel: +27 11 562 9700

Fax: +27 11 562 9829

**OFFICE OF THE UNITED KINGDOM**

**SECRETARIES**

**London**

St James s Corporate Services Limited

Suite 31, Second Floor

107 Cheapside

London

EC2V 6DN

United Kingdom

Tel: +44 20 7796 8644

Fax: +44 20 7796 8645

e-mail: [general@corpserv.co.uk](mailto:general@corpserv.co.uk)

**AMERICAN DEPOSITORY RECEIPTS**

**TRANSFER AGENT**

**Shareholder correspondence should be mailed to:**

BNY Mellon Shareowner Services

PO Box 30170

College Station, TX 77842-3170

**Overnight correspondence should be sent to:**

BNY Mellon Shareowner Services

211 Quality Circle, Suite 210

College Station, TX 77845

e-mail: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)

Phone numbers

Tel: 888 269 2377 Domestic

Tel: 201 680 6825 Foreign

Table of Contents



**SPONSOR**

J.P. Morgan Equities South Africa Proprietary Limited

**Gold Fields Limited**

Incorporated in the Republic of South Africa

Registration number 1968/004880/06

Share code: GFI

Issuer code: GOGOF

ISIN ZAE 000018123

**INVESTOR ENQUIRIES**

**Avishkar Nagaser**

Tel: +27 11 562 9775

Mobile: +27 82 312 8692

e-mail: avishkar.nagaser@goldfields.com

**Thomas Mengel**

Tel: +27 11 562 9849

Mobile: +27 72 493 5170

e-mail: thomas.mengel@goldfields.com

**MEDIA ENQUIRIES**

**Sven Lunsche**

Tel: +27 11 562 9763

Mobile: +27 83 260 9279

e-mail: sven.lunsche@goldfields.com

**TRANSFER SECRETARIES**

**South Africa**

Computershare Investor Services Proprietary Limited

Rosebank Towers

Table of Contents

15 Biermann Avenue

Rosebank

Johannesburg

2196

PO Box 61051

Marshalltown

2107

Tel: +27 11 370 5000

Fax: +27 11 688 5248

**United Kingdom**

Link Asset Services

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

England

Tel: 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge.

If you are outside the United Kingdom,

please call +44 371 664 0300.

Calls outside the United Kingdom will be charged at the applicable international rate.

The helpline is open between 9:00am – 5:30pm. Monday to Friday excluding public holidays in England and Wales.

e-mail: [enquires@linkgroup.co.uk](mailto:enquires@linkgroup.co.uk)

Website

[WWW.GOLDFIELDS.COM](http://WWW.GOLDFIELDS.COM)

Listings

JSE / NYSE / GFI

SIX: GOLI

CA Carolus<sup>°</sup> (*Chair*) RP Menell<sup>°</sup> (*Deputy Chair*) NJ Holland\* (*Chief Executive Officer*) PA Schmidt (*Chief Financial Officer*)

A Andani<sup>#°</sup> PJ Bacchus<sup>°</sup> TP Goodlace<sup>°</sup> C Letton<sup>^°</sup> P Mahanyele-Dabengwa\* SP Reid<sup>^°</sup> YGH Suleman<sup>°</sup>

<sup>^</sup> Australian \* British # Ghanaian

<sup>°</sup> Independent Director Non-independent Director

IAR-131

**Table of Contents**

IAR-132

**Table of Contents**

AFR-1

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018

Contents

<u>Statement of Responsibility by the Board of Directors</u>	1
<u>Company Secretary's certificate</u>	1
<u>Corporate Governance Report</u>	2
<u>Directors' Report</u>	19
<u>Audit Committee Report</u>	24
<u>Remuneration Committee Report</u>	28
<u>Management's discussion and analysis of the financial statements</u>	61
<u>Independent Auditor's Report</u>	125
<u>Accounting policies</u>	129
<u>Consolidated income statement</u>	150
<u>Consolidated statement of comprehensive income</u>	151
<u>Consolidated statement of financial position</u>	152
<u>Consolidated statement of changes in equity</u>	153
<u>Consolidated statement of cash flows</u>	154
<u>Notes to the consolidated financial statements</u>	155
<u>Operating and financial information by mine</u>	213
<u>Shareholders' information</u>	217
<u>Glossary of terms</u>	219
<u>Administration and corporate information</u>	228

Edgar Filing: GOLD FIELDS LTD - Form 20-F

The audited financial statements for the year ended 31 December 2018 have been prepared by the corporate accounting staff of Gold Fields Limited headed by Tzvet Ilarionova, the Group Financial Controller. This process was supervised by Paul Schmidt, the Group's Chief Financial Officer.

*Send us your feedback:*

To ensure that we report on issues that matter to our stakeholders please provide any feedback and questions to: **investors@goldfields.com**, **sustainability@goldfields.com** or visit **www.goldfields.com** to download the feedback form.

[linkedin.com/company/gold-fields](https://www.linkedin.com/company/gold-fields)

[business.facebook.com/GoldFieldsLTD](https://business.facebook.com/GoldFieldsLTD)

[@GoldFields\\_LTD](https://twitter.com/GoldFields_LTD)

AFR- 2

---

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **1**

**Statement of responsibility by the Board of Directors**

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Gold Fields Limited and its subsidiaries (together referred to as the Group), comprising the consolidated statement of financial position at 31 December 2018, and the consolidated income statement and consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the accounting policies and the notes to the consolidated financial statement, as well as the Directors' Report. These financial statements presented on p129 – 212 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the South African Companies Act No 71 of 2008 (as amended) (Companies Act), and include amounts based on judgements and estimates made by management.

The directors consider that, in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations and cash-flows for the year and the financial position of the Group at year end. The directors also prepared the other information included in the Annual Financial Report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The auditors are responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group, or any company within the Group, will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Group.

Gold Fields has adopted a Code of Ethics which is available on the Gold Fields website and which is adhered to by the Group.

The Group's independent registered public accounting firm, KPMG Inc. (KPMG), audited the financial statements, and their auditor's report is presented on p125 – 128.

***Approval of consolidated annual financial statements***

The consolidated annual financial statements of Gold Fields Limited, as identified in the first paragraph, were approved by the Board of Directors on 25 March 2019 and are signed on its behalf by:



**NJ Holland**

*Chief Executive Officer*

*Authorised Director*

*Company Secretary's certificate*

**PA Schmidt**

*Financial Director*

*Authorised Director*

In terms of Section 88(2)(e) of the Companies Act, I certify that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required to be lodged by a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

**MML Mokoka**

*Company Secretary*

25 March 2019

AFR-3

**Table of Contents**

**2 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report

*Overview*

Our vision of global leadership in sustainable gold mining, and our ability to fulfil our stakeholder promises requires the highest levels of corporate governance. This means maintaining a governance framework that supports the proactive and effective management of those strategic dynamics that will ultimately determine our long-term sustainability, whether operational, economic, social, environmental or otherwise.

This approach is essential given the long-term, capital-intensive nature of our mining projects, as well as the, at times, challenging social and political contexts in which we operate. It requires us not only to ensure that our business remains profitable but also to deliver clear economic, social and environmental benefits to our stakeholders.

Our management approach is underpinned by our commitment to sound and robust corporate governance standards, which are essential to our ultimate operational and strategic success. A key element of the approach is to ensure that the Company complies with all laws and regulations, as well as the highest levels of corporate governance. As such, corporate governance systems and frameworks at Gold Fields are reviewed constantly to align with the ever-changing and increasingly stringent standards that are being rolled out by regulators across the globe.

During the year under review, the Board approved a diversity policy for the Company as required by the JSE Listings Requirements.

In November 2016 the King IV Report on Governance Principles for South Africa (King IV or the Code) was launched, updating the guidelines set by the King III Code. During 2018, the Board continued to ensure compliance and uphold the principles recommended in the King IV Code.

Details of our compliance with King IV can be found on p15 16.

AFR-4

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **3***Standards, principles and systems*

Material internal and external standards and principles

<b>Internal standards and principles</b>	<b>Listings requirements</b>	<b>Sustainability standards</b>	<b>Business ethics standards</b>
<p>Gold Fields has developed a comprehensive set of internal standards and principles that underpin how we do business. These include:</p>	<p>Our primary listing is on the Johannesburg Stock Exchange Limited (JSE), and we are therefore subject to the JSE Listings Requirements.</p>	<p>Our sustainable development framework is guided by the International Council on Mining and Metals (ICMM) 10 principles on sustainable development, their supporting position statements and external assurance thereof.</p>	<p>Our Code of Conduct is aligned with national and international business ethics and anti- corruption standards, including the UN Convention against Corruption (2003) and the Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions</p>
<p><b>Our vision and values:</b></p> <p>Everything that we do to achieve our vision of becoming the global leader in sustainable gold mining is informed by our values. These are applied by our directors, as well as employees at every level of the Group.</p>	<p>Gold Fields has a secondary listing on the New York Stock Exchange (NYSE) and, as a foreign private issuer, is subject to the NYSE Listings Requirements, certain provisions of the US Securities and Exchange</p>	<p>We are not a direct participant in the United Nations (UN) Global Compact, but we are guided by its 10 principles and have incorporated the compact's management model into our business activities.</p>	
<p><b>Board of Directors Charter:</b></p> <p>The charter articulates the objectives and responsibilities of the Board. Likewise, each of the Board committees</p>	<p>and Exchange</p>	<p>All of our eligible operations conform to the World Gold</p>	

<p>operates in accordance with written terms of reference that are regularly reviewed to align with the provisions of relevant statutory and regulatory requirements.</p>	<p>Commission, as well as the terms of the Sarbanes-Oxley Act (2002).</p>	<p>Council Conflict-Free Gold Standard. A copy of our Conflict-Free Gold Report, our Statement of Conformance, together with the limited assurance opinion, can be viewed online at <a href="http://www.goldfields.com/sustainability-reporting.php">www.goldfields.com/sustainability-reporting.php</a>.</p>	<p>(1997).</p>
<p><b>Sustainable development framework:</b></p> <p>Gold Fields' sustainable development framework is based on good practice, as well as our operational requirements. The framework is governed by an overall Sustainable Development Policy Statement.</p>	<p>The Board is committed to upholding the principles and recommended practices of King IV and ensured compliance with the code during 2018.</p>	<p>Our reporting is guided by the internationally recognised Integrated Reporting Framework of the International Integrated Reporting Council and the Global Reporting Initiative (GRI) Standards. Our 2018 GRI submission can be viewed online at <a href="http://www.goldfields.com/sustainability-reporting.php">www.goldfields.com/sustainability-reporting.php</a>.</p>	<p>We support the principles and processes of the Extractive Industry Transparency Initiative (EITI), through our membership of the ICMM. Ghana and Peru are the EITI-compliant countries in which we operate.</p>
<p>The Group has developed a range of policy statements that direct business conduct, available online at <a href="http://www.goldfields.com/policies.php">www.goldfields.com/policies.php</a>.</p>			<p>We comply with the following legislation and code: King IV and Prevention and Combating of Corrupt Activities Act (2004).</p>
<p><b>Code of Conduct:</b></p> <p>Gold Fields' Code of Conduct commits and binds every employee, officer and director within Gold Fields to conduct business in an ethical and fair manner. The Board's Audit, and Social, Ethics and Transformation (SET) committees are tasked with ensuring the consistent application of, and adherence to, the Code. The Code is on our website at <a href="http://www.goldfields.com/code-of-conduct">www.goldfields.com/code-of-conduct</a>.</p>		<p>All our eligible operations are certified by the International Cyanide Management Code, the ISO 14001 (2015) environmental management system and the OHSAS 18001 occupational health and safety management system.</p>	<p>The United States Sarbanes-Oxley Act (2002), Dodd-Frank Act (2010) and the Foreign Corrupt Practices Act (1977).</p>
		<p>As per King IV, 48 non-binding rules, codes and standards have been adopted by the Audit Committee. During 2019, these non-binding rules, codes and standards will be aligned to identified statutes.</p>	<p>All relevant regulations and legislations in jurisdictions in which Gold Fields operates.</p>



**Table of Contents**

**4 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

***Board of Directors***

Board overview

The Board of Directors is the highest governing authority of the Group, and the Board Charter articulates its objectives and responsibilities. Likewise, each of the Board's subcommittees operates in accordance with its written terms of reference, which are reviewed on an annual basis.

The Board takes ultimate responsibility for the Company's adherence to sound corporate governance standards, and sees to it that all business decisions and judgements are made with reasonable care, skill and diligence.

In terms of Gold Fields' Memorandum of Incorporation (MoI), available online at [www.goldfields.com/standards-and-principles.php](http://www.goldfields.com/standards-and-principles.php), the number of directors on the Board shall not be less than four and not more than 15. The Board currently comprises 11 directors, two of whom are executive directors and nine are independent non-executive directors (NEDs). Advised by the Nominating and Governance Committee, the Board ensures that the election of independent directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Company. Each Board member offers a range of relevant knowledge, expertise and technical experience and business acumen, which enables them to exercise independent judgement in Board deliberations and decision-making.

Furthermore, the Nominating and Governance Committee also ensures that the Board has adequate diversity in respect of race, gender, business, geographic and academic backgrounds. The composition of the committees was reviewed and approved at the November 2018 Board meeting.

The role of NEDs, who are independent of management, is to protect shareholders' interests, including those of minority shareholders. Furthermore, they ensure that individual directors or groups of directors are subject to appropriate scrutiny in their decision-making.

The roles of the Chairperson of the Board and the Group's Chief Executive Officer (CEO) are kept separate. NEDs Cheryl Carolus was the Chairperson of the Board, with Rick Menell the Deputy Chairperson and lead independent director. Nick Holland was Gold Fields' CEO for the entire period under review.

The Board is kept informed of all developments relating to the Group, primarily through the executive directors, executive management and the Company Secretary. Furthermore, the Board stays up-to-date through a number of

other mechanisms, including employee climate surveys, newsletters and internal staff communication, among others.

NEDs are entitled to seek independent professional advice, at the Group's expense, on any matters pertaining to Gold Fields. They also have unrestricted access to the Group's management, as well as to the external auditors, when necessary. A brief curriculum vitae (CV) for each Board member is set out on p12-14 of this report.

#### Chief Financial Officer

Paul Schmidt was appointed as the Company's Chief Financial Officer (CFO) from 1 January 2009. In accordance with the JSE Listings Requirements, the Audit Committee considered and agreed unanimously that the level of expertise and experience of Mr Schmidt was satisfactory during 2018.

The Audit Committee was of the opinion that Mr Schmidt, together with other members of his financial management team, had managed the Group's financial affairs effectively during the 2018 financial year.

#### Board appointments and rotation

Directors are appointed through a formal process, and the Nominating and Governance Committee assists in identifying suitable candidates and evaluating candidates from time to time. The Chairperson and Deputy Chairperson are appointed on an annual basis by the Board after a review of their performance and independence. In line with recommendations by King IV, the Board carries out a thorough evaluation of the independence of directors annually, and specifically where Board members have served on the Board for nine years or more.

The Nominating and Governance Committee develops and facilitates an induction programme with management for new members of the Board to ensure their understanding of Gold Fields and the business environment in which it operates. The Nominating and Governance Committee also assesses the commitments of non-executive candidates to ensure availability to fulfil their responsibilities.

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **5**

In accordance with Gold Fields' Policy, one-third of all directors (including executive directors) shall retire from office at each Annual General Meeting. The first to retire are those directors appointed as additional members of the Board during the year, followed by the longest serving members. Retiring directors can be re-elected immediately by the shareholders at the Annual General Meeting.

An additional Board member, Phuti Mahanyele-Dabengwa was appointed to the Board on 1 September 2018. Don Ncube retired at the Annual General Meeting held in May 2018. At the November 2018 Board meeting, the Board approved that Ms Mahanyele-Dabengwa become a member of the Safety, Health and Sustainable Development (SHSD), Social, Ethics and Transformation (SET), and Capital Projects, Control and Review committees. The Board also approved that Yunus Suleman resign from the SHSD and SET committees and become a member of the Nominating and Governance Committee. The composition of the Investment Committee was reviewed and Cheryl Carolus, Rick Menell and Steven Reid became additional members of this Committee.

The Board, assisted by the Nominating and Governance Committee, recommends the eligibility of retiring directors (subject to availability and their contribution to the business) for reappointment.

The Board in 2017 adopted a policy on race and gender diversity at Board level. During 2018 it set a target of appointing an additional South African black female director and a South African black male director. The appointment of Phuti Mahanyele- Dabengwa was completed in 2018 and the search for a black male director is ongoing.

**Directors' dealings in shares of Gold Fields**

Gold Fields' Board members and employees are informed of closed and prohibited periods for share dealings by the Company Secretary. Closed and prohibited periods remain in force until final annual, and now bi-annual, results are published. This was done on a quarterly basis during 2018. Similar closed periods will be in place should the Company trade under a cautionary announcement. Any directors' dealings (including executive directors) require the pre-approval of the Chairperson, and the Company Secretary keeps a register of such dealings.

**Board remuneration**

Non-executive Board members are remunerated for their services as non-executive Board members, the separate committees they sit on annually, ad hoc committees officially approved by the Board, and, where applicable, travel expenses to attend Board meetings. Shareholders approve these fees on an annual basis at the Company's Annual



General Meeting. Further details of NEDs and executive directors remuneration can be found on p42 60.

#### Board of Directors Charter

The Board Charter and committees terms of reference are reviewed on an annual basis. In 2017, the Board reviewed the Board of Directors Charter and committees terms of reference to align with the recommendations of King IV. A summary of the application of the King IV principles by Gold Fields can be found on p15 16.

#### Company Secretary

The Company Secretary provides company secretarial services, oversees Board governance processes in relation to the Board (in accordance with the JSE Listings Requirements) and attends all Board and Board committee meetings. The Board has access to the Company Secretary, who guides the directors on their duties and responsibilities. During the year under review, the Company Secretary oversaw relevant Board governance matters and assisted the Board and its committees with annual plans, agendas, minutes and terms of reference.

The Company Secretary for the year under review was Lucy Mokoka, and the Board is satisfied that Ms Mokoka is competent, qualified and has the necessary expertise and experience to fulfil the role. The Company Secretary is not a director of the Group and has an arm s-length relationship with the Board.

#### Application of King IV within Gold Fields

The introduction of King IV allowed the Board to assess the effectiveness of its current processes, practices and structures, which it uses to direct and manage the operations of the Company. The King IV gap analysis process conducted in 2017 revealed that the Company was materially compliant with the Code. The Board continued to review and refine governance processes to enhance compliance with the Code in 2018.

As such, a full register of the King IV principles, and the extent of the Company s compliance therewith, is available on p15 16, and will also be placed on our website at [www.goldfields.com/standards-and-principles.php](http://www.goldfields.com/standards-and-principles.php).

AFR-7

**Table of Contents****6 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

**Board attendance**

The Board is required to meet at least four times a year. It convened nine times during 2018 as five special/ad hoc Board meetings were held to deliberate on urgent substantive matters. In terms of the Board Charter, a meeting may also be conducted by electronic communication.

All directors are provided with the necessary information through comprehensive Board packs prepared by management in advance of each Board or committee meeting to enable them to discharge their responsibilities effectively. The Board agenda and meeting structure focus on strategy, sustainable development, finance, performance monitoring, governance and other related matters. During the period under review, the Board meetings and some committee meetings were preceded by closed session meetings of NEDs. Furthermore, directors are asked to recuse themselves from meetings on any matters in which they may be conflicted.

***Number of Board meetings, Board committee meetings and directors attendance during 2018***

Directors	Special Board meetings	Ad-hoc Board meetings	Audit Committee	SHSDR Review Committee	Capital Projects, Control and Remuneration Committee	Nominating and Governance Committee	Risk Committee
No of meetings							
per year	4	5	4	7	5	4	4
CA Carolus <sup>1</sup>	4	5	2		4	4	4
A Andani	4	5	3	7		4	4
PJ Bacchus <sup>1</sup>	4	4	4	7	4	4	3
TP Goodlace <sup>1</sup>	4	4			5	4	.
C Letton	4	5			4	4	
NJ Holland	4	5	4	7	5	4	4
RP Menell <sup>1</sup>	4	4	2	7	4	4	4
DMJ Ncube <sup>1</sup>	2	2		3	2	4	4
SP Reid <sup>1</sup>	4	5	2		5	4	4

Edgar Filing: GOLD FIELDS LTD - Form 20-F

PA Schmidt	4	5	4	7		2		2
YGH Suleman	4	5	3	7	5	4	4	2
P Mahanyele-Dabengwa <sup>2</sup>	1	1		1	1	1	1	

<sup>1</sup> CA Carolus attended the Capital Projects, Control and Review Committee meetings by invitation

PJ Bacchus attended the SET Committee meetings by invitation

RP Menell and PJ Bacchus recused themselves from the March 2018 Special Board Meeting due to a conflict of interest

TP Goodlace submitted an apology for the October Special Board Meeting

A Andani and YGH Suleman submitted apologies for the May 2018 and November 2018 Investment Committee meetings respectively

C Carolus, R Menell and S Reid became members of the Investment Committee with effect from the 27 November 2018 Board meeting. They attended the 1 November Investment Committee meeting by invitation

DMJ Ncube attended the SHSD Committee meetings by invitation. He retired from the Board with effect from the Annual General Meeting in May 2018

<sup>2</sup> P Mahanyele-Dabengwa was appointed to the Board with effect from 1 September 2018.

The full Directors Report is detailed on p19 - 23.

AFR-8

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **7**

***Board committees***

The Board has established a number of standing committees in compliance with the Companies Act and JSE Listings Requirements with delegated authority from the Board. Committee members are all independent NEDs, and the CEO, CFO and various members of management are permanent invitees to committee meetings. (The CEO is a permanent member of the SET Committee). Each Board committee is chaired by an independent NED.

Committees are required to evaluate their effectiveness and performance on an annual basis and to report findings to the Board for consideration. In line with the King IV recommendations, the Board annually reviews the terms of reference of all committees and, if necessary, adopts changes which are approved by the Board.

Committees operate in accordance with written terms of reference and have a set list of responsibilities. These are outlined at [www.goldfields.com/au\\_leadership.php](http://www.goldfields.com/au_leadership.php). The charters and terms of reference of the Board can be found at [www.goldfields.co.za/au\\_standards.php](http://www.goldfields.co.za/au_standards.php).

The Investment Committee is an ad hoc committee of the Board, established in 2017 to make recommendations to the Board on strategic restructuring options for the Group, as and when required.

The Board and all its committees reviewed their charters and terms of references to align with King IV. The written terms of reference and responsibilities of the Board and its committees are set out below. The composition of the committees refers to the position as at 25 March 2019:

**Board**

The Board is responsible for strategy development and monitors performance against the strategy. The Board Charter compels directors to promote the vision of the Company while upholding sound principles of corporate governance. Other directors' responsibilities under the charter include:

- Determining the Company's Code of Conduct and conducting its affairs in a professional manner, upholding the core values of integrity, transparency and enterprise
- Evaluating, determining and ensuring the implementation of corporate strategy and policy

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Determining compensation, development, and other relevant policies for employees  
Developing and setting best practice disclosure and reporting procedures that meet the needs of all stakeholders  
Authorising and controlling capital expenditure and reviewing investment capital and funding proposals  
Constantly updating risk management systems, including setting management expenditure authorisation levels and exposure limit guidelines  
Reviewing executive succession planning and endorsing senior executive appointments, organisational changes and general remuneration policies. In this regard, the Board is guided by the Remuneration Committee, as well as the Nominating and Governance Committee

### **Key areas of focus during 2018**

Recomposition of a number of Board committees  
Considered outcomes of Independent Board Evaluation conducted by the Institute of Directors (IoD)  
Deliberation on South Deep performance and approval of South Deep restructuring process  
A decision was made to appoint PricewaterhouseCoopers Inc (PwC) as the Company's new external auditors  
Approval of remuneration philosophy and policy, as well as cash-settled long-term incentive (LTI) plan  
Approval of additional gold price hedges  
Completed Asanko joint venture transaction and approved funding strategy to finance the deal

AFR-9

**Table of Contents**

**8 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

Deliberation on the impact of scope changes, force majeure and cost escalation of the Gruyere project

Continued focus on capital allocation and approval of capital framework

Approval of the Group Stakeholder Relationship and Engagement Policy Statement, the Environmental Policy Statement, as well as the Occupational Health and Safety Policy Statement

The Board assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

**Nominating and Governance Committee**

It is the responsibility of this Committee, which has four independent directors, among other things, to:

Develop a robust approach to corporate governance, including recommendations to the Board

Prepare and recommend to the Board a set of governance principles

Recommend a process to evaluate the effectiveness of the Board, its committees and management and report findings to the Board

Review the structure, composition and size of the Board and how this relates to effectiveness

Consider the rotation of directors and make appropriate recommendations

Identify and evaluate nominees and recommend them for election

Identify successors to the Chairperson, Deputy Chairperson and lead independent director, and the CEO, and make recommendations to the Board

Consider the Board committee mandates, the selection and rotation of the Chairpersons and committee members, and submit recommendations to the Board

Review the qualifications of committee members and conduct annual performance evaluations with recommendations to the Board

Develop and facilitate an induction programme for new Board members

**Key areas of focus during 2018**

Recommended appointment of additional Board members

Board skills, diversity and composition assessment

Independent Board Evaluation (conducted by the IoD) in line with King IV requirements

Succession planning for directors and senior executives

The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

## Audit Committee

The Audit Committee, which consists of four independent directors, has formal terms of reference which are reviewed annually and set out in its Board-approved charter. The Board is satisfied that the Committee has complied with these terms and with its legal and regulatory responsibilities as set out in the Companies Act, King IV and the JSE Listings Requirements.

The full duties and responsibilities of the Audit Committee, as well as the Audit Committee Statement, appear on p24 27 of this report, respectively. It is the responsibility of this Committee, among other things, to:

- Nominate external registered auditors for the appointment or reappointment by the shareholders as auditor of the Company in line with the JSE Listings Requirements

- Consider the fees to be paid to the external auditor and the auditor's terms of engagement

- Ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors, including confirming the independence of the auditors

- Determine the nature and extent of any non-audit services that the external auditor may provide to the Company

- Pre-approve any proposed agreements with the external auditor for the provision of non-audit services to the Company

- Delegate oversight for combined assurance

- Prepare a report, to be included in the annual financial statements of the Company for the relevant financial year, that describes how the Committee carried out its functions, comments on the financial statements, the accounting practices and the internal controls of the Company

- Receive and deal appropriately with any concerns or complaints relating to the accounting practices and internal audit of the Company, the content or auditing of the Company's financial statements, or the internal controls of the Company

- Make submission to the Board on any matter concerning the Company's accounting policies, financial controls, records and reporting procedures

- Delegate other duties to the Committee that relate to policies and procedures, relationships between independent auditors and Gold Fields, and recommendations regarding supplementary reports that shareholders may require in the course of their relationship with Gold Fields

AFR-10

---

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **9**

**Key areas of focus during 2018**

Reviewed KPMG's appointment as the Group's external auditors, and subsequently resolved to recommend to the Board and shareholders to appoint PwC as the Company's external auditors  
Hedging of gold and copper prices for all our regions in 2018  
External assurance of non-financial data  
Review of Integrated Annual Report, Annual Financial Report and Form 20-F  
Reviewed and approved a revised treasury framework  
Considered the impact of IFRS 16, *Leases*, which became effective on 1 January 2019

**Disclosures**

Approval of the appointment of PwC as the Group's external auditors at the conclusion of KPMG's responsibilities relating to the 2018 year-end audit  
Arrangements are in place for combined assurance  
Arrangements are in place for governing information and technology and its effectiveness  
Adoption of a responsible and transparent tax policy and strategy  
Arrangements are in place for governing and managing compliance  
The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

**Remuneration Committee**

It is the responsibility of this Committee, which consists of five independent directors, among other things, to:

Determine the Company's general policy on remuneration of the CEO, the executive directors and the Group and Executive Committee (Exco) members  
Determine the total individual remuneration package of the CEO and Group Exco members, including bonuses, incentive payments, retention payments, long-term incentive awards and any other benefits  
Ensure that contractual terms on potential termination of the CEO and Group Exco members, and any payments made, are fair to both parties, and that failure is not rewarded and that the duty to mitigate loss is fully recognised  
Remain mindful that remuneration policies and practices should be aligned with corporate governance objectives and business strategy, taking risks fully into account, and reviewed regularly  
Consider and recommend NEDs' fees for approval by shareholders

**Key areas of focus during 2018**



Reviewed and approved 2018 bonuses and salary packages for the Group

Reviewed executive remuneration and incentive policies

Appointment of principal officer of the Company

Approval of executive remuneration packages for 2019 after peer review

Approval of remuneration philosophy and policy, as well as cash-settled LTI plan

Identification of a committee independent advisor (following the appointment of PwC as Group external auditors)

The Company's remuneration policies, as well as details of directors' fees and equity-settled instruments, are in the Remuneration Report on p28 – 60.

The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

#### SHSD Committee

All members of the Committee have been selected on the basis of their considerable experience in the field of sustainable development. The Committee consists of six independent directors (one additional director attended by invitation during 2018). It is the responsibility of this Committee, among other things, to:

Evaluate, with management, Gold Fields' record of conformance with its commitment to relevant laws, regulations and external standards in safety, health and sustainable development

Scrutinise investigations into any incidents related to safety, health and sustainable development

Recommend, to the Board, policies and guidelines on matters relating to safety, health and sustainable development

Review reports, policies and the performance of the Company's implementation of its safety, health and sustainable development policy statements

Assess and approves the sustainable development policies that are applicable to the Group's operations

Monitor compliance of Gold Fields' operations against regulations, policies and standards and makes specific recommendations regarding the investigation of incidents

AFR-11

**Table of Contents**

**10 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

Ensure risk management assessment processes on sustainable development matters are effectively applied  
Identify key indicators or trends relating to accidents and/or incidents and offer appropriate solutions for due consideration

Consider national and international regulatory and technical developments that relate to sustainable development when making recommendations to the Board on these matters

Offer recommendations to the Board on the engagement of external assurance partners with the requisite credentials

**Key areas of focus during 2018**

Reviewed Group and regional safety, health and sustainable development policy statements and strategies

Investigated two fatalities (one mining and one non-mining related) at Group mines during the year, and reviewed action plans to mitigate similar risks

Approved the updated Group Stakeholder Relationship and Engagement Policy Statement, Environmental Policy Statement, as well as Occupational Health and Safety Policy Statement

Approved Group and regional safety, health and sustainable development strategies

Adopted the ICMM's critical control management process and applied it to safety, health, environmental and social hazards

The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

**Capital Projects, Control and Review Committee**

It is the responsibility of this Committee, which consists of seven independent directors (one of the seven independent directors attends by invitation), among other things, to:

Consider new capital projects and satisfy the Board that the Company has used correct, efficient methodologies in evaluating and implementing capital projects in excess of R1.5bn or US\$200m

Review the results attained on completion of each project against the authorised work undertaken

Monitors progress throughout the project cycle

Periodically reports its findings to management and the Board

**Key areas of focus during 2018:**

Implementation of the South Deep capital project, Gruyere Gold project, Damang Reinvestment project, as well as Tarkwa contractor mining

Reviewed and approved the Group capital framework

Approved the 2018 budget for Salares Norte and transition to full feasibility study  
The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily. The Committee continues to review the results attained on completion of each project against the authorised work undertaken.

### SET Committee

It is the responsibility of this Committee, which consists of six independent directors (one additional director attended by invitation during 2018) and one executive director (in line with King IV recommendations), among other things, to assist the Board in ensuring that it discharges its oversight responsibilities with regard to safety, security, health, environmental, social, ethics and sustainable development matters, as well as stakeholder relationships, to ensure the Company upholds the principles of good corporate citizenship and conducts its business in an ethical and sustainable manner.

This Committee also ensures, among other things, that the Group:

- Contributes to socio-economic development by adhering to acts which facilitate this, including OECD, employment equity and broad-based black economic empowerment
- Ensures Gold Fields is, and is seen to be, a good corporate citizen
- Considers the Group's environmental, health and public safety impacts
- Enforces labour and employment policies and practices
- Offers oversight over ethics management, transformation, localisation and compliance with laws and regulations
- Reviews and monitors stakeholder engagements and guides strategically on these matters

### Key areas of focus during 2018

- Social and transformation initiatives at corporate office and the regions
- Focus on social and economic development in our host communities, sound corporate citizenship, labour and employment practices, employment equity, stakeholder engagement, ethics and governance
- The Committee also has oversight over the South Deep Education Trust, the South Deep Community Trust and the Westonaria Community Trust

AFR-12

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **11**

The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

**Risk Committee**

It is the responsibility of this Committee, which consists of four independent directors, to assist the Board and the Boards of all subsidiary companies in ensuring that management identifies and implements appropriate risk management controls.

The Committee acts in terms of delegated authority in respect of the duties and responsibilities assigned to it by the Board to, among other things:

- Ensure that effective risk management policies and strategies are in place and are recommended to the Board for approval
- Review the adequacy of the Risk Management Charter, policy and plans
- Approve the Company's risk identification and assessment methodologies
- Review the nature, extent and parameters of the Company's risk strategy, in terms of the risk appetite and tolerance as well as the limit of potential losses the Company can accept
- Review and approve risks identified on a qualitative basis, according to probability and seriousness
- Review the effectiveness and efficiency of the enterprise risk management (ERM) system to seek assurance that material risks are identified and mitigated
- Consider on a regular basis, the Company's key risks, especially from a materiality reference point
- Report to the Board any material changes and/or divergence to the risk profile of the Company
- Monitor the implementation of operational and corporate risk management
- Review insurance and other risk transfer arrangements
- Lead a robust process of contingency planning
- Assess the Company's sustainability risk
- Provide the Board with a detailed and timely ERM report

**Key areas of focus during 2018**

- Cyber security risk assessment
- Approval of combined assurance
- Approved Group and regional risk registers

The Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

#### Ad-Hoc Investment Committee

The objective of the Committee is to consider and, where appropriate, make recommendations to the Board on strategic, organisational and structuring options including investment and divestment opportunities to achieve the Company's strategic objective of maximising shareholder returns sustainably.

It is the responsibility of this Committee to:

- Consider strategic alternative corporate organisational options and structures
- Assess new material investment or divestment opportunities, on the basis set out in the above paragraph
- Review the outcomes of all options/opportunities against specified work plans identified amongst the Committee members and Management
- Provide recommendations to management in relation to their functions and duties
- Monitor progress throughout the process
- Periodically report its findings and recommendations to Management and the Board.

#### Executive Committee

The Exco is not a subcommittee of the Board. It is primarily responsible for the implementation of Company strategy, as well as carrying out the Board's mandates and directives. Exco meets on a regular basis to review Company performance against set objectives, and develops Company strategy and policy proposals for consideration by the Board. Exco also assists the Board in the execution of the Company's disclosure obligations. A series of guidelines on disclosure have been disseminated throughout the Company. Exco consists of the principal officers and executive directors of Gold Fields – 12 members in total.

Each of Gold Fields' regional operating subsidiaries has established Board and Exco structures to ensure sound corporate governance practices and standards. At least one of the Company's executive directors serves on the boards of the operating subsidiaries.

**Table of Contents**

**12 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

***Directors***

Independent, Non-executive directors

**Cheryl Carolus (60)**

Chairperson

BA Law; Bachelor of Education, University of the Western Cape; Honorary Doctorate in Law, University of Cape Town

Appointed to the Board: Director 2009, Chairperson 2013

Experience and expertise: Governance and compliance, social development, training and development, people management

Ms Carolus has served on the boards of numerous listed companies, including De Beers and Investec. She is a Board member of many not-for-profit organisations, including the International Crisis Group, Soul City, World Wildlife Fund (South Africa and internationally), The British Museum (appointed by Her Majesty Queen Elizabeth), and is Chairperson of the SA Constitution Hill Education Trust.

Previously, Ms Carolus was Chairperson for South African Airways, the South African National Parks Board, and has served on the boards of numerous public and private partnerships that address socio-economic challenges. Additionally, she served as South Africa's High Commissioner to the United Kingdom (UK) from 2001 to 2004.

Ms Carolus played a role in the liberation struggle of South Africa and the constitution-making process. She was awarded an honorary doctorate in law from the University of Cape Town for her contribution to freedom and human rights. In 2014, she was awarded the French National Order of Merit by the Government of France.

**Richard Menell (63)**

Deputy Chairperson

MA (Natural Sciences Geology), Cambridge; MSc (Mineral Exploration and Management), Stanford University, California

Appointed to the Board: Director 2008, Deputy Chairperson 2015, Lead Independent Director 2017 Experience and expertise: Executive management, geology

Mr Menell became a NED of Sibanye-Stillwater in 2013. He has over 38 years experience in the mining industry, including service as the President of the Chamber of Mines of South Africa, President and CEO of Teal Exploration and Mining, as well as Executive Chairperson of Anglovaal Mining and Avgold. He is a director of Weir Group Plc, as well as a Senior Advisor to Credit Suisse. He also serves as a director for a number of unlisted companies and not-for-profit organisations.

**Peter Bacchus (50)**

MA (Economics), Cambridge University

Appointed to the Board: 2016

Experience and expertise: Investment banking, financing, mergers and acquisitions

Mr Bacchus is Chairperson of independent merchant bank, Bacchus Capital Advisers. He has acted as the Global Head of Mining and Metals and Joint Head of European Investment Banking at Investment Bank Jefferies, and served as Global Head of Mining and Metals at Morgan Stanley. Prior to that, he was Head of Investment Banking, Industrials and Natural Resources at Citigroup in Australia.

Mr Bacchus has spent more than 25 years in investment and corporate banking with a focus on the global natural resources sector, and is a member of the Institute of Chartered Accountants, England and Wales. He is also a NED of UK-listed mining group Kenmare Resources, Australian-listed Galaxy Resources, and Chairperson of Space for Giants, an African-focused conservation charity.

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **13**

**Alhassan Andani (57)**

BSc (Agriculture), University of Ghana; MA (Banking and Finance), Finafrica Institute in Italy

Appointed to the Board: 2016

Experience and expertise: Investment banking, financing

Mr Andani is currently Chief Executive and Executive Director of Stanbic Bank Ghana, the Board Chairperson of the Ghana Council for Scientific and Industrial Research (CSIR), a director of SOS Villages Ghana, and has held other corporate directorships in the past.

**Carmen Letton (53)**

PhD in Mineral Economics (UQ) and Bachelor Mining Engineering (WASM)

Appointed to the Board: 2017

Experience and expertise: Mining engineering, corporate governance, risk management, corporate strategy

Dr Letton is a mining engineer and mineral economist (PhD), with 33 years of global mining exposure, working for major and mid-tier mining houses in senior management and leadership roles, with experience in operations, corporate strategy development, engineering and design, asset and business development, continuous improvement, mergers and acquisitions.

Currently, Dr Letton is the Head Open Resource Development Planning and Life of Asset Planning for the Technical and Sustainability Group in Anglo American. Dr Letton has experience in large and medium-sized projects in both the Australian and international mining environment; challenging operations leadership, complex technical roles;



expertise in due diligence, corporate governance, risk management, corporate strategy and asset development.

Core skills and accountabilities include operations executive general management and leadership of all key mine engineering disciplines associated technical services areas (mine engineering, metallurgy, and geology).

**Yunus Suleman (61)**

BCom, University of KwaZulu-Natal (formerly Durban Westville); BCompt (Hons), University of South Africa; CA(SA)

Appointed to the Board: 2016

Experience and expertise: Auditing, financial accounting and governance

Mr Suleman serves as an independent NED of Liberty Holdings Limited, Liberty Group Limited, and Albaraka Bank Limited, and is the Global Treasurer of the World Memon Organisation. He was previously Chairperson of KPMG South Africa (resigned February 2015) and Director of Tiger Brands Limited (resigned November 2018).

**Terence Goodlace (59)**

MBA (Business Administration), University of Wales; BCom, University of South Africa; NH-Dip (Metalliferous Mining), Witwatersrand Technikon; MDP, University of Cape Town

Appointed to the Board: 2016

Experience and expertise: Mining, capital projects, commercial and operational management, risk management, energy management, mineral resource management

Mr Goodlace's mining career commenced in 1977 and has spanned more than 41 years. He spent the majority of his career at Gengold which merged with Gold Fields of South Africa to form Gold Fields in 1998. He became Chief Operating Officer in 2008. He has significant experience in leading underground and open-pit operations in South Africa, Australia, Ghana and Peru. He then spent three years as the CEO of Metorex and served on the Impala Platinum Board for two years as an independent NED and four and a half years as CEO. He is currently an independent NED of Kumba Iron Ore Limited and AfriTin Mining Limited.

**Table of Contents**

**14 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

**Phuti Mahanyele-Dabengwa (48)**

Executive Development Programme, Kennedy School of Government, Harvard University, US; MA Business Administration, De Montford University, Leicester, UK; BA Economics, The State University of New Jersey, US

Appointed to the Board: 2018

Experience and expertise: Financial, infrastructure development and commercial

Ms Mahanyele runs her own finance capital, Sigma Capital, which she founded in 2016 after spending 12 years with the Shanduka Group. At Shanduka, she first managed Shanduka Energy before becoming CEO of the company. Prior to Shanduka she worked at international investment banking firm Fieldstone for six years.

Ms Mahanyele currently holds NEDs at Blue Label, Comair and Discovery Insure, and is on the advisory board of Stellenbosch University's Business School. In 2014 she was chosen as Forbes Africa Business Woman of the Year.

**Steven Reid (63)**

BSc (Mineral Engineering), South Australian Institute of Technology; MBA, Trium Global Executive; ICD.D, Institute of Corporate Directors

Appointed to the Board: 2016

Experience and expertise: Mining engineering, risk management, compensation management

Mr Reid has 42 years of international mining experience and has held senior leadership roles in numerous countries. He has served as a director of SSR Mining since January 2013 and as a director of Eldorado Gold since May 2013. He served as Chief Operating Officer of Goldcorp from January 2007 until his retirement in September 2012, and prior to

that was the Company's Executive Vice-President in Canada and the USA. Before joining Goldcorp, Mr Reid spent 13 years at Placer Dome in numerous corporate, mine management and operating roles. He also held leadership positions at Kingsgate Consolidated and Newcrest Mining, where he was responsible for the Asian and Australian operations.

#### Executive directors

#### **Nicholas Holland (60)**

CEO

BCom, BAcc, University of the Witwatersrand; CA(SA)

Appointed to the Board: Executive Director, 1998; CEO, 2008

Experience and expertise: Finance, mining, management

Prior to his appointment as CEO of Gold Fields, Mr Holland was the Company's CFO. He has more than 39 years experience in financial management, of which 29 years were in the mining industry. Before joining Gold Fields, he was Financial Director and Senior Manager of Corporate Finance at Gencor.

#### **Paul Schmidt (51)**

CFO

BCom, University of the Witwatersrand; BCompt (Hons), University of South Africa; CA(SA)

Appointed to the Board: 2009

Experience and expertise: Finance, mining, management

Prior to his appointment as CFO of Gold Fields, Mr Schmidt held the positions of acting CFO from May 2008 and Financial Controller from April 2003. He has more than 23 years' experience in the mining industry.

AFR-16

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **15**

***Application of King IV within Gold Fields***

The introduction of King IV allowed the Board to assess the effectiveness of its current processes, practices and structures which it uses to direct and manage the operations of the Company. In February 2017, the Board initiated a gap analysis process headed by the Chairperson of the Audit Committee, Yunus Suleman, to determine the Company's readiness in implementing the recommended practices contained in King IV. Areas of improvement were identified, particularly relating to the new disclosure requirements that have been introduced by King IV. The Board concurred that principles that are capable of being implemented immediately should be implemented and the remainder to be implemented as work in progress. The outcome of the gap analysis, which revealed that the Company was materially compliant, was considered and discussed by the Board in November 2017.

**Application of King IV within Gold Fields**

Principles	Principle application
<b>PART 5.1: LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP</b>	
<b>LEADERSHIP</b>	
Principle 1: The governing body should lead ethically and effectively.	The Board (governing body) through its various committees is confident on a prospective basis that the combined inputs of its committees produce conformity with this principle. The Board exhibits the requisite levels of integrity, competence, responsibility, accountability, fairness and transparency.

## ORGANISATIONAL ETHICS

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The SET Committee comprises non-executive members and one executive member. The majority of the members are independent. The Committee ensures conformity with this principle through the Code of Ethics and the Group Disciplinary Code that set out sanctions to be followed.

## RESPONSIBLE CORPORATE CITIZENSHIP

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board through the SET Committee and the SHSD Committee ensures conformity with this principle. The SHSD Committee is committed to the 10 principles of the ICMM and the Global Compact's 10 sustainable development principles.

## PART 5.2: STRATEGY PERFORMANCE AND REPORTING

### STRATEGY AND PERFORMANCE

Principle 4: The governing body should appreciate that the organisation's core purposes, its risks and opportunities, strategy and business model, performance and sustainable development are all inseparable elements of the value creation process.

The Board conforms to this principle. The Board oversees strategy formulation and execution. The Board sets performance targets which are agreed upon with management. On a yearly basis, the Board together with management reviews the strategy.

## REPORTING

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and short-, medium- and long-term prospects.

The Board keeps its shareholders updated in line with the JSE requirements and ensures integrity of external reports insofar as dealing with assurance of external reports.

### **PART 5.3: GOVERNING STRUCTURES AND DELEGATION**

#### **PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY**

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board adheres to the requirements of King IV. The Board receives external advice as and when required or necessary and keeps abreast of best corporate governance practices both locally and abroad, making recommendations where appropriate, for Board participation in continuing education programmes.

#### **COMPOSITION OF THE GOVERNING BODY**

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board has delegated to the Nominating and Governance Committee the nomination, election and the appointment processes having set the criteria for the selection of candidates to serve on the Board. The JSE Listings Requirements require that race diversity disclosure be made effective 1 June 2018. In November 2017 the Board approved a Company-wide diversity policy.





**Table of Contents**

**16 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

Principles	Principle application
<p><b>COMMITTEES OF THE GOVERNING BODY</b></p>	
<p>Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>The Board conforms to this principle. Through the Nominating and Governance Committee, the Board ensures that the structures of the Board are well resourced with a balance of skills and expertise. The subcommittees of the Board include the following: Audit Committee; Risk Committee; Nominating and Governance Committee; SET Committee; Remuneration Committee; SHSD Committee; and Capital Projects, Control and Review Committee. In November 2017, the Board established a new ad hoc committee, known as an Investment Committee.</p>
<p><b>EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY</b></p>	
<p>Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members support continued improvement in its performance and effectiveness.</p>	<p>The Board conforms to this principle. The Board regularly monitors and appraises its own performance, those of its subcommittees and individual NEDs. The Board further evaluates the independence of its independent NEDs, which evaluation is rigorously tested in respect of the independent NEDs who have served on the Board for an aggregate term exceeding nine years.</p>

The Board has scheduled in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and that of its committees, its Chairperson and its members as a whole.

## APPOINTMENT AND DELEGATION TO MANAGEMENT

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board conforms to this principle. Board authority is conferred on management through the CEO.

## PART 5.4 GOVERNANCE FUNCTIONAL AREAS

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The Board conforms to this principle. The Board has delegated this authority to the Risk Committee. The Risk Committee has oversight of the integrity and effectiveness of the risk management processes. A comprehensive strategic and operational risk management process is in place throughout the Group.

## TECHNOLOGY AND INFORMATION GOVERNANCE

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board conforms to this principle. The Board has delegated this authority to the Audit Committee. The Audit and Risk committees ensure that the information and technology (I&T) framework is in place and that the I&T Charter and policies are established and implemented. A detailed information, communication and technology risk assessment is performed on a yearly basis across the Group with key strategic risk themes highlighted in the risk enterprise register.

## COMPLIANCE GOVERNANCE

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board conforms to this principle. The Board has delegated this authority to the Audit Committee. The Board approves policies that articulate and give effect to its direction on compliance and ensures that adopted, non-binding rules, codes and standards are aligned to applicable laws and regulations. The following policies are applicable: Group Code of Conduct, Group Policy Register, Anti-Bribery and Corruption Governance Framework, Group Governance and Compliance Framework, Group Compliance Management Guideline, and Group Governance and Compliance Portal.

## REMUNERATION GOVERNANCE

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Board conforms to this principle. The Board has delegated this authority to the Remuneration Committee. The Remuneration Committee assists the Board in overseeing all aspects of remuneration practices for the Group to ensure employees are remunerated fairly, responsibly and transparently. Fair and competitive reward processes are embedded in the organisation. These processes encourage and result in the achievement of the Group's strategic objectives and positive outcomes in the short, medium and long term.

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Board conforms to this principle. The combined assurance guideline for the Group provides an analysis of all the assurance activities within the Group. The Board, executive management and senior management identify additional areas that may require assurance on an ongoing basis.

## STAKEHOLDERS

Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board conforms to this principle. A Stakeholder Relationship and Engagement Policy Statement has been aligned with King IV and approved by the Board. The policy was revised to be inclusive of business-wide stakeholders that are material and not just those relevant to sustainable development, particularly employees and shareholders.

The governance framework addresses relationships within the Group's companies and shareholder relationships.

Summaries of engagement undertaken with all material stakeholders can be found online at [www.goldfields.com/societal-stakeholders.php](http://www.goldfields.com/societal-stakeholders.php).

AFR-18

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **17**

## Application of Section 3.84 of the JSE Listings Requirements on Board governance processes

Requirement	Principle	The Gold Fields approach and compliance
<b>3.84(a)</b>	There must be a policy evidencing a clear balance of power and authority at Board of Directors level to ensure that no one director has unfettered powers of decision-making.	The Board Charter shows that there is clear balance of power and authority at Board level and that no one director has unfettered powers.
<b>3.84(b)</b>	Issuers must have an appointed CEO and a Chairperson, and the same person must not hold these positions.	Gold Fields CEO and Chairperson positions are held by different people, and the Chairperson is an independent NED.
	The Chairperson must either be an independent director, or the issuer must appoint a lead director in accordance with King IV.	
<b>3.84(c)</b>	All issuers must, in compliance with King IV, appoint an Audit Committee.	The Board appointed an Audit Committee that is chaired by an independent NED. Audit Committee members are all independent NEDs.

	<p>Gold Fields Remuneration Committee comprises independent NEDs and is chaired by an independent Chairperson.</p>
<p>Issuers must appoint a Remuneration Committee; and issuers must appoint a Social and Ethics Committee.</p>	<p>Gold Fields SET Committee has been aligned with King IV and comprises majority independent NEDs and one executive director.</p>
	<p>Each committee provides a brief description in the Annual Report of its mandate, number of meetings held in a year and any other relevant information.</p>
<p><b>3.84(d)</b> Brief curricula vitae (CV) of each director standing for election or re-election must accompany the relevant notice of the meeting.</p>	<p>Brief CVs of our directors are listed on p12 to 14 of this report.</p>
<p><b>3.84(e)</b> The capacity of each director must be categorised as executive, non-executive or independent.</p>	<p>The CVs mentioned above (3.84(d)) contain information on whether a director is an independent non-executive director or an executive director.</p>
	<p>The composition of committees is in accordance with the requirements of the Companies Act and King IV.</p>
<p><b>3.84(f)</b> Issuers must have a full-time executive financial director.</p>	<p>Gold Fields has a full-time financial director.</p>
<p><b>3.84(g)</b> The Audit Committee must, on an annual basis, consider and satisfy itself of the appropriateness of the expertise and experience of the Financial Director and report same in the annual report.</p>	<p>The Audit Committee considers and satisfies itself of the appropriateness of the expertise and experience of Gold Fields Financial Director on an annual basis and reports the findings to the</p>

Board.

The Audit Committee must ensure that the issuer has established appropriate financial reporting procedures and that those procedures are operating.

The Audit Committee has established appropriate financial reporting procedures and these are reviewed from time to time to ensure that they are operating effectively.

**3.84(h)**

The Board of Directors appoints the Company Secretary in accordance with the Companies Act and applies the recommended practices in King IV.

The Company Secretary is appointed in accordance with the Companies Act.

The Board must consider and satisfy itself, on an annual basis, on the competence, qualifications and experience of the Company Secretary.

The Board considered the Company Secretary's competence, qualifications and experience at the meeting held in November 2018, and is satisfied that she is competent and has appropriate qualifications and experience to serve as the Company Secretary.

AFR-19

**Table of Contents**

**18 The Gold Fields** Annual Financial Report including Governance Report 2018

Corporate Governance Report continued

Requirement	Principle	The Gold Fields approach and compliance
<b>3.84(i)</b>	<p>The Board of Directors or the Nominating Committee must have a policy on the promotion of gender diversity at Board level.</p> <p>The issuer must confirm this by reporting to shareholders in its annual report on how the Board of Directors or the Nominating Committee have considered and applied the policy of gender diversity in the nomination and appointment of directors.</p>	<p>The Board approved a Company-wide diversity policy in November 2017.</p>
<b>3.84(j)</b>	<p>The Board of Directors or the Nominating Committee, must have a policy on the promotion of race diversity at Board level.</p> <p>If applicable, the Board of Directors or the Nominating Committee must further report progress in respect thereof on agreed voluntary targets.</p>	<p>The Board approved a Company-wide diversity policy in November 2017.</p>



**3.84(k)**

The remuneration policy and the implementation report must be tabled every year for separate

non-binding advisory votes by shareholders of the issuer at the Annual General Meeting.

The remuneration policy must record the measures that the Board of Directors of the issuers commits to take in the event that either the remuneration policy or the implementation report, or both are voted against by 25% or more of the votes exercised.

In the event that either the remuneration policy or the implementation report, or both are voted against by shareholders exercising 25% or more of the voting rights exercised, the issuer must in its voting results announcement provide for the following:

An invitation to dissenting shareholders to engage with the issuer

The manner and timing of such engagement

The Board approved the Group Remuneration Policy to be presented to the Annual General Meeting for a non-binding advisory vote.

AFR-20

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **19**

**Directors Report**

The directors have pleasure in submitting their report and the annual financial statements of Gold Fields Limited (Gold Fields or the Company) and its subsidiaries (together referred to as the Group) for the 12-month period ended 31 December 2018.

***Profile***

**Business of the Company**

Gold Fields is a globally diversified gold producer with eight operating mines in Australia, Ghana, Peru and South Africa, and a total attributable annual gold-equivalent production of approximately 2.04 million ounces (Moz). It has attributable gold Mineral Reserves of around 48.1Moz. Attributable copper Mineral Reserves total 691 million pounds.

***Review of operations***

The activities of the various Gold Fields operations are detailed in the Integrated Annual Report.

***Financial results***

The information on the financial position of the Group for the period ended 31 December 2018 is set out in the financial statements on p129 to 212. The income statement for the Group shows a loss attributable to Gold Fields shareholders of US\$348m for the 12-month period ended 31 December 2018, compared with a loss of US\$19m in 2017.

***Compliance with Financial Reporting Standards***

The consolidated financial statements have been prepared in accordance with the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the requirements of the South African Companies Act No 71 of 2008 (as amended) (Companies Act).

***Listings***

The abbreviated name under which the Company is listed on the Johannesburg Stock Exchange Limited (JSE) is GFIELDS and the short code is GFI. The Company also has a secondary listing on the following stock exchanges: New York Stock Exchange (NYSE) and the SIX Swiss Exchange.

At 31 December 2018, the Company had in issue, through The Bank of New York Mellon on the NYSE, 388,735,882 American Depository Receipts (ADRs) (31 December 2017: 350,110,923). Each ADR is equal to one ordinary share.

***Directorate***

## Composition of the Board

The Board currently consists of two executive directors and nine non-executive directors (NEDs). At the May 2018 Annual General Meeting (AGM), Don Ncube retired from the Board and as the Chairperson of the Social, Ethics and Transformation (SET) Committee. Subsequently, Carmen Letton was appointed the Chairperson of the SET Committee at the 2018 AGM. In September 2018, Phuti Mahanyele-Dabengwa joined the Board as an independent NED.

## Rotation of directors

Directors retiring in terms of the Company's Memorandum of Incorporation (MoI), all of whom are eligible and offer themselves for re-election, are Phuti Mahanyele-Dabengwa, Paul Schmidt, Alhassan Andani, Peter Bacchus and Carmen Letton, all of whom are eligible and offer themselves for re-election.

The Board of Directors of various subsidiaries of Gold Fields comprise some of the executive officers and one or both of the executive directors, where appropriate, as well as NEDs of Gold Fields.

AFR-21

**Table of Contents****20 The Gold Fields** Annual Financial Report including Governance Report 2018

## Directors Report continued

## Directors and officers disclosure of interests in contracts

During the period under review, no contracts were entered into in which directors and officers of the Company had an interest and which significantly affected the business of the Group.

For the year ended 31 December 2018, the directors' beneficial interest in the issued share capital and listed share capital of the Company (see table below) was 0.202%. No one director individually exceeded 1% of the issued share capital or voting control of the Company.

**Share ownership of directors and executive officers**

Director	Beneficial			
	Direct <sup>1</sup>		Indirect <sup>2</sup>	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Nick Holland	610,877	610,877	916,090	916,090
Paul Schmidt	122,549	122,549		
Cheryl Carolus	3,129	3,129		
Richard Menell	5,850	5,850		
Steven Reid				
Alhassan Andani				
Carmen Letton				
Terence Goodlace				
Peter Bacchus				

Yunus Suleman				
Phuti Mahanyele-Dabengwa				
<b>Prescribed Officer</b>				
Naseem Chohan	<b>42,023</b>	42,023	<b>4,298</b>	
Brett Mattison	<b>43,103</b>	43,103		
Taryn Harmse	<b>16,302</b>	16,302		
Alfred Baku	<b>40,404</b>	40,404		
Avishkar Nagaser			<b>11,168</b>	
Martin Preece	<b>32,500</b>			
Luis Rivera				
Richard Butcher				
Stuart Mathews				
Rosh Bardien <sup>3</sup>				
<b>Total</b>	<b>916,737</b>	884,237	<b>931,556</b>	916,090

<sup>1</sup> Direct ownership - shares owned outright; includes personal investment shares (excluding Nick Holland). Subject to tax gross-up at top marginal rate of individual taxation for Minimum Shareholder Requirement purposes

<sup>2</sup> Indirect ownership - restricted shares, not grossed-up for taxes

<sup>3</sup> Rosh Bardien appointed 1 February 2018

Related party information is disclosed on p203 to 204 of the Annual Financial Report.

## ***Financial affairs***

### **Dividend policy**

The Company's dividend policy is to declare an interim and final dividend of between 25% and 35% of its normalised earnings (as set out in the dividend policy). On 15 February 2019, the Company declared a final cash dividend number 89 of 20 South African cents per ordinary share (2018: 50 South African cents) to shareholders reflected in the register of the Company on 15 March 2019. The dividend was declared in the currency of the Republic of South Africa. This dividend was paid on 18 March 2018. The dividend resulted in a total dividend declared of 40 South African cents per share for the year ended 31 December 2018 (2017: 90 South African cents), with the final dividend being accounted for in 2019.

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **21**

**Borrowing powers**

In terms of the provisions of Section 19(1) of the Companies Act, read together with Clause 4 of the Company's MoI, the borrowing powers of the Company are unlimited. As at 31 December 2018, the Company's net debt totaled US\$1,612m, compared to total borrowings of US\$1,303m at 31 December 2017.

**Capital expenditure**

Capital expenditure for the year ended 31 December 2018 amounted to US\$814m compared with US\$834m for 2017. Estimated capital expenditure for 2019 is US\$633m and is intended to be funded from internal sources and, to the extent necessary, borrowings.

***Significant announcements in 2018***

**Sale of Arctic Platinum Project (APP) to CD Capital**

**24 January 2018**

Gold Fields announces the sale of its polymetallic APP in northern Finland to London-based private equity fund CD Capital Natural Resources for US\$40m in cash along with a royalty on future production.

**Tarkwa mine transitions to contractor mining**

**8 March 2018**

Gold Fields Ghana begins the transition from owner mining to contractor mining at its Tarkwa gold mine. About 1,850 employees are affected by the transition. As per an agreement between Gold Fields Ghana and the two contractors, about 85% of employees are re-engaged by the contractors.

**Joint venture with Asanko Gold in Ghana**

**29 March 2018**

Gold Fields agrees to acquire a 50% stake in Asanko Gold Ghana's 90% interest in the Asanko Gold mine, a multi-deposit complex, with two main deposits, Nkran and Esaase. The purchase consideration comprises an upfront payment of US\$165m and a deferred payment of US\$20m. In addition, Gold Fields subscribes to a 9.9% share placement in the holding company Toronto Stock Exchange-listed Asanko Gold. The transaction is completed on 31 July 2018.

#### Notification of change in auditor

##### **23 July 2018**

After a formal tender process, Gold Fields appoints PricewaterhouseCoopers Inc (PwC) as its new external auditors to replace KPMG on conclusion of its responsibilities relating to the 31 December 2018 financial year audit, expected in April 2019.

#### South Deep restructuring and trading statement

##### **14 August 2018**

Gold Fields announces the restructuring of its South Deep operation, aimed at consolidating mining activity to increase focus and to match the cost structure to the current level of performance. As part of the restructuring management commences with consultations in terms of Section 189 of the Labour Relations Act with its two trade unions, the National Union of Mineworkers (NUM) and UASA (formerly named the United Association of South Africa). It is envisaged that approximately 1,100 permanent employees could potentially be impacted by the proposed restructuring.

#### Gold Fields appoints new non-executive director

##### **28 August 2018**

Gold Fields announces the appointment of Phuti Mahanyele-Dabengwa as an independent NED to the Board of Directors of Gold Fields with effect from 1 September 2018.

#### Gold Fields top South African mining company on Dow Jones Sustainability Index (DJSI)

##### **13 September 2018**

Gold Fields is again ranked the top South African mining company on the prestigious DJSI benchmarking database. Gold Fields is ranked fourth among around 60 mining companies assessed, and the third best global gold company.

**Table of Contents**

**22 The Gold Fields Annual Financial Report including Governance Report 2018**

Directors Report continued

NUM commences strike notice at South Deep

**2 November 2018**

The NUM embarks on a protected strike at South Deep to protest planned retrenchments at the mine. About 80% of the mine's workforce are members of the union and the 45-day strike stops all production at the mine.

South Deep and NUM reach agreement to end strike action

**18 December 2018**

Gold Fields reaches agreement with the national and regional offices of the NUM to officially end the strike at South Deep, after having called an end to the strike five days earlier. In terms of the agreement, the retrenchments of 1,082 employees and 420 contractors goes ahead.

***Going concern***

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The directors have reasonable belief that the Group has adequate resources to continue as a going concern for the foreseeable future.

***Dematerialisation of the shares***

Shareholders are reminded that, as a result of the clearing and settlement of trades through STRATE, the Company's share certificates are no longer good for delivery for trading. Dematerialisation of the Company's share certificates is a prerequisite when dealing in the Company's shares.

***Property***

The register of property and mineral rights is available for inspection at the registered office of the Company during normal business hours.

***Occupational healthcare services***



Occupational healthcare services are made available by Gold Fields to employees in South Africa from its existing facilities. There is a risk that the cost of providing such services could increase in the future, depending upon changes in the nature of underlying legislation or relevant court rulings, such as the ruling by the Gauteng High Court in 2016 in favour of a class action suit brought on behalf of ex-mineworkers and current mineworkers suffering from silicosis and tuberculosis, among others. The Company is monitoring developments and has already taken comprehensive action in this regard. For more details see p189 – 190.

***Environmental obligations***

The Company's total gross closure liability for environmental rehabilitation costs amounted to US\$400m at 31 December 2018 compared with US\$381m at 31 December 2017. The regional gross closure liabilities are as follows:

Australia: US\$178m  
South Africa: US\$42m  
Peru: US\$79m  
Ghana: US\$101m

The funding methods used by each region to make provision for the mine closure cost estimates are:

Australia – existing cash and resources  
South Africa – contributions into environmental trust funds and guarantees  
Peru – bank guarantees  
Ghana – reclamation security agreement bonds underwritten by banks along with restricted cash

AFR-24

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **23**

***Contingent liabilities and litigation***

A Material Group Litigation Report is presented at each Audit Committee meeting for discussion and consideration on whether the matter remains contingent or whether a provision has to be recognised. Details of Gold Fields contingent liabilities and litigation matters can be found in note 35 to the financial statements, p189 and 190.

***Administration***

The office of Company Secretary of Gold Fields was held by Lucy Mokoka for the period under review.

Computershare Investor Services (Pty) Limited are the Company's South African transfer secretaries and Link Asset Services are the United Kingdom registrars of the Company.

***Auditors***

The Audit Committee has recommended to the Board that PwC be appointed as the external auditors of the Company, until the conclusion of the next AGM, in accordance with Section 90(1) of the Companies Act.

KPMG's appointment as external auditors will end on conclusion of its responsibilities relating to the 31 December 2018 financial year audit, which is expected to be concluded on or about the middle of May 2019, and PwC's appointment as external auditors will be effective immediately after KPMG's appointment concludes, subject to shareholder approval at the AGM for the year ending 31 December 2018.

***Subsidiary companies***

Details of major subsidiary companies in which the Company has a direct or indirect interest are set out on p211 and 212.

**Table of Contents**

**24 The Gold Fields** Annual Financial Report including Governance Report 2018

**Audit Committee Report**

for the year ended 31 December

The Audit Committee (the Committee) was appointed by the shareholders at the Annual General Meeting (AGM) in May 2018. Yunus Suleman was reappointed as the Chairperson of the Committee at the May 2018 AGM.

The members of the Committee are all independent non-executive directors (NEDs), and no new members were appointed to the Committee during 2018. Details of the number of meetings held and attendance by members at meetings are included on p6 of this report. The directors of Gold Fields (the Board) continue to believe that the Committee members collectively have the necessary skills to carry out its duties effectively and with due care.

The Committee has reporting responsibilities to both the shareholders and the Board and is accountable to them. Its duties, as set out in the Audit Committee Charter, are reviewed annually and incorporate the Committee's statutory obligations as set out in the South African Companies Act No 71 of 2008 (as amended) (Companies Act), and the King IV Report on Governance Principles for South Africa (King IV). A work plan is drawn up annually incorporating all these obligations, and progress is monitored to ensure these obligations are fulfilled.

It is the duty of the Committee, among other things, to monitor and review:

- The preparation of the annual financial statements, ensuring fair presentation and compliance with International Financial Reporting Standards (IFRS) and the Companies Act, and recommending same to the Board for approval
- The integrity of the Integrated Annual Report (IAR) by ensuring that its content is reliable, includes all relevant operational, financial and other non-financial information, risks and other relevant factors
- Quarterly, interim and operational reports and all other widely distributed documents
- The Form 20-F filing with the United States (US) Securities Exchange Commission (SEC)
- Accounting policies of the Group and proposed revisions, and significant and unusual transactions, estimates and accounting judgements
- The effectiveness of the internal control environment
- The effectiveness of the internal audit function
- The effectiveness of the external audit function
- The recommendation and appointment of the external auditor, approving remuneration of external auditors, reviewing the scope of their audit, their reports and findings, and pre-approving all non-audit services in terms of policy
- The reports of both internal and external auditors
- The evaluation of the performance of the Chief Financial Officer (CFO)

The adequacy and effectiveness of the Group's enterprise-wide risk management policies, processes and mitigating strategies

The governance of information and technology (I&T) and the effectiveness of the Group's information systems

The cash/debt position of the Group to determine that the going concern basis of reporting is appropriate

The combined assurance model and provide independent oversight of the effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance arrangements

Compliance with applicable legislation, requirements of appropriate regulatory authorities and the Company's Code of Conduct

Policies and procedures for mitigating fraud

### ***External audit***

The Committee is responsible for recommending the appointment or reappointment of a firm of external auditors to the Board that, in turn, will recommend the appointment to the shareholders. The Committee is responsible for determining that the designated appointee firm and signing registered auditor have the necessary independence, experience, qualifications and skills, and that the audit fee is adequate.

Following a formal tender process to appoint a new firm of external auditors, PricewaterhouseCoopers Inc (PwC) was appointed as the Company's external auditors, with Pieter Hough as the designated audit partner, for the financial year ending 31 December 2019. KPMG Inc's (KPMG) appointment as external auditors will end on conclusion of its responsibilities relating to the 31 December 2018 financial audit, which is expected to be concluded on or about the end of April 2019. PwC's appointment as external auditor will be effective immediately after the conclusion of KPMG's appointment, subject to shareholder approval at the AGM for the year ending 31 December 2018, the Board having resolved to fill the vacancy in the office of auditor that so arises with PwC.

An external audit fee of R38.8m (US\$2.7m) for the period was approved, as well as R8.1m (US\$570,000) for audit-related fees.

The Committee has a documented policy on the nature and extent of non-audit services that the external auditors can provide and pre-approves all audit and permitted non-audit assignments by the Company's independent auditor.

The Committee reviewed the annual audit plan presented at its meeting in August 2018, including the scope, materiality levels and significant risk areas, and established that the approach was appropriate to be responsive to organisational, regulatory changes and other applicable requirements and risks. The audit plan forms the basis of providing the Committee with the necessary assurances on risk management, the internal control environment and information technology (IT) governance. The plan was approved.

The Committee monitors progress against the plan and KPMG presented its first progress report during the November 2018 committee meeting. The auditors presented all issues identified during the audit, particularly on the results of the work performed on high-risk areas, significant estimates and judgements, as well as significant and unusual transactions.

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **25**

Throughout the year, KPMG had direct access to the Committee and met with the Committee Chairperson before each meeting and on an ad hoc basis, when required. KPMG reported to the Committee at each quarterly meeting as well as at the year-end meeting. In addition, the Committee regularly met with KPMG separately without other invitees being present. The Committee is satisfied that KPMG is independent of the Group.

***Significant accounting judgements and estimates***

Significant areas requiring the use of management estimates and assumptions are detailed in note 1 to the accounting policies. Position papers were presented to the Committee by management detailing the estimates and assumptions used, the external sources and experts consulted and the basis on which they were applied in the calculations. These were debated and interrogated by the Committee and included, but were not limited to, the following areas:

**Impairment of assets and goodwill**

The impairments identified and recorded included:

Impairment of the South Deep cash-generating unit of US\$481.5m recorded in June 2018, mainly due to a deferral of production. Of the total impairment, US\$71.7m was firstly allocated against goodwill and the remainder of US\$409.8m was allocated against other assets

Impairment of the Far Southeast (FSE) project of US\$36.9m

Asset specific impairments at Cerro Corona of US\$1.9m

**Taxation**

The Committee is satisfied that a detailed review has been carried out by management, including the internal tax team, to provide a best estimate of the tax liability for the year (refer to note 9 in the financial statements, p164 – 165).

The Committee discussed the detailed papers on deferred tax presented at year end. An additional deferred tax asset amounting to US\$6.2m was recognised at Damang to the extent that there will be sufficient future taxable income available. Deferred tax liabilities of US\$7.2m and US\$2.1m were recognised in respect of unremitted earnings at Tarkwa and Cerro Corona, respectively.

The South Deep expected tax rate reduced from 30% to 29%, which had the effect of reducing the deferred tax asset by R127m (US\$9m) at 31 December 2018.

### Asanko accounting

The Committee is satisfied with management's assessment and the resultant accounting for the Asanko transaction as disclosed in note 15. This transaction resulted in a gain on acquisition of US\$51.8m and the following assets being recognised:

Redeemable preference shares of US\$129.9m

Equity accounted investees of US\$86.9m

### Adoption of new accounting standards

The Committee is satisfied with management's assessment and implementation of IFRS 9 and IFRS 15. These standards did not have a material impact on the Group.

### Contingent liabilities

A number of contingent liabilities are disclosed in detail in note 35 to the financial statements. The contingent liabilities cover the silicosis matter, acid mine drainage, and the Randgold and Exploration summons. No new contingent liabilities were identified in 2018. In terms of the South Deep tax dispute, the Group announced that on 30 May 2018, GFI Joint Venture Holdings Proprietary Limited (GFIJVH) and the South African Revenue Service (SARS) entered into a confidential settlement agreement (as provided for in the Tax Administration Act) in full and final settlement of this matter. As a result of the settlement, GFIJVH recognised an additional R2,708m (US\$185.1m) of capital allowance with a tax benefit on this amount of R785m (US\$53.7m).

All these matters are receiving ongoing attention from management, who are taking the appropriate advice from external advisers and specialists. The Committee was updated as to the current status and, based on the evidence presented, concurred that it was not possible at this time to provide a reliable estimate of any possible liability. This position is unchanged from the prior year.

### *Internal audit*

Gold Fields Internal Audit (GFIA) is an independent department within Gold Fields which is headed by a Vice President: Internal Audit (VP: IA), who is appointed and can be dismissed by the Committee. The VP: IA reports directly to the Committee and the Committee assesses the performance of GFIA annually. The VP: IA has direct access to the Chairperson, members of the Committee and the Chairperson of the Board. The Chairperson meets with the VP: IA once a quarter and on an ad hoc basis, as required. The VP: IA also meets with the Committee, without management, at least annually and whenever deemed necessary by either the VP: IA or the Committee.

The Committee is satisfied with the resources of the function and is confident that the skills and experience of the team will fulfil its mandate.

The Committee determines the purpose, authority and responsibility of GFIA in an Internal Audit Charter, which is reviewed and approved annually. GFIA operates in accordance with the International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (IIA). The internal audit activities carried out during the year were

**Table of Contents**

**26 The Gold Fields** Annual Financial Report including Governance Report 2018

Audit Committee Report continued

for the year ended 31 December

identified through a combination of the Gold Fields risk management framework, which includes the combined assurance framework, and the risk-based methodologies adopted by GFIA. The Committee approves the annual internal audit assurance plan presented by GFIA and monitors progress against the plan reported to the Committee each quarter. GFIA has ensured its framework is aligned with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) 2013 internal control framework.

The internal control systems of the Group are designed to provide reasonable assurance on the maintenance of proper accounting records and the reliability of financial information. It also covers operational areas, compliance with the Gold Fields Code of Conduct and the sustainability records. These systems are monitored by GFIA and its findings and recommendations are reported to the Committee and to senior management.

GFIA reports deficiencies to the Committee every quarter, together with recommended remedial actions, which are then followed up to ensure the necessary action has been taken. GFIA provided the Committee with a written report which assessed that the internal financial controls, IT governance and the risk management processes were adequate during the year.

GFIA has provided the Audit Committee with a written assurance statement on the adequacy and effectiveness of governance, risk management and controls. No significant event has occurred or has any been brought to Internal Audit's attention, to believe that governance, risk management and the control environment is inadequate or ineffective.

***I&T governance***

I&T governance remains a key focus for the Group, and the Committee is responsible for information and communication technology (ICT) governance on behalf of the Board. The Committee works with the Risk Committee on ICT matters.

The Vice President and Group Head of ICT is responsible for executing on ICT governance. The Committee reviews his report, which includes the results of all review and testing conducted by management and internal audit, at each meeting. The Gold Fields ICT Charter defines the overall direction and governance for ICT across the Group.

Gold Fields has adopted the Control Objectives for Information Technology (COBIT) as a governance framework, and regular assessments are conducted that determine the maturity of ICT governance processes. Across the Group, Gold Fields ICT is operating at an overall maturity level of between three and four, which indicates that the Group's governance framework and processes are formally defined and monitored. Further, considering the nature of cyber security and the rising global cyber risk, Gold Fields has embarked on a journey to further enhance its cyber security. Areas of ICT risks across the Group have been defined as part of the Group's overall risk management framework, and formal policies and procedures are documented and updated regularly for these areas.

Cyber security has now become a key component of I&T governance and forms part of the Group's ICT governance and risk agenda.

The Governance, Risk, Architecture, Standards, and Security Compliance (GRASSC) Committee is responsible for ensuring compliance and adherence to the Group's ICT policies and procedures. The GRASSC Committee reviews compliance to the governance framework quarterly and recommends improvements as appropriate.

### ***Chief Financial Officer***

The Committee evaluated the expertise and performance of the CFO, Paul Schmidt. The Committee continues to be satisfied that Mr Schmidt has the appropriate expertise and experience to carry out his duties as CFO of the Company and the Group, and is supported by highly qualified and competent senior staff. This conclusion is supported by input from both internal and external auditors.

### ***Group governance and compliance***

The Committee is also responsible for monitoring governance and compliance for the Group – a key focus area for the Board and management as a whole.

The Group Compliance Officer has a detailed, systemic and risk-based framework in place which are overseen, managed and maintained by an online and interactive Group Governance and Compliance Portal. The framework is applied to identify all statutes, rules, codes and standards applicable to Gold Fields in all jurisdictions in which the Group operates. Updates on regulatory changes are sourced from external legal sources and internally assessed for application and impact. Changes are recorded and monitored on a monthly basis. The assessment of potential and/or actual risk exposure of non-compliance regarding the identified applicable statutes per jurisdiction, includes potential exposure to financial loss, as well as operational and reputational risks, and the adequacy of recorded controls. Mitigating controls designed to proactively manage the risks are identified, documented and maintained. Internal audit carries out a review of the effectiveness (in terms of design and operating effectiveness) of the control procedures and reports on the level of compliance. The results are reported to the Committee in detailed schedules and an annual compliance index is calculated for the Group.

Also, under the ambit of risk exposure assessment, all active suppliers and contractors are screened on a monthly basis, based on an array of predefined risk criteria and adverse media exposure. A screening risk calculator is applied to those assessed entities posing a risk to Gold Fields, based on the outcome of the screening due diligence.



---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **27**

The Committee also ensures that the Gold Fields Code of Conduct is effective and implemented diligently throughout the Group (available on the Gold Fields website at [www.goldfields.com](http://www.goldfields.com)). All breaches and contraventions are diligently investigated and, where necessary, decisive action is taken, which may include disciplinary action. Continued Code of Conduct training and awareness have remained a key focus area during 2018, following the launch of an e-learning programme in late 2017 to reinforce the provisions and application of the Code of Conduct.

The Committee is also responsible for ensuring that all calls to the Gold Fields Tip-Offs line administered by an independent external party are dealt with in a proactive manner within Gold Fields. The Chairperson of the Audit Committee, together with GFIA, are custodians of the formalised and documented investigation procedure in place and, where appropriate and necessary, will make use of external advisers and experts to investigate matters or follow up on processes. The number and nature of these calls are reported at the quarterly Committee meetings. The details, including the detail of the action taken, are also reported by the Chairperson to the Social, Ethics and Transformation (SET) Committee members.

Gold Fields has also reaffirmed its commitment to fighting bribery and corruption by implementing a Group Anti-Bribery and Corruption Policy in late 2016, within the ambit of a formal Group Anti-Bribery and Corruption Framework.

***Risk management***

A separate Risk Committee exists which deals with Group operational and financial risks, as well as the requisite reporting as required annually. There is ongoing interaction between the Risk and Audit committees, and the management of financial risk remains a key focus of the Committee, management and internal audit. Gold Fields Group and regional risk disclosures are on p10 – 13 of the IAR.

***Internal control statement***

Management is accountable to the Board for the design, implementation, monitoring and integrating of internal financial controls for the day-to-day running of the Group, focusing on the efficiency and effectiveness of operations, safeguarding the Group's assets, legal and regulatory compliance, business sustainability and reliable reporting, including financial reporting.

The Committee has discussed and documented the basis for its conclusion which includes discussions with internal and external auditors as well as management.

The Committee is of the opinion that the internal controls are effective and the financial records can be relied upon as a reasonable basis for the preparation of the annual financial statements.

***Audit Committee statement***

The Committee considered and discussed the Annual Financial Report, the Corporate Governance Report and the IAR with both management and the external auditors.

During this process, the Committee:

- Reviewed the financial statements included in the Annual Financial Report for consistency, fair presentation and compliance with IFRS

- Evaluated significant estimates and judgements and reporting decisions

- Reviewed the documentation supporting the going concern basis of accounting and concluded that it is appropriate

- Evaluated the material factors and risks that could impact the Annual Financial Report and IAR

- Evaluated the completeness of the financial and sustainability disclosures

- Discussed the treatment of significant and unusual transactions with management and the external auditors

- Reviewed and discussed the sustainability information disclosed in the IAR and is satisfied, based on discussions, that the information is reliable

The Committee considers that the Annual Financial Report and the IAR comply in all material respects with the statutory requirements of the various regulations governing disclosure and reporting, and the annual financial statements comply in all material respects with the Companies Act and IFRS.

The Committee has recommended to the Board that the annual financial statements included in the Annual Financial Report be adopted and approved by the Board.

**Yunus Suleman**

*Chairperson: Audit Committee*

25 March 2019

AFR-29

**Table of Contents**

**28** **The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report

Our people determine our success through their  
execution of our strategy

AFR-30

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **29**

**Section 1: Message from the RemCo Chairperson**

***Introduction***

On behalf of the Remuneration Committee (RemCo) it gives me pleasure to present the Gold Fields Limited (Gold Fields) 2018 Remuneration Report.

The Gold Fields Board is responsible for ensuring the Group's remuneration arrangements are equitable and aligned with the long-term interests of Gold Fields and its shareholders. In performing this function, it is critical that the Board is independent of management when making decisions affecting remuneration of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), other executives and the Group's employees. The Board has appointed a RemCo to assist it in making such decisions. RemCo is comprised solely of independent non-executive directors (NEDs).

The activities of the RemCo, including the issuing of this report, are governed by terms of reference, approved annually by the Board, which are available on our website together with the Gold Fields Remuneration Policy, at **[www.goldfields.com](http://www.goldfields.com)**.

To ensure that it is fully informed, RemCo periodically invites the CEO and Executive Vice President (EVP): People and Organisational Effectiveness to attend meetings to provide reports and updates. These individuals are not present when matters associated with their own remuneration are considered. RemCo can draw on services from a range of external sources, including remuneration advisors as detailed later in this report.

RemCo ensures that the remuneration philosophy and policy support the Group's strategy – this, in turn, enables the recruitment, motivation and retention of executives who drive value creation while always complying with all relevant legislation and regulations around the globe.

Gold Fields compensates people in line with its overall business value creation model and rewards people in relation to sustained value, delivered consistently, in a fair and transparent manner. With this in mind, Gold Fields paid remuneration to the executive directors (CEO and CFO), prescribed officers and NEDs in 2018 as detailed in sections 2 and 3 in line with the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

The four pillars of the Gold Fields balanced scorecard (BSC) support the delivery of our strategic objective:

**Gold Fields remuneration practices**

**We do:**

Provide pay for performance

75% of CEO pay at risk

The CEO's short-term incentives (STIs) are heavily based on Group performance

The CEO's long-term incentives (LTIs) consist entirely of performance shares

Performance shares are based on absolute and relative shareholder return (TSR) and free cash-flow margin (FCFM)

Performance shares target at least median of comparator group for relative TSR, absolute TSR to exceed cost of equity, and minimum 5% FCF margin

Have a minimum shareholding requirement (MSR) policy

Have a double trigger for CEO and CFO severance upon change of control

Have risk mitigation controls in place for remuneration programmes

Promote retention with LTIs that vest after three years

Have a RemCo made up of only independent directors

Retain an independent remuneration consultant whose primary purpose is to advise the RemCo

**We do not:**

Reprice underwater shares

Pay dividends for performance shares

Provide guaranteed bonuses

Grant shares to NEDs

Allow the use of unvested LTI awards as collateral, or protect the value of any unvested awards, or the value of shares and securities held as part of meeting MSR provisions

Provide financial assistance to directors or prescribed officers

**Table of Contents**

**30 The Gold Fields Annual Financial Report including Governance Report 2018**

Remuneration Report continued

Gold Fields has a remuneration philosophy in which we have embedded performance linked to the above Group BSC. We believe that the link between Gold Fields' strategy and the individual outcomes is critical to the delivery of our strategic objectives and have aligned these through the development of the Group's BSC. This BSC has then been cascaded throughout the organisation, ensuring that each individual's objectives are aligned to the Gold Fields strategy and all employees understand how their daily actions contribute to the overall value creation of the Group.

During 2018, the overall framework of our Remuneration Policy remained unchanged and no changes were made to the remuneration mix for executives. We did, however, make a number of enhancements and refinements to the implementation, including:

Enhancing the link between performance and strategy by:

- Simplifying the Gold Fields strategy to a strategy-on-a-page to improve communication
- Implementing the cash-settled LTI plan for management-level employees, complete with localised targets
- Refreshing the four drivers of the strategic objectives to maximise TSR sustainably
- Ensuring strategic alignment between Group, regional and personal scorecards
- Clarifying policies, where appropriate, to remove ambiguity and to cater to the numerous jurisdictions in which Gold Fields operates

RemCo notes that it has again worked closely with management and our external advisors to continue to improve practices and believes that the work we have done not only meets our objectives, but also ensures the alignment of interests across a diverse set of stakeholders. We sincerely believe that engagement with stakeholders is part of overall value creation, and generally consider such shareholder feedback as part of our ongoing policy reviews.

During 2018, the second year of the Gold Fields reinvestment programme aimed to ensure that our portfolio of mines continues to generate cash sustainably into the foreseeable future. We further embedded the related strategic drivers into our performance-based variable pay programmes (STIs and LTIs). The fatality rate, the benchmark total recordable injury frequency rate (TRIFR), and the total number of recordable injuries continued their overall improvements over the past few years. At 1.83 incidents per million hours worked, the Gold Fields 2018 TRIFR is at its best level ever and has improved by 55% since 2014. It is still a major disappointment though that we experienced one fatality at our mines during 2018 (three in 2017), a tragic reminder that we cannot ever let our guard down when it comes to safety at our operations. Each region significantly exceeded its host community procurement spend targets and the regional host community employment targets were met by Ghana, South Africa and Australia. Gold Fields was ranked fourth in the mining and metals sector of the Dow Jones Sustainability Index (DJSI) in 2018, and an independent verification of Gold Fields' alignment with the International Council on Mining and Metals (ICMM) Water Position Statement found that we are indeed aligned.

Gold Fields achieved 2.036 Moz of attributable gold production, which is ahead of revised guidance on 9 November 2018 and within 4% of original guidance (excluding Asanko). Both All-in Sustainable Costs (AISC) and All-in Costs (AIC) ended the year below original guidance, at US\$981/oz and US\$1,173/oz, respectively. Gruyere was 89% complete at the year-end with the first ore put through the crusher in Q1 2019. The restructuring of South Deep was completed, Damang life extension project was ahead of plan and a positive Salares Norte feasibility study was completed. The Group spent total project capital of US\$502m over the past two years, primarily on Damang and Gruyere, ensuring that Gold Fields is now on track for international operations to produce over 2Moz a year for the next decade. We anticipate reaching this milestone for the first time in FY2019 as Damang grows production; Gruyere commences production and our Asanko joint venture contributes for the full year. Of the four operating regions, the international operations all performed in excess of 150% achievement levels in 2018, while restructuring and resetting for the longer term impacted South Deep's performance.

In light of these summarised highlights, which the executive team have been instrumental in guiding, the performance-linked pay outcomes are in line with the approved frameworks for linking variable pay with performance within Gold Fields.

AFR-32

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **31*****Advisors***

PricewaterhouseCoopers Inc (PwC) continued their association with Gold Fields during 2018 as independent remuneration advisors to RemCo. The mandate of PwC was to provide external independent services in relation to global best practice, trends and related governance matters regarding remuneration.

Deloitte & Touche (Deloitte) supported Gold Fields with a review of the proposed regional 2018 cash-settled LTI plan, which the Board approved, and management implemented effective March 2018, as well as with an executive remuneration benchmarking exercise used in support of our 2019 salary increases. As a further point of reference, Mercer provided us with an executive benchmarking survey report in February 2018 which did not require any specific actions and broadly confirmed our overall pay position to market. With the appointment of PwC as Gold Fields external auditors effective from 2019, PwC will no longer be able to continue with their services to the RemCo for the forthcoming year, in line with auditor independence regulations. As such, the role of RemCo independent remuneration advisors will pass to Khokhela Remuneration and Performance, a reputable and independent South African firm selected after an independent tender process.

***Shareholder engagement***

RemCo is committed to working diligently on behalf of the Board and overseeing all remuneration matters in the best interest of Gold Fields and its shareholders. The feedback from our shareholders on our approach to executive remuneration was very positive last year and we continue to monitor developments in executive remuneration and evolving solid practices to ensure our programmes and decisions are appropriate. Overall, shareholders voted favourably with regard to the NEDs fees (98%) and the Remuneration Policy, and the implementation thereof (96%), at the Annual General Meeting held on 22 May 2018. Gold Fields values the engagement with, and support of, shareholders. On behalf of RemCo, I would like to express my thanks to them.

***Risk management***

RemCo has responsibility for oversight and management of compensation-related risk. As part of its mandate, RemCo annually, and otherwise when considered necessary, reviews risks associated with the remuneration philosophy, structure, policies and practices. RemCo is satisfied that the executive compensation structure does not create undue risks or promote inappropriate risk-taking behaviour.

The following are key risk mitigation features of our remuneration policies and practices:



RemCo together with management are actively involved in the structuring and preparation of the Remuneration Policy to ensure it is aligned with the Group strategy, consequently improving employee performance and maximising total shareholder returns sustainably

RemCo makes use of external experts, as and when required, to ensure that its Remuneration Policy meets the latest best global practices and that incentive plans and targets meet the Group strategy

Executive remuneration is disclosed annually, as reflected in Section 3: Implementation Report, and in accordance with the Remuneration Policy. Executives are not involved in the approval process relating to remuneration, rewards, clawbacks, or benefits that affect them personally

RemCo approves remuneration of the Executive Committee (Exco) and the Company Secretary after recommendations from the CEO and independent external advisors, who have done the necessary benchmarking to ensure there is alignment with the appropriate peers particular to the industry and jurisdictions in which we operate.

***Conclusion***

The Committee has concluded that any risks arising from our employee remuneration policies and practices are not reasonably likely to have a material adverse impact. RemCo will continue to monitor that fair, equitable and responsible remuneration processes are in place throughout Gold Fields in a manner that links robustly to Gold Fields strategy, thereby promoting stakeholder value creation. RemCo is of the opinion that the Gold Fields Remuneration Policy, philosophy and practices for 2018 supported fair, transparent and reasonable pay in return for the achievement of strategic objectives underpinned by sustainability.

**Steven Reid**

*Chairperson of the RemCo*

On behalf of RemCo, which approved the report on 25 March 2019

AFR-33

**Table of Contents**

**32 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

**Section 2: Remuneration Policy**

Section 2 deals with Gold Fields' Remuneration Policy and philosophy as applicable to the CEO, CFO (in their respective capacities as executive directors), and the Exco members (as Gold Fields prescribed officers). In addition, we discuss certain remuneration principles that are applicable on a Group-wide basis.

***Introduction***

The Gold Fields total reward programme and policy starts with and flows from our Group strategy and values as illustrated below.

The Group's BSC process forms part of the day-to-day management of the business, as well as the quarterly review business process and the performance management process, and is not simply an input to reward-related decision-making. This approach supports the delivery-based culture that Gold Fields seeks to create.

For all executive scorecards, we ensure that cascaded objectives are more outcomes-focused and that targets are appropriately set with stretch targets established taking into account the incremental reward. Each year, management and the Board assess the Group's key objectives for the year ahead to ensure the Group achieves its medium-term target. The 2019 BSC goals are captured in the infographic alongside, the contents of which flow into the various reward elements.

***Remuneration framework***

Gold Fields is committed to ensuring fair, equitable, sustainable and responsible executive remuneration practices. We believe in compensating our people in relation to sustained value, delivered consistently, in a fair and transparent manner. Our values, ethics and beliefs underpin this philosophy, which aims to attract, retain and motivate top talent.

The Gold Fields Remuneration Policy drives and incentivises the achievement of Gold Fields strategy, and continuously supports the creation of shareholder value by aligning performance with commensurate levels of reward. In this way, there is stakeholder interest alignment. King IV principles relating to fair and responsible remuneration guide the fair and responsible application of the Remuneration Policy across all operations. In addition, compliance with all relevant laws and regulations in the various jurisdictions we operate is non-negotiable and strictly enforced. A key design principle of the Remuneration Policy is to ensure a clear link between the Gold Fields strategy and our employees' work-related efforts, illustrated below together with our remuneration framework.

AFR-34

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **33**

*2019 BSC: Targets for the year ahead*

AFR-35

**Table of Contents****34 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

***Pay for performance***

Gold Fields competes for talent on a global scale. With the increase in global project activity, this requires us to have a competitively positioned talent attraction approach.

As such, our remuneration practices have a business need to be competitive in the various jurisdictions we operate, balanced with our pay-for-performance philosophy and overall strategy to maximise total shareholder return (TSR) sustainably.

Our annual benchmarking efforts reflect this and translate to comparisons at the market median of our comparator group. Final pay decisions consider benchmarking results in combination with performance, affordability and economic conditions.

Deloitte conducted an independent comparison of executive pay against an appropriate peer market during 2018. This peer group is not the same as the one used for Relative TSR due to the availability of guaranteed pay data. The composition of this group was position-specific and included:

Agnico-Eagle Mines	Newmont
AngloGold Ashanti	Northern Star
Evolution	Randgold Resources
Harmony Gold	Sibanye Stillwater
Kinross	Yamana
Newcrest	

The Deloitte study confirmed general alignment of the CEO and CFO target pay mix with that of local and international mining peers and market cap comparators and provided valuable information to RemCo in assessing other executive remuneration levels.

**Key reward components of the Remuneration Policy**

Gold Fields Employee Value Proposition balances financial reward with non-financial reward to drive desired levels of performance. The financial reward component of the Employee Value Proposition include:

- GRP or BRP being the total of base pay, allowances and benefits
- Variable pay that includes STI, LTI and MSR

**Remuneration Policy**

**Guaranteed remuneration package (GRP),  
or base rate of pay (BRP)**

**Variable pay**

**STIs and LTIs designed to align performance  
with strategy and value creation**

<b>Base pay</b>	<b>Benefits</b>	<b>STIs</b>	<b>LTIs</b>	<b>MSR</b>
Market-related salaries, dependent on performance, roles and responsibilities	Market-related benefits guided by local legislation and internal policies	Performance-based Group annual incentive scheme	Longer-term plans that instil a sense of ownership and strategic alignment  Share plans  Cash-settled plan	Encourages executives to hold shares in Gold Fields, in line with best practice

AFR-36

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **35****Guaranteed remuneration package**

The GRP (BRP for international employees) elements for Gold Fields are:

Base pay (either GRP/BRP)			
Objective and link to strategy	Operation	Policy and practice	Performance measures
A competitive salary provided to executives to ensure that their experience, contribution and appropriate market comparisons are fairly reflected also allows us to attract and retain the skills required to deliver on our strategic goals.	Base pay for all employees are reviewed annually after considering benchmarks against comparator group, Group performance, economic circumstances, affordability, individual performance, changes in responsibility and levels of increase for the broader employee population. Changes are effective from 1 March	We seek close alignment between executive salary increases and increases for all non-bargaining unit employees where practical. This is informed by inflation, which can be matched directly or above/below consumer price index.  The guaranteed pay	Both Group performance and individual performance in line with BSC informs the individual base salary review, in addition to economic circumstances, affordability, changes in job responsibility and alignment across employee group.

<p>each year.</p> <p>The CEO makes Exco recommendations excluding his own base salary to the RemCo for approval by the Board.</p>	<p>benchmark is the market median, with a significant proportion of performance-related variable pay comprising STIs and LTIs, especially for senior employees.</p>
-----------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Benefits and allowances**

Objective and link to strategy	Operation	Policy and practice	Performance measures
<p>Provided to ensure local market competitiveness benefits are provided based on affordability to both the employees and the Group.</p>	<p>Based on local market trends and can include items such as group life insurance, disability and accidental death insurance, etc.</p> <p>The expatriate policy provides that special allowances may be made in respect of, among others, relocation costs, cost of living, and the cost of education for children and their families.</p>	<p>In line with approved policy, the provision of benefits complies with legislation across the jurisdictions in which we operate, and benchmarking ensures that there are competitive benefits aimed at attracting and retaining key employees.</p>	<p>Not applicable.</p>



**Table of Contents**

**36 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

**Remuneration scenarios at different levels<sup>1</sup>**

Chief Executive Officer

Chief Financial Officer

Executive Committee

<sup>1</sup> For theoretical purposes of displaying the pay policy remuneration mix. Assumes LTI award at target levels. Below assumes no annual LTI; On-target assumes 50% vesting; Stretch assumes 200% vesting.

For Executive Committee: GRP is an average value not intended to reflect any actual executive's earnings and used as the basis for calculating STI and LTI values. A South Africa pension contribution assumption of R350,000 included, being the maximum annual tax deduction.

### Remuneration mix

Gold Fields' total reward model links financial reward to a combination of job type and performance – therefore the mix of GRP and variable pay differs according to level of performance and the grade of the job held. To entrench a high-performance culture, and in line with international best practice, the more senior the role, the higher the proportion of variable pay (at-risk pay) and focus on longer-term performance in the remuneration package. Pay-at-risk comprises 75% of our CEO's total reward

For exceptional performance, the Group aims to position overall remuneration, including STIs and LTIs, at the 75th percentile of our comparator market. This aligns with our total reward strategy of ensuring a market-competitive reward mix, rewarding employees for exceptional performance, and the retention of high-performing employees. RemCo retains the discretion to determine whether, and to what extent, specific performance levels warrant total pay at the 75th percentile

The graphs illustrate different scenarios of performance achievement on the total remuneration for the Exco, on a single total figure basis, of the 2018 Remuneration Policy

Remuneration policies and procedures are designed with features that mitigate risk without diminishing the incentive nature of the remuneration. We believe our remuneration policies and practices encourage and reward prudent business judgement and appropriate risk-taking over the long term to increase shareholder value.

### *Short-term incentives*

Our STI is a performance-based Group annual incentive scheme that supports value creation and motivates our people to help us achieve success.

All Group executives, regional executives and management-level employees (Patterson D band and above) categories are eligible to participate in the STI, subject to the achievement of applicable performance conditions.

<sup>1</sup> New safety conditions set for 2019, p37

**Table of Contents**

Target performance for bonus parameters links to the annual business plan approved by the Board  
 Operational objectives for each mine are measured against plans approved by RemCo, and comprise safety, production, costs and physical mine development (ore and waste) goals  
 The operational objectives form the basis of the regional objectives and subsequently feed into the Group objectives  
 If individual, operational, regional or Group objectives do not exceed threshold targets, no bonus is payable  
 Based on the above, RemCo approves annual payments of STI in February of every year  
 Where applicable, production bonuses are paid  
 We consider regional and on-mine schemes, where required. For example, in Peru, we apply a statutory bonus scheme in compliance with legislation, and pay the difference between a higher calculated STI and legislated bonus if applicable  
 Achievement falling between on-target and stretch is calculated on a straight-line basis between these two reference points  
 Executives may elect in advance of the STI outcome, to defer some or all of their STI towards the achievement of their MSR  
 Threshold, on-target bonus and stretch amounts expressed as a percentage of GRP (or BRP) are as below:

Job grade	Bonus target incentive as % of GRP		
	Threshold	On-target	Stretch
EVP	0%	55%	110%

CFO	0%	60%	120%
CEO	0%	65%	130%

### ***Group performance measures***

This is made up of the following bonus parameters:

#### Safety (20%)

Up to 2018, our safety performance was measured by a change in the TRIFR. As from 2019, the safety performance measure will be made up of a mix of leading and lagging indicators (fatalities, serious injuries, Safety Engagement Rate, the change in near-miss reporting and timely close-out of corrective actions on serious potential incidents). Fatalities act as a negative modifier with any fatality resulting in a forfeiture of the entire safety element (20%) for bonus purposes; for the operation, region and Group, including Corporate. This change is intended to emphasise the importance of our number one value, safety, by introducing more leading indicators and fostering a proactive approach to safety.

#### Gold production (20%)

#### AIC (40%)

#### Development and waste stripping (20%)

### ***Individual performance***

In 2018 we embarked on a process to realign our performance management process with our Group strategy. This realignment process also included the addition of a balance between leading and lagging indicators into all scorecards and ensuring that we set appropriate stretch targets for all management level employees. This new approach builds on our previous BSC process but ensures a stronger alignment between our strategy and our BSC by moving from the standard BSC performance quadrants to our customised strategic focus areas, i.e. licence and reputation, safe operational delivery, capital discipline and portfolio management. This ensures that our strategy is cascaded into measurable objectives that we track through our performance management process.

The following chart shows how performance rating scores on the 5-point scale translate to percentages used for bonus calculation purposes. Up to a score of 2 results in no bonus payable, and between 4.7 and the maximum of 5 results in the capped achievement of 200%.

### **Personal performance rating correlation to percentage bonus achievement**

**Table of Contents****38 The Gold Fields** Annual Financial Report including Governance Report 2018

## Remuneration Report continued

The CEO's condensed 2019 personal scorecard follows, made up of a balance between leading and lagging indicators.

Category	Weight	Key result themes
<b>Financial</b>	10%	Improve liquidity and profile of debt by reducing net debt by US\$100m
<b>Internal business process</b>	15%	Deliver the 2019 South Deep business plan through disciplined execution and improving productivity towards achieving 477 tonnes mined per employee
	15%	Improve internal business planning processes at South Deep by achieving at least 85% compliance to mining plan in terms of drilling, blasting, support, cleaning and backfill
	10%	Delivery of Gruyere project within the revised A\$621.4m cost plan and by the scheduled dates for project completion

	10%	Delivery of Damang project against plan: Total material mined: 31.8Mt; Gold: 218koz; Mill throughput of 4.3Mt; 75% spatial compliance to plan
	5%	Delivery of Salares Norte project against plan. Extended feasibility study peer reviewed by March 2019; total engineering about 63%; completed district exploration plan with 12.9km drilled; EIA Addendum 2 presented to Regulator by December 2019
<b>Organisational capacity</b>	10%	Improve impact of innovation and technology (I&T). Complete and embed 2019 I&T programmes in accordance with the regional defined strategies with clear, approved business cases
	5%	Improve governance, compliance and risk by having no material deviations from 2019 compliance guidelines
	10%	Improve people capacity and culture by developing the leadership competency framework aligned with strategic objectives and our values
	10%	Living the Gold Fields values and demonstrating these values as described by the various descriptors

***Long-term incentives***

**Gold Fields Limited Amended 2012 Share Plan (Share Plan)**

A conditional share plan that provides for annual awards of performance shares, which vest after three years subject to performance conditions. Participants receive real shares under the Share Plan, which aims to instil a sense of ownership among employees and executives, enabling:

- Alignment of executive rewards with shareholder interests

- Retention of key people

- Alignment of people costs with business results

Previously, all eligible management-level employees who participated in the LTI plan received performance shares under the Share Plan. From 2018 onwards, the following changes apply:

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

Exco members: 100% of LTI award under the Share Plan

Regional Exco: 30% of LTI award under the Share Plan and 70% under the cash-settled LTI plan

Other participants under the LTI receive 100% under the cash-settled LTI plan

Differentiating the LTI award types and only awarding shares to executives and specified senior managers ensures future sustainability of the share scheme and limits the issuance of shares under the plan.

AFR-40

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **39**

The standard award of performance shares determined by job grade, performance and guaranteed remuneration are set out below:

<b>Role</b>	<b>On-target award as % of GRP or BRP</b>	<b>Stretch-target award as % of GRP or BRP</b>
CEO	104	208
CFO	96	192
Exco	88	176
Regional Exco <sup>2</sup>	18 20	36 40

<sup>2</sup> This represents 30% of LTI participation, as 70% of LTI is under the cash-settled plan

The Share Plan performance conditions for vesting:

<b>Performance condition</b>	<b>Weighting</b>	<b>Threshold (0% vesting)</b>	<b>Target (100%) vesting</b>	<b>Stretch (200% vesting)</b>
Absolute US Dollar TSR	33%	N/a no vesting below target	The US Dollar (nominal) cost of equity <sup>3</sup> over the three-year performance period	US Dollar cost of equity + 6% per annum over the three-year performance period



Edgar Filing: GOLD FIELDS LTD - Form 20-F

Relative US Dollar TSR	33%	Below median of the peer group <sup>4</sup>	Median of the peer group	Upper quartile of the peer group
Free cash flow margin (FCFM) <sup>5</sup>	34%	Average FCFM over the three-year performance period of 5% at a gold price of US\$1,200/oz margin to be adjusted relative to the actual gold price for the three-year performance period	Average FCFM over the three-year performance period of 15% at a gold price of US\$1,200/oz margin to be adjusted relative to the actual gold price for the three-year performance period	Average FCFM over the three-year performance period of 20% at a gold price of US\$1,200/oz margin to be adjusted relative to the actual gold price for the three-year performance period

<sup>3</sup> Cost of equity is determined by an external consultant. Previously PwC conducted this determination, but will no longer do so from 2019 onwards due to auditor independence restrictions. A new service provider will therefore be appointed for this purpose

<sup>4</sup> AngloGold Ashanti, Goldcorp, Barrick, Eldorado Gold, Randgold Resources, Yamana, Agnico Eagle, Kinross, Newmont, Newcrest

<sup>5</sup> This is a non-IFRS measure which is defined and reconciled to IFRS in management's discussion and analysis of the financial statements

The LTIs vesting occurs on the third anniversary of the award and is dependent on the extent to which the Group has met the above performance conditions over the three-year period. Vesting is capped at 200% of the award. Executives also have the option to elect, in advance of the vesting date, to defer some or all of their vested awards towards the achievement of their MSR.

Linear interpolation will be applied between threshold and target and target to stretch performance.

The vesting profile based on performance over the three-year period is as follows:

Performance condition	Threshold	Target	Stretch
Absolute TSR	0%	100%	200%
Relative TSR	0%	100%	200%
FCFM	0%	100%	200%

The award is subject to the degree of achievement of the Group performance conditions and may result in a vesting of 0% to 200% of the award.



## **Table of Contents**

### **40 The Gold Fields Annual Financial Report including Governance Report 2018**

Remuneration Report continued

#### **Cash-settled long-term incentive plan (LTI)**

The cash-settled LTI plan will ensure closer alignment between regional and individual contributions and our long-term business strategy and is directly linked to the manager's line-of-sight actions, ensuring greater focus is placed on creating a high-performance culture, as well as incentivising, motivating and retaining management. The use of cash as opposed to shares also reduces the number of shares required while still ensuring a longer-term focus for participants.

Regional Exco members have 30% of their LTI award under the Share Plan and 70% under the cash-settled LTI plan. Other eligible management-level employees have full 100% participation in the cash-settled LTI plan.

The cash-settled plan's design links a participant's performance to regional long-term strategic objectives, aligned with Group objectives. Regional fundamental value-driving performance conditions are set and agreed with RemCo at the beginning of the three-year performance period. While awards are made in March each year and are settled in March three years later, the measurement periods are from 1 January of the year of the award to 31 December of the third year. The Group executive team recommends performance conditions for approval by RemCo on an annual basis.

#### **Performance conditions for the regional cash-settled plan**

For the March 2018 award, RemCo approved performance outcomes per regions that included:

- 40% decreasing actual AIC for each of our regions

- 40% sustainably extending reserves at the international operations and, in the case of South Deep, achieving three-year production targets

- 20% safety, protecting our licence to operate, and enhancing our reputation

Approximately 550 eligible employees participate in the cash-settled plan. Group participants in the cash-settled plan have the same performance conditions as for the Share Plan.

#### ***Other key features of our Remuneration Policy***

#### **Minimum shareholding requirement (MSR)**

We understand that the alignment between executives and shareholders' interests is critical to sustained value creation. As such, we encourage executives to hold shares in Gold Fields, in line with international best practice and emerging

best practice within South Africa.

Members of the Exco are required to hold shares in Gold Fields in accordance with the terms of the approved MSR policy. The CEO is required to build up a holding of 200% of his GRP, on a pre-tax basis, by 31 December 2020. As at 31 December 2018, Gold Fields CEO held a value equivalent to approximately 250% of the target GRP (i.e. he holds 125% of the amount required by the policy). All other members of the Exco are required to build up a holding of 100% of their GRP or BRP within five years of date of entry to the plan.

RemCo makes an award of matching shares at a ratio of 1:3 (one share for every three held, capped at the matching share limit) committed to the MSR (at the discretion of RemCo). The value of the ultimate number of matching shares that will vest is limited to 67% of the annual salary in the case of the CEO, and 33% of the annual salary for the other executives. The matching shares vest at the end of the five-year period, provided that the participant remains in the employment of the Group and has retained the committed shares.

### **Retention and sign-on bonuses**

Based on the recommendation from management, RemCo has the discretion to approve sign-on payments and/or retention payments to recruit and/or retain candidates who are highly skilled or fulfil specialised roles or scarce resource positions at certain levels. Below these levels, management has the discretion to approve these payments. The minimum work back periods for these retention payments are two years. No such bonuses were awarded in 2018.

### **Clawback**

The Board has approved the clawback policy entitling the Board to, in specific instances, seek repayment of remuneration amounts which have been made in error. The policy allows RemCo the right to recover all forms of remuneration from executives. This is applicable but not limited to remuneration relating to base pay, the achievement of financial or performance goals or similar conditions for any award, or payment under the annual incentive plan or long-term incentive plan or any bonus payment, whether vesting is based on the achievement of performance conditions, the passage of time, or both.

The right of recovery may be exercised within three years from the restatement date and the policy sets out the procedures to be followed depending on whether the remuneration has been paid, transferred or otherwise made available to the executive as well as the steps to take where the amount is not immediately recoverable, despite demand.

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **41****Executive Committee service contracts and termination provisions**

Gold Fields can terminate an executive's employment summarily for any reason recognised by law in the respective jurisdictions. The general principles governing the settlement of employment benefits and rewards is that employees who resign voluntarily or are dismissed for disciplinary reasons forfeit all unvested benefits and awards. Employees who separate from the Group for reasons of death, disability, retirement, or redundancy for operational reasons, retain a portion of unvested benefits and awards. This portion is based on the principles of time (pro rata) and performance testing at on-target levels, and in line with the King IV principles.

Executive directors have permanent employment agreements with Gold Fields Group Services (Pty) Ltd (GFGS), Gold Fields Ghana Holdings BVI Limited (GF Ghana) and Gold Fields Orogen BVI Limited (Orogen), and the EVP: Strategy, Planning and Group Development have permanent employment agreements with GFGS and Orogen.

In terms of the South African employment contracts for the Group Exco, employment continues until terminated upon notice by either party or retirement age, which is currently 63 years. Orogen and GF Ghana have substantially similar terms.

The notice period is 24 months for the CEO, 12 months for the CFO, and six months for Group Exco.

**Change of control provisions**

In 2012, RemCo resolved to discontinue the remuneration entitlement in the event of a change of control for senior executives appointed after 1 January 2013. The senior executives appointed before this date are entitled to the change of control remuneration benefits and retained their rights under the previous policy. Therefore, the only members of the executive with a change of control provisions are the CEO, CFO and EVP: Sustainable Development.

A change of control is defined as the acquisition by a third party or concert parties of 30% or more of Gold Fields ordinary shares. In the event of the finalisation of an acquisition, merger, consolidation, scheme of arrangement or other reorganisation, whether or not there is a change of control and if the executive directors' services are terminated, the change of control provisions also apply. For these employees, their employment contracts provide that, in the event of their employment being terminated as a result of a change of control (which is defined above), and such termination occurs within 12 months of the change of control, the director is entitled to:

Payment of an amount equal to two-and-a-half times annual GRP in the case of the CEO, and two times the annual GRP in the case of the CFO and the EVP: Sustainable Development

A bonus payment in the amount equal to the average percentage of incentive bonuses achieved during the previous two completed financial years, pro-rated for time

Full vesting of all LTI awards

Their employment contracts also provide that these payments cover any compensation or damages the executive directors may have under applicable employment legislation.

***Non-binding advisory vote Remuneration Policy***

As set out in King IV, shareholders are required to cast a non-binding advisory vote on the Remuneration Policy at the Gold Fields AGM on 21 May 2019.

Should there be a 25% or higher vote against the adoption of the above, we will embark upon a process of shareholder engagement in order to understand the drivers of the dissenting votes, and to discuss potential remedial measures.

A summary of the recent shareholder advisory endorsement of the Remuneration Policy follows.

	Votes for (%)	Votes against (%)	Abstentions
24 May 2017	97%	3%	
22 May 2018	96%	4%	

AFR-43

**Table of Contents**

**42 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

*Non-executive directors (NEDs)*

**NEDs Remuneration Policy**

NEDs are not eligible to receive any STIs or LTIs. Gold Fields pays NEDs based solely on their role within the Board and/or Committee and there is no differentiation by nationality. We apply the policy using the following principles:

Payment of a Board fee for the six annual Board meetings and Board committee members receive annual committee fees for participation

We review fees annually and implement increases in July. The review references a global comparator group of companies with similar size, complexity, business operations and geographic spread

Travel expenses are paid to NEDs for travel for site visits and Board meetings

**NEDs fee review**

We do not intend to seek approval for increases to be applied to the fees of NEDs for the period 1 June 2019 to 31 May 2020.

The following fixed annual fees shall be payable to NEDs with effect from 1 June 2019 (excluding VAT), if approved by shareholders at the AGM on 21 May 2019.

These fees are the same as those approved by shareholders for the 1 June 2018 to 31 May 2019 period at the AGM on 22 May 2018 that included adjustments for inflation and market alignment.

**NED fees**

**Per annum unless specified**

**Approved Proposed Approved Proposed**

Edgar Filing: GOLD FIELDS LTD - Form 20-F

	2018/2019	2019/2020	2018/2019	2019/2020
	fees in	fees in	fees in	fees in
	Rand	Rand	US\$	US\$
The Chairperson of the Board (all-inclusive fee)	<b>3,120,000</b>	<b>3,120,000</b>		
The Deputy Chairperson of the Board (all-inclusive fee)	<b>2,031,000</b>	<b>2,031,000</b>		
The Chairperson of the Audit Committee	<b>372,000</b>	<b>372,000</b>		
The Chairpersons of the Capital Projects, Control and Review Committee, Nominating and Governance Committee, Remuneration Committee (RemCo), Risk Committee, Social, Ethics and Transformation (SET) Committee and Safety, Health and Sustainable Development (SHSD) Committee (excluding the Chairperson and Deputy Chairperson of the Board)	<b>228,960</b>	<b>228,960</b>	<b>17,676</b>	<b>17,676</b>
Members of the Board (excluding the Chairperson and Deputy Chairperson of the Board)	<b>1,024,080</b>	<b>1,024,080</b>	<b>79,296</b>	<b>79,296</b>
Members of the Audit Committee (excluding the Chairperson of the Audit Committee and the Deputy Chairperson of the Board)	<b>191,880</b>	<b>191,880</b>	<b>14,892</b>	<b>14,892</b>
Members of the Capital Projects, Control and Review Committee, Nominating and Governance Committee, Remuneration Committee (RemCo), Risk Committee, SET Committee and SHSD Committee (excluding the Chairpersons of the relevant committees, Chairperson and Deputy Chairperson of the Board)	<b>144,480</b>	<b>144,480</b>	<b>11,304</b>	<b>11,304</b>
Chairperson of the ad hoc committee (per meeting)	<b>58,000</b>	<b>58,000</b>	<b>4,430</b>	<b>4,430</b>
Member of the ad hoc committee (per meeting)	<b>36,000</b>	<b>36,000</b>	<b>2,835</b>	<b>2,835</b>

AFR-44



**Table of Contents**

**Section 3: Implementation Report**

This section of the Remuneration Report explains the implementation of our Remuneration Policy by providing details of the remuneration paid to executives and NEDs for the financial year ended 31 December 2018. There were no deviations from the Remuneration Policy during this period. Also set out in this section are the period's performance outcomes against targets for the various individual remuneration programmes as discussed in Section 2: Remuneration Policy.

Average exchange rates of US\$1:R13.20 (2017:R13.33) and A\$1:R9.88 (2017:R10.2) have been applied for calculation purposes in this section.

*Guaranteed remuneration package*

**Guaranteed pay (GRP and BRP) adjustments**

Key facts	Policy application
<p>The annual remuneration review takes place in March of each year</p>	<p>Across the Group, salary increase mandates were set at the prevailing country-specific inflation rate, with an additional percentage for internal and/or external parity, where applicable</p>
<p>All eligible employees received a salary increase on 1 March 2018. The average increase for executives during 2018 was 4.8%</p>	<p>Salaries in Ghana are determined in US Dollars, and the US Dollar inflation rate is applied to salaries</p>

The overall increase in employment costs during 2018 was within the approved mandate of RemCo

For South Deep, management only elected to award increases of between 2% and 3% to certain employees in March 2018 for parity, taking performance and affordability into consideration

Executive packages were increased only by country-specific inflation rates for the 2018 review period

**Short-term incentives**

**Key facts**

Bonus parameters for the FY2018 year were approved as detailed in section 2

The total 2018 annual incentive award payment was US\$26m (2017: US\$29m) with 509 (2017: 511) eligible employees participating

The incentive is based on the Group's achievement of a Group overall individual performance rating of 3.5 (2017: 3.8) out of a maximum of 5 against Committee-approved performance measures set at the beginning of the year

**Policy application**

Incentive bonus parameters and targets are agreed and approved at the beginning of each cycle

Bonus parameter performance achievement is peer reviewed internally, and by independent external advisors prior to approval and payment

There is alignment between individual performance ratings and Group or Company performance, as applicable

Regional incentives are aligned to operation and regional performance achievements

Performance calculations are formulaic, however, RemCo does have the discretion to adjust the outcome if required

Operational objectives form the basis of the regional objectives and subsequently feed into Group objectives

Actual performance achievement is confirmed by the Group's external auditors

**Group objectives**

For the year ended 31 December 2018, the Group performance was 71%, with targets and achievements below:

	Weight	Threshold	Target	Stretch	Achieved	Per-centage achieved	Bonus outcome
Safety improvement TRIFR	20%	0%	6%	12%	26%	186%	37%
Gold (equivalent) production koz	20%	2,082	2,158	2,231	2,046	0%	0%
AIC US\$/oz	40%	1,170	1,131	1,091	1,160	25%	10%
Development and waste mined <sup>6</sup>	20%					120%	24%

<sup>6</sup> This 20% is made up of: development (4%) and distress mining (4%) for South Deep, and open pit waste mined (6%) and underground development (6%) for international operations

Note:

Published AIC US\$1,173/oz adjusted by -13 for STI purposes to result in US\$1,160/oz. This is made up of:

Calculation performed at budget exchange rate(5)

Workers participation at Cerro Coron(7)

*Asanko not included in bonus calculation-1)*

AFR-45

**Table of Contents**

**44 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

***Personal objectives***

In addition to the Group objectives listed above, the RemCo assessed the CEO and CFO on their personal objectives for 2018. These objectives are set every year based on key performance areas for RemCo to review and approve. Subsequently, RemCo reviews performance against these objectives towards the end of the year.

2018 CEO scorecard

Objectives, weighting and performance rating

<b>PERFORMANCE RATING SCALE:</b>	2.5 / Development required	4 / High performance
1 / Target not achieved <i>(less than 60% of goals achieved)</i>	<i>(91% - 99% of goals achieved)</i>	<i>(111% - 120% of goals achieved)</i>
	3	/
2 / Underperformance <i>(60% - 90% of goals achieved)</i>	/	4.5 Top performance
	3.5 <i>achieved)</i>	/ <i>(121% - 125% of goals achieved)</i>
	/	5
	Great performance	Exceptional performance

Edgar Filing: GOLD FIELDS LTD - Form 20-F

*(106% - 110% of goals  
achieved)*

*(126% or more of goals  
achieved)*

AFR-46

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **45****CEO 2018 scorecard**

Category	Weight	Objectives	Achievements	Rating
<b>Safe operational delivery (70%)</b>	20%	Delivery of South Deep infrastructure projects and improvement in the mining cycle while ensuring we have the right people in the right roles	Removed approximately R900m in fixed costs (operating costs R520m, reduction in capital R320m)	3
		Implement appropriate organisational structures, manning and layers while taking into account the required spans of control and resources required to achieve the production buildup	Reset relationship with organised labour, gave notice on legacy costly labour agreements. The settlement agreement provides for new recognition agreement to be finalised  50% of critical roles in D band and above capably filled	
	15%	South Deep: Improve overall productivity by improving face time and mining cycle times (including distress, development, long hole stoping cycle) as measured by tonnes/employee and contractor	Actual 289 tonnes mined per employee versus a target of 515 tonnes per employee.	1

10%	South Deep: Critical infrastructure projects completed and independently assured including capital development meters, main crusher, conveyors, fridge plants, roads underground and rail	Against a target of all material critical infrastructure projects being substantially complete (85%) and with a variance against budget of no more than 10%, only New Mine Development performed above plan: 918m was achieved against 749m planned	2
10%	Deliver Damang: Project execution against KPI s and project detailed cost management and reporting	<p>This KPI is measured against the Damang reinvestment plan:</p> <p>TRIFR: 0.49</p> <p>Waste: 33.2Mt (24% above stretch)</p> <p>Unit cost of US\$3.38/t (1% below target)</p> <p>Gold production of 180koz (3% above stretch)</p> <p>AISC of US\$814/oz (3% below stretch of US\$841/oz)</p> <p>AIC of US\$1,519/oz (on par with stretch of US\$1,519/oz)</p>	4.5
10%	Deliver Gruyere: Project execution against KPI s and project detailed cost management and reporting	<p>Project cost escalation up to A\$621.4m versus original budget of A\$532m.</p> <p>Changed Project Director and Project Controls Manager; new definitive estimate at a cost of A\$621m approved by the Board in August 2018. Date change from 2 March 2019 to 25 June 2019 for substantial completion, which is when the plant looks set to be ready to commence production.</p> <p>Ramp-up approved at the August 2018 Board meeting</p>	2
5%	Integrated and aligned human resources (HR) strategy across the employee value chain to ensure leadership lives the delivery and teamwork culture by year end. Roll out of culture change	HR strategy completed with engagement from regions, Exco and the Board, and aligned with the Group strategy and the modernisation (I&T plan)	3

programme

Strategy, vision and links to performance rolled out across Group in March 2018 and tested in the climate survey: Strong results in Australia and Corporate; West Africa still to be started

Exco 360-degree assessment rescoped to include a culture component. Draft competency model developed in line with industry benchmarks and Exco interviews. Additional engagements and input will continue in 2019

AFR-47



**Table of Contents**

**46 The Gold Fields Annual Financial Report including Governance Report 2018**

Remuneration Report continued

**CEO 2018 scorecard**

Category	Weight	Objectives	Achievements	Rating
<b>Portfolio management (20%)</b>	5%	Australia Reserves and life of mine	Achieved 127.6%, target was 100% replacement of depletion of reserves across all sites (excluding Gruyere)	4
	5%	Increase life of mine in West Africa	Tarkwa: Target was to delineate initial inferred Resource from targeted exploration on the lease or, alternatively, add 400koz to Reserves through the conversion of existing Resources through business improvement initiatives, or a combination of the above  Overall Resources increased due to the change to contractor mining and pit wall steepening  Tarkwa and Damang combined Resources increased from 2017 to 2018	3

Tarkwa and Damang combined Reserves reduced to 7.4Moz in 2018 from 7.6Moz in 2017

5%	<p>Enabling a mine of the future environment by investigating and commencing/installing IT/OT backbones to allow digital mining to occur across the group by end 2018</p>	<p>Against the target of creating connectivity and a technology backbone, the following was achieved:</p> <p>Third workshop on I&amp;T conducted in Perth and technical benchmark visit to Sweden successfully completed.</p> <p>Upgrade of infrastructure commenced.</p> <p>Newtrax rolled out successfully at South Deep.</p> <p>Safety systems enhanced in Australia. Cap lamp tracking systems implemented at St Ives.</p> <p>Tele-remote loading from surface enhanced at Granny Smith and St Ives.</p> <p>Tele-remote loading and rock breaking in preparatory phase at South Deep.</p>	4
5%	<p>Progress the I&amp;T strategy to have key proven technologies deployed with demonstrated success across the Group to enable a mine of the future, completed by end 2018</p>	<p>Against the target of progressing Horizon 1 of the I&amp;T strategy, the following was achieved:</p> <p>West Africa Mine Management Reporting System Project 95% complete; Modular Upgrade is complete (fleet management). Tele-remote / autonomous trial on drill rigs commenced before year end.</p> <p>Australia proximity detection systems in place at Granny Smith and St. Ives. Implemented Newtrax system and embedding LTE and internet at Granny Smith.</p> <p>Americas Cerro Corona I&amp;T road map and strategy launched.</p>	3

South Deep Newtrax expanding to drill rigs (95% complete); Drill system to be installed in January 2019; MineRP integration started in Q4; Tele-remote units were installed on equipment.

**Capital discipline (5%)**

5% Capital allocation and ranking protocol:  
Implementation of capital allocation system and improved control of capital expenditure costs

Against the target this was achieved:  
Capital management system strengthened and embedded. Capital management in line with budget with the exception of the out of scope Agnew projects. Project management training completed.

4

**Licence and reputation (5%)**

5% Continued improvement of, and adherence to, a robust governance and compliance programme for the Gold Fields Group, to be reviewed against national and international best practice

Governance programme was completed  
Engagements and workshops held on human rights issues and other salient aspects  
Voluntary Principles review was completed and approved by Exco

4

**Overall performance rating 2.9**

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **47**

2018 CFO scorecard

**Objectives, weighting and performance rating**

**PERFORMANCE RATING SCALE:**

- |                                                                     |                                                                        |
|---------------------------------------------------------------------|------------------------------------------------------------------------|
| 1 / Target not achieved<br><i>(less than 60% of goals achieved)</i> | 3.5 / Great performance<br><i>(106% - 110% of goals achieved)</i>      |
| 2 / Underperformance<br><i>(60% - 90% of goals achieved)</i>        | 4 / High performance<br><i>(111% - 120% of goals achieved)</i>         |
| 2.5 / Development required<br><i>(91% - 99% of goals achieved)</i>  | 4.5 / Top performance<br><i>(121% - 125% of goals achieved)</i>        |
| 3 / Good performance<br><i>(100% - 105% of goals achieved)</i>      | 5 / Exceptional performance<br><i>(126% or more of goals achieved)</i> |

AFR-49

**Table of Contents****48 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

**CFO 2018 scorecard**

Category	Weight	Objectives	Achievements	Rating
<b>Safe operational delivery</b>	10%	Financial reporting	Target was minimal unresolved late material issues and exceptions in KPMG audit report, with achievement being a clear audit report and adequate management of SEC issue	4
	10%	Manage South Deep inventory down	Consumable inventory down by 19.3% against a target of 5%	4
<b>Capital discipline</b>	35%	Conclude new bond for the Group	Against the target to issue a bond at a market-related spread with reference to our credit rating and sector, a favourable term loan extension was done on US\$380m to mid-2020, after the bond was cancelled due to market conditions	4
<b>Portfolio management</b>	25%	Active monitoring of business and re-engineering process	Actual net operating costs in respective local currencies, adjusted for increases or decreases in production, generally on budget	3.5

and as per individual region targets

<b>Licence and reputation</b>	20%	Cyber security: Achieve readiness for the ISO 27001 Information Security Management System certification	Certification readiness achieved for international mines/ operations. Actual certification achieved for South Deep, corporate and regional offices	4
	100%		<b>Overall performance rating</b>	<b>3.9</b>

In line with the above and in accordance with the Remuneration Policy and the Group’s annual STI scheme policy, the RemCo awarded the CEO and CFO bonuses equal to 51.4% and 45% of their annual GRP, respectively. The following chart shows the historical performance outcomes for the CEO and CFO over a three-year period through the percentage of GRP paid as bonus.

**CEO and CFO three-year bonus as percentage of GRP**

AFR-50

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **49****Long-term incentives**

The Group currently has the following LTI plans in place:

## Share plans:

The Group currently has three share awards in operation, namely the 2016 Share Plan (vesting 2019), 2017 Share Plan (vesting 2020), and the 2018 Share Plan (vesting 2021)

Each award is subject to slightly different vesting conditions and all vest after three years

Details on the 2012 Share Plan amended are disclosed in notes to the financial statements

The cash-settled plan

The MSR policy

**Performance share awards****Performance conditions***Absolute and relative total shareholder return (TSR)*

This had a 66% weighting broken down as below and measured over the three-year measurement period.

Absolute TSR 33% of the initial award value vested on the following:

Target	TSR performance	TSR factor
Below target	0%	n/a
Target	Average US\$ cost of equity as measured over a three-year period and independently assessed	100%
Stretch	Target +6% per annum	200%

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Above stretch	Capped at 200%	200%
Relative TSR	33% of the initial award value vested on the following basis:	

Target	TSR performance	TSR factor
Below target	0%	n/a
Target	Median of the peer group	100%
Stretch	Upper quartile of the peer group	200%
Above stretch	Capped at 200%	200%

AFR-51



**Table of Contents****50 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

*Free cash flow margin (FCFM)*

This had a 34% weighting and targeted an average FCFM of 15% with an average FCFM of 20% for stretch for the three-year measurement period, at a gold price of US\$1,300/oz. The FCFM is expressed as a percentage and defined as revenue less: AIC, excluding share-based payments and LTIP charges (AIC, subject to any add-backs on exploration and projects), the realised portion of revenue hedges, taxation paid and LTIP payments divided by revenue. (Greenfields exploration, acquisitions, projects, dividends and debt service costs are excluded.)

The use of a constant gold price benchmark over the period allows us to measure those elements within our control only, since gold price is outside of this control.

FCFM 34% of the initial award value vested on the following basis:

Target	FCFM performance	FCFM factor
Threshold	Average FCFM over the performance period of 5% at a gold price of US\$1,300/oz margin adjusted relative to actual gold price for the performance period	0%
Target	Average FCFM over the performance period of 15% at a gold price of US\$1,300/oz margin adjusted relative to actual gold price for the performance period	100%
Stretch	Average FCFM over the performance period of 20% at a gold price of US\$1,300/oz margin adjusted relative to actual gold price for the performance period	200%

In terms of the provisions of the Share Plan, eligible employees were awarded performance shares on 1 March 2016 and 1 March 2017, which will vest on 1 March 2019 and 1 March 2020 respectively.

### 2016 performance share vesting

Performance period: 1 January 2016 to 31 December 2018 performance period completed.

Relative TSR 33%		Absolute TSR 33%		FCFM 34%	
Achieved	Vesting	Achieved	Vesting	Achieved	Vesting
0%	0%	152.7%	50.4%	18.3%	166%

**Overall achievement: 107%**

The number of awards, the value on the award date, and the value at year end for this award of performance shares are tabulated below.

Executive	Title	No. of shares awarded	No. of shares vesting	US\$m value on award date	US\$m fair value at year end
NJ Holland	CEO	272,735	291,826	1.3	0.96
PA Schmidt	CFO	171,619	183,632	0.82	0.6
A Baku	EVP: West Africa	165,123	176,682	0.79	0.58
R Butcher	EVP: Technical	23,964	25,641	0.11	0.08
S Mathews	EVP: Australasia	72,802	77,898	0.35	0.26
TL Harmse	EVP: Group Head of Legal and Compliance	88,048	94,211	0.42	0.31
BJ Mattison	EVP: Strategy, Planning and Group Development	108,877	116,498	0.52	0.38
NA Chohan	EVP: Sustainable Development	66,035	70,657	0.31	0.23
A Nagaser	EVP: Investor Relations and Group Affairs	33,136	35,456	0.16	0.12
		<b>1,002,339</b>	<b>1,072,501</b>	<b>4.78</b>	<b>3.52</b>

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **51**

## 2017 performance share vesting

Performance period: 1 January 2017 to 31 December 2019

The number of awards, the value on the award date, and the estimated value at year end 2018 (for illustrative purposes) for the 2017 grant of performance shares are tabulated below:

Executive	Title	Award	US\$m value on award date	Estimated US\$m fair value at year end <sup>1</sup>
NJ Holland	CEO	370,042	1.16	1.46
PA Schmidt	CFO	178,808	0.56	0.71
A Baku	EVP: West Africa	156,967	0.49	0.62
R Butcher	EVP: Technical	98,389	0.31	0.39
S Mathews	EVP: Australasia	107,533	0.34	0.42
L Rivera	EVP: Americas	67,182	0.21	0.27
TL Harmse	EVP: Group Head of Legal and Compliance	95,126	0.3	0.38
BJ Mattison	EVP: Strategy, Planning and Group Development	116,641	0.36	0.46
NA Chohan	EVP: Sustainable Development	70,907	0.22	0.28
A Nagaser	EVP: Investor Relations and Group Affairs	48,673	0.15	0.19
M Preece	EVP: South Africa	53,462	0.17	0.21
		<b>1,363,730</b>	<b>4.27</b>	<b>5.39</b>

<sup>1</sup> Assuming 100% vesting

## 2018 performance share vesting

Performance period: 1 January 2018 to 31 December 2020

Edgar Filing: GOLD FIELDS LTD - Form 20-F

The number of awards, the value on the award date of 1 March 2018, and the estimated value at year end for the 2018 grant of performance shares are tabulated below.

Executive	Title	Award	US\$m value on award date <sup>1</sup>	Estimated US\$m fair value at year end <sup>2</sup>
NJ Holland	CEO	380,207	1.33	1.5
PA Schmidt	CFO	278,594	0.98	1.1
A Baku	EVP: West Africa	305,617	1.07	1.21
R Butcher	EVP: Technical	98,523	0.35	0.39
S Mathews	EVP: Australasia	161,520	0.57	0.64
L Rivera	EVP: Americas	196,218	0.69	0.78
TL Harmse	EVP: Group Head of Legal and Compliance	150,434	0.53	0.59
BJ Mattison	EVP: Strategy, Planning and Group Development	242,291	0.85	0.96
NA Chohan	EVP: Sustainable Development	149,513	0.52	0.59
A Nagaser	EVP: Investor Relations and Group Affairs	102,633	0.36	0.41
M Preece	EVP: South Africa	75,153	0.26	0.3
R Bardien	EVP: People and Organisational Effectiveness	81,760	0.29	0.32
		<b>2,222,463</b>	<b>7.79</b>	<b>8.78</b>

<sup>1</sup> Award based on ZAR-denominated value converted to US\$ at average rate of exchange for 2018 period as described on p43

<sup>2</sup> Assumes 100% vesting

AFR-53

**Table of Contents****52 The Gold Fields** Annual Financial Report including Governance Report 2018

## Remuneration Report continued

A self-imposed special closed period for executives and selected employees was in place since the beginning of 2018 due to the specific work that was initiated around South Deep and consideration of alternative options to increase shareholder value for the Gold Fields Group. Due to this special closed period, the executives did not receive the 2018 awards during the year, and this was effected in early 2019 after the lifting of such special closed period. Notwithstanding this, the performance periods, dates of award and values above are all calculated as at the initial dates in regard to the original awards.

**Cash-settled long-term incentive plan**

The Group executives do not participate in the cash-settled LTI plan. The 2018 cash-settled LTI plan is a three-year performance plan intended to provide alignment between employee's performance and Group strategy. Each performance cycle starts on 1 January of the first year and ends on 31 December of the third year. Participants include employees from level DL to EU and regional Exco members participate 70% in the cash plan and 30% in the Share Plan. The cash plan has approximately 550 participants.

**Minimum shareholding requirement (MSR)**

	<b>Requirement (shares)</b>	<b>Actual holdings (shares)</b>	<b>MSR achievement %</b>	<b>Initial holding period end date*</b>
NJ Holland (CEO)	733,703	916,090	125	31 December 2020
PA Schmidt (CFO)	191,575	204,248	107	17 May 2021
NA Chohan (EVP: Sustainable Development)	110,153	74,336	67	17 May 2022
A Baku (EVP: West Africa)	247,954	53,872	22	17 May 2022
BJ Mattison (EVP: Strategy, Planning and Group Development))	136,343	71,838	53	17 May 2022

Edgar Filing: GOLD FIELDS LTD - Form 20-F

TL Harmse (EVP: Group Head of Legal and Compliance)	110,833	27,170	25	17 May 2022
A Nagaser (EVP: Investor Relations and Group Affairs)	75,614	11,168	15	17 May 2022
M Preece (EVP: South Africa)	166,107	54,167	33	14 May 2023
L Rivera (EVP: Americas)	159,187		0	31 October 2022
S Mathews (EVP: Australasia)	127,572		0	31 January 2023
R Butcher (EVP: Technical)	116,718		0	17 May 2022
R Bardien (EVP: People and Organisational Effectiveness)	95,235		0	31 January 2024

\* During 2018, the Company entered into a self-imposed special closed period for executive management to, inter alia, trade in shares, which has slowed down the rate of achievement of the MSR policy targets for some individuals. Further, this closed period has resulted in an extension in the MSR holding target date by an equivalent period of one year.

Executives may elect to defer certain cash or equity awards to increase their MSR holdings. Any contribution purchased using post-tax income is grossed-up for taxes at the top prevailing marginal rate of individual tax when determining the contribution.

Also refer to the share ownership table on p20 for full share ownership details. The number of shares subject to tax gross-up for the following executives are as follows:

- PA Schmidt, Chief Financial Officer, 122,549
- NA Chohan, EVP: Sustainable Development, 42,023
- BJ Mattison, EVP: Strategy Planning and Corporate Development, 43,103
- TL Harmse, EVP: Group Head of Legal and Compliance, 16,302
- A Baku, EVP: West Africa, 40,404 (tax rate of 25%)
- M Preece, EVP: South Africa, 32,500

AFR-54

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **53**

**Executive directors and prescribed officers remuneration**

The table of remuneration for executive directors and prescribed officers based on the total single-figure remuneration prescribed by King IV is included in this section. The table is on the following two pages overleaf (p54 and 55). King IV requires the disclosure of a total single figure of remuneration, received and receivable for the reporting period that ties remuneration to the individual's performance for the period.

The definitions used in the adoption of these remuneration reporting requirements under King IV follow below. These should assist in a clearer understanding of the values and related terminology used in the table of remuneration.

**Reflected**

In respect of the LTI plans, remuneration is reflected when performance conditions have been met during the reporting period. If the only remaining vesting condition is continued employment, the remuneration is reflected in the period when all other performance conditions have been met. Remuneration included may not have legally transferred to the individual, and the individual may not yet have the unconditional right to enjoy the benefits thereof.

**Settlement**

This refers to remuneration that has been included in the total-single figure remuneration in respect of any prior period but has only been unconditionally transferred to the individual concerned in the current period.

**Not yet settled**

This refers to remuneration that has been included in the total single figure of remuneration in the current period but has not been unconditionally transferred to the individual concerned in the current period, or where an election has been made by the individual to defer the settlement thereof in fulfilment of their minimum shareholding requirement.

**Unconditional transfer**

Means that the individual now enjoys full right to the remuneration (excluding any applicable clawback), and it is no longer subject to any further service, employment or other conditions.

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

For the two executive directors, the 2018 total single figure of remuneration reported is lower than was reported for the 2017 period. The reasons are as follows:

Matching shares awarded (US\$942,800 and US\$157,500 for the CEO and CFO respectively) were included in the reporting for the 2017 period as required, with none in 2018

Both the CEO and CFO have lower cash-incentives in 2018 than in 2017 due to these being performance-related outcomes as described in section 2

These two factors were somewhat offset by the LTI values in 2018 being higher than those in 2017, due to the three-year performance period to end of 2018 yielding strong results on the absolute TSR and FCFM metrics. Further individual comments in regard to the Prescribed Officers are included as footnotes to the Remuneration table.

AFR-55



**Table of Contents****54 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

**Remuneration for executive directors and prescribed officers All figures in US\$ '000**

Name	Status		Salary <sup>1</sup>	Pension fund contribution	Cash incentives <sup>2</sup>
N Holland	Executive Director	2018	1,251.6	26.5	661.5
		2017	1,186.9	26.3	1,002.2
P Schmidt	Executive Director	2018	626.6	48.2	306.2
		2017	588.6	48.2	542.7
L Rivera <sup>8</sup>	Prescribed Officer	2018	668.6	72.8	134.0
		2017	626.3	48.4	270.4
A Baku <sup>9</sup>	Prescribed Officer	2018	808.0	185.8	634.8
		2017	784.7	180.5	719.8
R Butcher	Prescribed Officer	2018	384.5	37.3	192.4
		2017	353.0	37.9	278.5
N Chohan	Prescribed Officer	2018	367.2	26.5	213.9
		2017	342.8	26.3	288.3
B Mattison <sup>10</sup>	Prescribed Officer	2018	453.6	26.5	271.9
		2017	426.7	26.3	369.9
T Harmse	Prescribed Officer	2018	369.7	26.5	215.3
		2017	344.7	26.3	290.1
A Nagaser	Prescribed Officer	2018	243.3	27.0	131.1
		2017	228.1	25.3	192.0
S Mathews <sup>11</sup>	Prescribed Officer	2018	438.2	29.5	289.4
		2017	397.5	21.2	326.1
M Preece	Prescribed Officer	2018	541.7	26.5	168.8

Edgar Filing: GOLD FIELDS LTD - Form 20-F

		2017	338.2	16.6	
R Bardien <sup>12</sup>	Prescribed Officer	2018	274.3	24.3	150.5

Average exchange rates were US\$1 = R13.20 for FY2018 and US\$1 = R13.33 for FY2017. No termination payments during the year

<sup>1</sup> The total US\$ amounts paid for 2018, and included in salary were as follows: NJ Holland US\$406,700; PD Schmidt US\$124,150; and BJ Mattison US\$88,200. The total US\$ amounts paid for 2017, and included in salary were as follows: NJ Holland US\$396,500; PD Schmidt US\$121,000; and BJ Mattison US\$86,000

<sup>2</sup> The annual bonus accruals for the year ended 31 December 2017 and 31 December 2018, paid in February 2018 and February 2019, respectively

<sup>3</sup> The values of the 2015 LTI plan with a performance period ending 31 December 2017 is reflected in the 2017 figures

The values of the 2016 performance shares with a performance period ending 31 December 2018 is reflected in the 2018 total single figure of remuneration based on a US\$3.29 price as at 31 December 2018. The vesting date is 1 March 2019 and will be reflected in the 2019 cash value equivalent on settlement

<sup>4</sup> The 2017 total single figure of remuneration includes the cash equivalent value of matching shares awarded in terms of the MSR policy in 2017

AFR-56

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **55**

				<b>Total single figure of remuneration</b>	<b>Less: amounts not yet settled<sup>6</sup></b>	<b>Add: cash value on settlement<sup>7</sup></b>	<b>Total cash equivalent remuneration</b>
<b>LTI plan reflected<sup>3</sup></b>	<b>Matching shares reflected<sup>4</sup></b>	<b>Other<sup>5</sup></b>					
1,027.2				2,966.8	(1,688.7)	1,475.6	2,753.7
463.5	942.8			3,621.7	(2,408.5)	677.6	1,890.8
646.4		2.1		1,629.4	(952.6)	1,011.2	1,688.0
459.0	157.5	4.0		1,800.0	(1,159.2)	891.2	1,532.0
		385.7		1,261.3	(519.7)	481.3	1,222.9
		253.3		1,198.4	(486.7)	111.0	822.7
621.9		68.0		2,318.6	(1,256.8)	1,237.2	2,299.0
463.5	51.9	150.2		2,350.6	(1,235.2)	924.4	2,039.8
90.3				704.5	(282.7)	267.6	689.4
				669.4	(278.5)	323.2	714.1
248.7		1.8		858.2	(462.7)	403.5	799.0
126.0	54.0	3.3		840.7	(468.3)	417.2	789.6
410.1		2.5		1,164.6	(681.9)	672.5	1,155.1
297.0	55.4	1.0		1,176.3	(722.3)	622.2	1,076.2
331.6		7.8		950.8	(546.9)	548.0	951.9
252.0	10.0	6.8		929.9	(552.1)	484.3	862.1
124.8		0.4		526.6	(255.9)	245.1	515.8
90.0		0.7		536.1	(282.0)	221.1	475.2
274.2		4.9		1,036.3	(563.6)	514.2	986.9
		10.0		754.8	(326.1)		428.7
		0.4		737.3	(168.8)		568.6

	354.8	354.8
106.1	555.2	(150.5)
		404.7

<sup>5</sup> Other includes special bonuses and incidental payments unless otherwise stated

<sup>6</sup> Includes cash incentive, cash LTI plan and matching shares reflected for the year

<sup>7</sup> The 2018 figure includes the bonus related to the 2017 financial year paid in February 2018 and the 2015 cash LTIP vested and settled in March 2018. The 2017 figure includes the bonus related to the 2016 financial year paid in February 2017 and the 2014 cash LTIP vested and settled in March 2017.

<sup>8</sup> L Rivera other payments for 2018 relate to cash in lieu of 2016 share award payable upon vesting in March 2019. His appointment package and conditions were approved by RemCo but the LTI award was inadvertently not executed hence he was never physically awarded. This value reflects the equivalent cash compensation in this regard. Cash incentives include legislated bonus portion. Company contributions to pension erroneously not reported previously

<sup>9</sup> A Baku other payments for 2018 relate to approved profit share bonus payment approved and 2017 relates to leave allowance in line with related policy

<sup>10</sup> BJ Mattison other payments for 2018 relate to a service award in line with Company practice

<sup>11</sup> S Mathews other payments for 2018 relate to bonus payment in lieu of most improved operation bonus scheme

<sup>12</sup> R Bardien appointed on 1 February 2018; other payments relate to sign on bonus

AFR-57

**Table of Contents****56 The Gold Fields** Annual Financial Report including Governance Report 2018

## Remuneration Report continued

## Unvested awards and cash-flow on settlement

Executive	Opening number of awards on 1 January 2017	Granted/enhanced vesting during 2017	Fair value at grant date	Forfeited/lapsed during 2017	Vested during 2017	Closing number of awards on 31 December 2017	Cash value on settlement during 2017 US\$
<b>NJ Holland</b>							
2011 SARS	44,012			44,012			
2014 Cash LTI plan	1,300,000			799,500	500,500		
2015 Cash LTI plan	1,030,000					1,030,000	
2016 Performance shares PS9	272,735					272,735	
2017 Performance shares PS10		370,042	1,146,333			370,042	
2017 MSR Matching Shares		244,574	828,427			244,574	
2018 Performance Shares PS11*							
2018 MSR Matching Shares*							
<b>Total</b>			<b>1,974,760</b>				
<b>PA Schmidt</b>							
2011 SARS	29,686			29,686			
2014 Cash LTI plan	630,000			387,450	242,550		242,550
2015 Cash LTI plan	1,020,000					1,020,000	

Edgar Filing: GOLD FIELDS LTD - Form 20-F

2016 Performance shares PS9	171,619				171,619
2017 Performance shares PS10		178,808	553,920		178,808
2017 MSR Matching Shares		40,850	138,368		40,850
2018 Performance Shares PS11*					
2018 MSR Matching Shares*					
<b>Total</b>			<b>692,288</b>		<b>242,550</b>
<b>L Rivera</b>					
2017 Performance shares PS10		67,182	208,120		67,182
2018 Performance Shares PS11*					
<b>Total</b>			<b>208,120</b>		
<b>A Baku</b>					
2011 SARS	8,069		8,069		
2014 Cash LTI plan	790,000		485,850	304,150	304,150
2015 Cash LTI plan	1,030,000				1,030,000
2016 Performance shares PS9	165,123				165,123
2017 Performance shares PS10		156,967	486,260		156,967
2017 Restricted Shares PS10 Damang		133,311	412,977		133,311
2017 MSR Matching Shares		13,468	45,619		13,468
2018 Performance Shares PS11*					
2018 MSR Matching Shares*					
<b>Total</b>			<b>944,856</b>		<b>304,150</b>
<b>NA Chohan</b>					
2011 SARS	14,929		14,929		
2014 Cash LTI plan	230,000		141,450	88,550	88,550
2015 Cash LTI plan	280,000				280,000
2016 Performance shares PS9	66,035				66,035
2017 Performance shares PS10		70,907	219,659		70,907
2017 MSR Matching Shares		14,008	47,448		14,008
2018 Performance Shares PS11*					
2018 MSR Matching Shares*					
<b>Total</b>			<b>267,107</b>		<b>88,550</b>
<b>A Nagaser</b>					
2015 Cash LTI plan	200,000				200,000

Edgar Filing: GOLD FIELDS LTD - Form 20-F

2016 Performance shares PS9	33,136		33,136
2017 Performance shares PS10		48,673	48,673
2018 Performance Shares PS11*		150,782	
2018 MSR Matching Shares*			
<b>Total</b>		<b>150,782</b>	

AFR-58

Table of Contents

The Gold Fields Annual Financial Report including Governance Report 2018 57

Closing estimated fair value at 31 December 2017 US\$	Granted during Strike price 2018	Forfeited/ lapsed during 2018	Vested during 2018	Closing number on 31 December 2018	Cash value on settlement during 2018 US\$	Closing estimated fair value at 31 December 2018 US\$	Strike price US\$
	8.23						n/a
	n/a						n/a
463,500	n/a	566,500	463,500				n/a
1,220,991	n/a			272,735		960,401	n/a
2,411,913	n/a			370,042		1,266,521	n/a
966,133	n/a			244,574		804,893	n/a
							n/a
							n/a
<b>5,062,537</b>						<b>3,031,814</b>	
	8.23						n/a
	n/a						n/a
459,000	n/a	561,000	459,000		459,000		n/a
768,311	n/a			171,619		604,334	n/a
1,165,461	n/a			178,808		611,995	n/a



Edgar Filing: GOLD FIELDS LTD - Form 20-F

161,369	n/a			40,850		134,437	n/a
	n/a						n/a
	n/a						n/a
<b>2,554,140</b>				<b>459,000</b>		<b>1,350,767</b>	
437,889	n/a			67,182		229,940	n/a
	n/a						n/a
<b>437,889</b>						<b>229,940</b>	
	8.23						n/a
	n/a						n/a
463,500	n/a	566,500	463,500		463,500		n/a
739,229	n/a			165,123		581,459	n/a
1,023,102	n/a			156,967		537,242	n/a
526,614	n/a			133,311		438,727	n/a
53,202	n/a			13,468		44,323	n/a
	n/a						n/a
	n/a						n/a
<b>2,805,648</b>				<b>463,500</b>		<b>1,601,750</b>	
	8.23						n/a
	n/a						n/a
126,000	n/a	154,000	126,000		126,000		n/a
295,628	n/a			66,035		232,534	n/a
462,168	n/a			70,907		242,689	n/a
55,335	n/a			14,008		46,100	n/a
	n/a						n/a
	n/a						n/a
<b>939,131</b>				<b>126,000</b>		<b>521,323</b>	
90,000	n/a	110,000	90,000		90,000		n/a
148,345	n/a			33,136		116,684	n/a
317,248	n/a			48,673		166,590	n/a
	n/a						n/a
	n/a						n/a
<b>555,592</b>				<b>90,000</b>		<b>283,274</b>	

AFR-59

**Table of Contents****58 The Gold Fields** Annual Financial Report including Governance Report 2018

Remuneration Report continued

Unvested awards and cash-flow on settlement continued

Executive	Opening number of awards on 1 January 2017	Granted/ enhanced vesting during 2017	Fair value at grant date	Forfeited/ lapsed during 2017	Vested during 2017	Closing number of awards on 31 December 2017	Cash value on settlement during
							2017
<b>T Harmse</b>							
2011 SARS	6,212			6,212			
2011 (b) SARS	3,077			3,077			
2014 Cash LTI plan	360,000			221,400	138,600		138,600
2015 Cash LTI plan	560,000					560,000	
2016 Performance shares PS9	88,048					88,048	
2017 Performance shares PS10		95,126	294,686			95,126	
2017 MSR Matching Shares		2,592	8,780			2,592	
2018 Performance Shares PS11*							
2018 MSR Matching Shares*							
<b>Total</b>			<b>303,465</b>				<b>138,600</b>
<b>B Mattison</b>							
2011 SARS	11,736			11,736			
2014 Cash LTI plan	500,000			307,500	192,500		192,500
2015 Cash LTI plan	660,000					660,000	
2016 Performance shares PS9	108,877					108,877	
		116,641	361,336			116,641	

2017 Performance shares PS10					
2017 MSR Matching Shares	14,368	48,668			14,368
2018 Performance Shares PS11*					
2018 MSR Matching Shares*					
<b>Total</b>		<b>410,004</b>			<b>192,500</b>
<b>M Preece</b>					
2017 Performance shares PS10	53,462	165,617			53,462
2018 Performance Shares PS11*					
2018 MSR Matching Shares*					
<b>Total</b>		<b>165,617</b>			
<b>R Butcher</b>					
2016 Performance shares PS9	23,964				23,964
2017 Performance shares PS10	98,389	304,794			98,389
2018 Performance Shares PS11*					
<b>Total</b>		<b>304,794</b>			
<b>S Mathews</b>					
2014 Cash LTI plan	200,000		123,000	77,000	77,000
2015 Cash LTI plan	440,000				440,000
2016 Performance shares PS9	72,802				72,802
2017 Performance shares PS10	107,533	333,121			107,533
2018 Performance Shares PS11*					
<b>Total</b>		<b>333,121</b>			<b>77,000</b>
<b>R Bardien<sup>1</sup></b>					
2018 Performance Shares PS11*					
<b>Total</b>					

**Specific notes**

<sup>1</sup> R Bardien appointed on 1 February 2018

\*2018 Performance and matching share awards were postponed due to a trade restricted period. The awards will be included in the 2019 period. Performance period remains 1 March 2018 to 31 December 2020

**General notes**

a. The 2016 performance shares awarded on 1 March 2016, vesting on 1 March 2019, were valued at the share prices noted below with an estimated vesting in 2016 of 100%, 2017 of 113% and a final vesting in 2018 of 107%

b. The 2017 performance shares awarded on 1 March 2017, vesting on 1 March 2020, were valued at the share price noted below with an estimated vesting in 2018 of 104%

Edgar Filing: GOLD FIELDS LTD - Form 20-F

- c. The 2017 Matching shares awarded on 23 May 2017 were valued at the share prices noted below with an estimated vesting of 100%*
- d. The 20-day volume-weighted average price, for determining the value of the unvested awards as at 31 December 2016, is US\$2.93*
- e. The 20-day volume-weighted average price, for determining the value of the unvested awards as at 31 December 2016, is US\$3.95*
- f. The 20-day volume-weighted average price, for determining the value of the unvested awards as at 31 December 2018, is US\$3.29*
- g. Share prices used are based on the ADR share price*

AFR-60

Table of ContentsThe Gold Fields Annual Financial Report including Governance Report 2018 **59**

Closing estimated fair value at 31 December 2017 US\$	Strike price 2018	Granted during 2018	Forfeited/ lapsed during 2018	Vested during 2018	Closing number on 31 December 2018	Cash value on settlement during 31 December 2018 US\$	Closing estimated fair value at 31 December 2018 US\$	Strike price US\$
	8.23							n/a
	7.92							n/a
	n/a							n/a
252,000	n/a		308,000	252,000		252,000		n/a
394,177	n/a				88,048		310,050	n/a
620,026	n/a				95,126		325,582	n/a
10,239	n/a				2,592		8,530	n/a
	n/a							n/a
	n/a							n/a
<b>1,276,442</b>						<b>252,000</b>	<b>644,162</b>	
	8.23							n/a
	n/a							n/a
297,000	n/a		363,000	297,000		297,000		n/a
487,425	n/a				108,877		383,396	n/a

Edgar Filing: GOLD FIELDS LTD - Form 20-F

760,260	n/a			116,641		399,220	n/a
56,757	n/a			14,368		47,285	n/a
	n/a						n/a
	n/a						n/a
<b>1,601,442</b>				<b>297,000</b>		<b>829,901</b>	
348,462	n/a			53,462		188,259	n/a
	n/a						n/a
	n/a						n/a
<b>348,462</b>						<b>188,259</b>	
107,283	n/a			23,964		84,386	n/a
641,294	n/a			98,389		346,464	n/a
	n/a						n/a
<b>748,577</b>						<b>430,850</b>	
	n/a						n/a
198,000	n/a	242,000	198,000		198,000		n/a
325,923	n/a			72,802		256,363	n/a
700,894	n/a			107,533		378,663	n/a
	n/a						n/a
<b>1,224,817</b>				<b>198,000</b>		<b>635,026</b>	
	n/a						n/a

AFR-61

**Table of Contents****60 The Gold Fields** Annual Financial Report including Governance Report 2018

## Remuneration Report continued

## Non-binding advisory vote Implementation Report

As set out in King IV, shareholders are required to cast a non-binding advisory vote on the Implementation Report at the Gold Fields AGM on 21 May 2019.

Should there be a 25% or higher vote against the adoption of the above, we will embark upon a process of shareholder engagement in order to understand the drivers of the dissenting votes, and to discuss potential remedial measures.

## Non-Executive Director (NED) fees

NEDs were paid the following committee and Board fees as per the fees approved by shareholders on 24 May 2017 for the period 1 January 2018 to 31 May 2018; and on 22 May 2018 for the period 1 June 2018 to 31 December 2018.

US\$ 000	Board fees 2018			Total received for the period ending 31 December 2017
	Director s fees	Committee fees	Total	
	Cheryl Carolus	231.3	231.3	216.0
	Rick Menell	150.5	150.5	140.5
	Don Ncube <sup>1</sup>	30.7	21.3	51.9
	Yunus Suleman	75.9	72.4	148.4
			148.4	124.2

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Peter Bacchus	80.6	61.1	137.0	129.6
Steven Reid	80.6	55.4	136.0	130.6
Terence Goodlace	75.9	38.4	114.3	111.5
Alhassan Andani	80.6	40.2	120.8	129.8
Carmen Letton	80.6	49.8	130.4	71.0
Phuti Mahanyele-Dabengwa <sup>2</sup>	25.9	2.7	28.6	

<sup>1</sup> *D Ncube retired from the Board at end May 2018*

<sup>2</sup> *P Mahanyele-Dabengwa was appointed to the Board in September 2018*

We intend to seek approval from shareholders at the AGM on 21 May 2019 for NED fees for the period 1 June 2019 to 31 December 2019 to be the same as the fees previously approved for the period 1 January 2019 to 31 May 2019.

AFR-62



---

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **61**

Management's discussion and analysis  
of the financial statements

The following management's discussion and analysis of the financial statements should be read together with the Gold Fields consolidated financial statements, including the notes accompanying these financial statements.

**OVERVIEW**

Gold Fields is a significant producer of gold and a major holder of gold reserves and resources in South Africa, Ghana, Australia and Peru. In Peru, Gold Fields also produces copper. In addition, Gold Fields is jointly developing the Gruyere Gold project in Western Australia and completing a feasibility study on the Salares Norte deposit in Chile. Gold Fields is primarily involved in underground and surface gold and surface copper mining and related activities, including exploration, extraction, processing and smelting.

In 2018, the South African, Ghanaian, Peruvian and Australian operations produced 7%, 36%, 15% and 42% of its total gold production, respectively.

Gold Fields' South African operation is South Deep. Gold Fields also owns the St Ives, Agnew/Lawlers and Granny Smith gold mining operations in Australia, a 90.0% interest in the Tarkwa and Damang mines in Ghana and a 45% interest in the Asanko mine in Ghana. Gold Fields also owns a 99.5% interest in the Cerro Corona mine in Peru.

**Asanko**

On 29 March 2018, Gold Fields entered into certain definitive agreements with Asanko Gold Inc. (Asanko) pursuant to which, among other things, Gold Fields and Asanko will each own a 45% interest in Asanko Gold Ghana Limited (AGGL), the Asanko subsidiary that currently owns the Asanko Gold mine, with the government of Ghana continuing to retain a 10% free-carried interest in AGGL.

On 20 June 2018, Gold Fields and Asanko received approval of the joint venture transaction (JV transaction) from the Ghanaian Minister of Lands and Natural Resources and the JV transaction closed on 31 July 2018 once all conditions precedent were met.

In consideration for its interests in the joint venture, Gold Fields contributed US\$165 million. An additional US\$20 million will be invested in the redeemable preference shares on an agreed Esaase development milestone, but in any event no later than 31 December 2019.

Gold Fields and Asanko have joint control as each party has equal representation on the management committee that governs the relevant activities of the arrangement.

For the purpose of the review of the Group's results by the Chief Operating Decision Maker ( CODM ), in terms of IFRS 8 *Operating Segments*, Asanko is proportionately consolidated. As a result, the management's discussion and analysis includes analysis of Asanko's results where appropriate. Where reference is made to excluding equity-accounted investees or excluding Asanko, this refers to amounts determined in accordance with IFRS. All other references to Asanko are non-IFRS.

### **Darlot**

In 2017, Gold Fields sold the Darlot mine in Western Australia, through a wholly owned subsidiary, to ASX-listed Red 5 Limited ( Red 5 ) for a total consideration of A\$18.5 million, comprising A\$12 million in cash and 130 million Red 5 shares. The cash component was made up of an upfront amount of A\$7 million which could be converted into participation in a Red 5 rights issue and A\$5 million deferred for up to 24 months. The deferred consideration may be taken as additional shares in Red 5 or as cash at Gold Fields' election. The gain on disposal of Darlot was A\$31 million (US\$24 million).

The sale of Darlot was completed on 2 October 2017. Gold Fields received the relevant upfront cash consideration (converted into participation in a Red 5 rights issue) as well as the issue of the Red 5 shares as part of the consideration during 2017. In 2017, Gold Fields participated in a rights issue by Red 5 and received 117 million additional shares valued at A\$6 million (US\$5 million). Gold Fields has a 19.9% shareholding in Red 5 with a market value of A\$15 million (US\$11 million). The deferred consideration was received in cash during 2018.

Darlot has been disclosed as a discontinued operation.

### **Gruyere Gold project**

On 13 December 2016, Gold Fields purchased 50% of the Gruyere Gold project and entered into a 50:50 unincorporated joint venture with Gold Road Resources Limited ( Gold Road ) for the development and operation of the Gruyere Gold project in Western Australia, which comprises the Gruyere gold deposit as well as additional resources including Central Bore and Attila/Alaric ( Gruyere ).

Gold Fields acquired a 50% interest in the Gruyere Gold project for a total purchase consideration of A\$350 million (US\$259 million) payable in cash and a 1.5% royalty on Gold Fields' share of production after total mine production exceeds two million ounces. The cash consideration was split with A\$250 million (US\$185 million) payable on the effective date and A\$100 million (US\$74 million) payable according to an agreed construction cash call schedule. Of the A\$100 million payable, A\$7 million was paid in 2016, A\$78 million in 2017 and A\$15 million in 2018. Transaction costs of A\$19 million (US\$13 million) were incurred.

**Table of Contents****62 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**Reserves and resources**

As of 31 December 2018, Gold Fields reported attributable proved and probable gold and copper reserves of 48 million ounces of gold and 691 million pounds of copper, as compared to the 49 million ounces of gold and 764 million pounds of copper reported as of 31 December 2017.

**Gold production**

*Figures in thousands unless otherwise stated*

	2018		2017		2016	
	Gold produced		Gold produced		Gold produced	
	oz produced		oz		oz	
	Managed		Managed		Managed	
	Attributable		Attributable		Attributable	
South Deep	157.1	157.1	281.3	281.3	290.4	290.4
South Africa region	157.1	157.1	281.3	281.3	290.4	290.4
Tarkwa	524.9	472.4	566.4	509.8	568.1	511.3
Damang	180.8	162.7	143.6	129.2	147.7	132.9
Asanko	44.5	44.5				
Ghanaian region	750.2	679.6	710.0	639.0	715.8	644.2
Cerro Corona	314.1	312.6	306.7	305.3	270.2	268.9
South America region	314.1	312.6	306.7	305.3	270.2	268.9
St Ives	366.9	366.9	363.9	363.9	362.9	362.9
Agnew/Lawlers	239.1	239.1	241.2	241.2	229.3	229.3
Granny Smith	280.4	280.4	290.3	290.3	283.8	283.8
Australia region	886.4	886.4	895.4	895.4	875.9	875.9
Continuing operations	2,107.8	2,035.7	2,193.3	2,121.0	2,152.3	2,079.4
Discontinued operation – Darlot			39.2	39.2	66.4	66.4
<b>Total Group (excluding Asanko)</b>	<b>2,063.2</b>	<b>1,991.2</b>	<b>2,232.5</b>	<b>2,160.2</b>	<b>2,218.7</b>	<b>2,145.8</b>

<b>Total Group (including Asanko)</b>	<b>2,107.8</b>	<b>2,035.7</b>	2,232.5	2,160.2	2,218.7	2,145.8
---------------------------------------	----------------	----------------	---------	---------	---------	---------

Gold production for the Group (continuing and discontinued operations, including Asanko) was 2.108 million ounces (2017: 2.233 million ounces) of gold equivalents in 2018, 2.036 million ounces (2017: 2.160 million ounces) of which were attributable to Gold Fields with the remainder attributable to non-controlling shareholders in Ghana and Peru.

Gold production for the Group (continuing and discontinued operations, excluding Asanko) was 2.063 million ounces (2017: 2.233 million ounces) of gold equivalents in 2018, 1.991 million ounces (2017: 2.160 million ounces) of which were attributable to Gold Fields with the remainder attributable to non-controlling shareholders in Ghana and Peru.

Gold production for continuing operations (including Asanko) was 2.108 million ounces (2017: 2.193 million ounces) of gold equivalents in 2018, 2.036 million ounces (2017: 2.121 million ounces) of which were attributable to Gold Fields with the remainder attributable to non-controlling shareholders in Ghana and Peru.

Gold production for continuing operations (excluding Asanko) was 2.063 million ounces (2017: 2.193 million ounces) of gold equivalents in 2018, 1.991 million ounces (2017: 2.121 million ounces) of which were attributable to Gold Fields with the remainder attributable to non-controlling shareholders in Ghana and Peru.

Gold production from the discontinued operation, Darlot, was 0.039 million ounces in 2017, all of which were attributable to Gold Fields.

AFR-64

**Table of Contents**

At South Deep in South Africa, production decreased by 44% from 8,748 kilograms (281,300 ounces) in 2017 to 4,885 kilograms (157,100 ounces) in 2018 due to decreased volumes and grades. This was mainly due to the industrial action, the restructuring process as well as the fatal accident, further exacerbated by poor ground conditions in the high grade areas of the mine.

At the Ghanaian operations (including Asanko), gold production increased by 6% from 710,000 ounces in 2017 to 750,200 ounces in 2018 due to higher production at Damang as well as the inclusion of 44,500 ounces from Asanko for the five months ended December 2018. At the Ghanaian operations (excluding Asanko), gold production decreased by 1% from 710,000 ounces in 2017 to 705,700 ounces in 2018 due to lower production at Tarkwa partially offset by higher production at Damang. At Tarkwa, gold production decreased by 7% from 566,400 ounces in 2017 to 524,900 ounces in 2018 mainly due to lower volumes mined in line with the 2018 planned strategy to reduce mining and optimise margins and cash flow. At Damang, gold production increased by 26% from 143,600 ounces in 2017 to 180,800 ounces in 2018 mainly due to higher head grade and yield. Production at Asanko amounted to 44,500 ounces for the five months ended December 2018.

Gold equivalent production at Cerro Corona increased by 2% from 306,700 ounces in 2017 to 314,100 ounces in 2018, mainly due to the higher copper price relative to the gold price (price factor) and higher copper production as a result of higher copper head grade.

At the Australian continuing operations, gold production decreased by 1% from 895,400 ounces in 2017 to 886,400 ounces in 2018 due to marginally lower production at Agnew and Granny Smith. St Ives gold production increased by 1% from 363,900 ounces in 2017 to 366,900 ounces in 2018. At Agnew, gold production decreased by 1% from 241,200 ounces in 2017 to 239,100 ounces in 2018, mainly due to decreased ore processed. At Granny Smith, gold production decreased by 3% from 290,300 ounces in 2017 to 280,400 ounces in 2018 due to lower grades mined.

In 2017, gold production at Darlot amounted to 39,200 ounces for the nine months to September 2017.

**NON-IFRS MEASURES**

The following table sets out the non-IFRS measures disclosed throughout the Annual Financial Report and where they are reconciled to IFRS:

<b>Non-IFRS measure</b>	<b>Purpose of measure</b>	<b>Reference to where reconciled to IFRS</b>
All-in sustaining costs ( AISC )	Intended to provide transparency into the costs associated with producing and selling an ounce of gold.	p68
All-in costs ( AIC )	Intended to provide transparency into the costs associated with producing and selling an ounce of gold.	p68
Adjusted EBITDA		
Net debt	Used in the ratio to monitor the capital of the Group.	p202
Net debt to adjusted EBITDA		
Net cash flow	Management uses net cash flow to measure the cash generated by the core business.	p113
Adjusted free cash flow and adjusted free cash flow margin	Used as a key metric in the determination of the long-term incentive plan.	p75
Sustaining and non-sustaining capital expenditure	Used in the determination of AISC and AIC.	p69

AFR-65

**Table of Contents****64 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**REVENUES**

Substantially all of Gold Fields' revenues are derived from the sale of gold and copper. As a result, Gold Fields' revenues are directly related to the prices of gold and copper. Historically, the prices of gold and copper have fluctuated widely. The gold and copper prices are affected by numerous factors over which Gold Fields does not have control. The volatility of gold and copper prices is illustrated in the following tables, which show the annual high, low and average of the London afternoon fixing price of gold and the London Metal Exchange (LME) cash settlement price for copper in US Dollar for the past 12 calendar years (2007 to 2018):

	Price per ounce <sup>1</sup>		
	High	Low	Average
<b>Gold</b>			
		(US\$/oz)	
2007	834	607	687
2008	1,011	713	872
2009	1,213	810	972
2010	1,421	1,058	1,224
2011	1,895	1,319	1,571
2012	1,792	1,540	1,669
2013	1,694	1,192	1,409
2014	1,385	1,142	1,266
2015	1,296	1,060	1,167
2016	1,355	1,077	1,250
2017	1,346	1,151	1,257
<b>2018</b>	<b>1,355</b>	<b>1,178</b>	<b>1,269</b>

Source: I-Net

<sup>1</sup> Rounded to the nearest US Dollar.

On 22 March 2019, the London afternoon fixing price of gold was US\$1,311/oz.

	Price per tonne <sup>1</sup>		
	High	Low	Average
<b>Copper</b>		(US\$/t)	
2007	8,301	5,226	7,128
2008	8,985	2,770	6,952
2009	7,346	3,051	5,164
2010	9,740	6,091	7,539
2011	9,986	7,062	8,836
2012	8,658	7,252	7,951
2013	8,243	6,638	7,324
2014	7,440	6,306	6,861
2015	6,401	4,347	5,376
2016	5,936	4,311	4,863
2017	7,216	5,466	6,166
<b>2018</b>	<b>7,263</b>	<b>5,823</b>	<b>6,539</b>

Source: I-Net

<sup>1</sup> Rounded to the nearest US Dollar.

On 22 March 2019, the LME cash settlement price for copper was US\$6,375/t.

As a general rule, Gold Fields sells the gold it produces at market prices to obtain the maximum benefit from prevailing gold prices and does not enter into hedging arrangements such as forward sales or derivatives which establish a price in advance for the sale of its future gold production. Hedges can be undertaken in one or more of the following circumstances: to protect cash flows at times of significant capital expenditures, for specific debt servicing requirements and to safeguard the viability of higher cost operations. Significant changes in the prices of gold and copper over a sustained period of time may lead Gold Fields to increase or decrease its production in the near-term, which could have a material impact on Gold Fields' revenues.

AFR-66



**Table of Contents**

Sales of copper concentrate are provisionally priced that is, the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 90 days after delivery to the customer, based on market prices at the relevant quotation points stipulated in the contract.

Revenue on provisionally priced copper concentrate sales is recorded on the date of shipment, net of refining and treatment charges, using the forward LME price to the estimated final pricing date, adjusted for the specific terms of the agreements. Variations between the price used to recognise revenue and the actual final price received can be caused by changes in prevailing copper and gold prices. Changes in the fair value as a result of changes in forward metal prices are classified as provisional price adjustments and included as a component of revenue.

**Gold Fields realised gold and copper prices**

The following table sets out the average, the high and the low London afternoon fixing price per ounce of gold and Gold Fields average US Dollar realised gold price during the past three years.

<b>Realised gold price<sup>1</sup></b>	<b>2018</b>	2017	2016
Average	<b>1,269</b>	1,257	1,250
High	<b>1,355</b>	1,346	1,355
Low	<b>1,178</b>	1,151	1,077
Gold Fields average realised gold price <sup>2</sup>	<b>1,252</b>	1,255	1,241

<sup>1</sup> Prices stated per ounce.

<sup>2</sup> Gold Fields average realised gold price may differ from the average gold price due to the timing of its sales of gold within each year.

The following table sets out the average, the high and the low LME cash settlement price per tonne for copper and Gold Fields average US Dollar realised copper price for 2016, 2017 and 2018.

<b>Realised copper price<sup>1</sup></b>	<b>2018</b>	2017	2016
------------------------------------------	-------------	------	------

Average	<b>6,539</b>	6,166	4,863
High	<b>7,263</b>	7,216	5,936
Low	<b>5,823</b>	5,466	4,311
Gold Fields average realised copper price			
	<b>6,547</b>	6,131	4,913

<sup>1</sup> Prices stated per tonne.

<sup>2</sup> Gold Fields average realised copper price may differ from the average copper price due to the timing of its sales of copper within each year.

## **IFRS 15 REVENUE FROM CONTRACT WITH CUSTOMERS**

The Group applied IFRS 15 *Revenue* from contract with customers from 1 January 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods.

Revenue is now recognised when the customer takes control of the gold, copper and silver. The timing of recognition of revenue is no longer when risks and rewards of ownership pass to the customer.

The change in the timing of revenue recognition results in revenue at the South African and Australian operations being recognised on settlement date (when control passes) and not contract date (previous date when risks and rewards of ownership pass to the customer). There is no change to the revenue recognition at any of the other operations given that the date of control is the same date as when risks and rewards of ownership pass.

The Group adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Refer to note 41 for the impact of transitioning to IFRS 15. Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

**Table of Contents**

**66 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**PRODUCTION**

Gold Fields' revenues are primarily driven by its production levels and the price it realises on the sale of gold. Production levels are affected by a number of factors, some of which are described below. Total managed production for the Group (including Asanko) decreased by 5% from 2.233 million ounces in 2017 to 2.108 million ounces in 2018. Total managed production (excluding Asanko) decreased by 8% from 2.233 million ounces in 2017 to 2.063 million ounces in 2018.

**LABOUR IMPACT**

In recent years, Gold Fields has experienced union activity in some of the countries in which it operates, specifically South Africa and Ghana.

A critical element of delivering safe production is a workforce that is appropriately structured and skilled to achieve the required results. Apart from focused recruitment and training programmes and setting up the right culture at the operations, it also means rightsizing the number of employees and contractors when conditions require this. In early 2018, Gold Fields announced a move by Tarkwa to contractor mining. The restructuring was completed successfully and the contractors started operations on 24 March 2018.

South Deep has a relatively well-educated labour force with a component of skilled and semi-skilled employees who receive remuneration packages that are competitive and highly incentivised. There is also no evidence to date that the Association of Mineworkers and Construction Union (AMCU), which has been responsible for extensive strike action at South Africa's gold and platinum mines, has established a material presence at the mine. The National Union of Mineworkers (NUM) is the dominant union.

South Deep embarked on a restructuring process on 14 August 2018. The prescribed consultation process was concluded on 28 October 2018 culminating in the retrenchment of 1,092 permanent employees and 420 contractors. The majority union, the NUM, obtained a certificate of non-resolution from the Commission for Conciliation, Mediation and Arbitration (CCMA) and issued a notice of intended industrial action on 31 October 2018. The protected industrial action commenced on 2 November 2018 and lasted six weeks. Employees participating in the industrial action blocked all roads to the mine, limiting access and the ability to continue with any mining operations. Production was therefore suspended and essential services continued on an intermittent basis when access was possible. Negotiations with all levels of the union (branch, regional and national) concluded on 18 December 2018 with the signing of a new agreement that ended the industrial action. The mine gradually resumed operations from

15 December 2018. The process had a profound impact on production with the operations suspended for 41 days with a preceding go slow and acts of sabotage as from the announcement of restructuring. It took an additional eight days to start up the underground sections post-15 December 2018.

Over the years, Gold Fields has sought to develop relationships with trade unions that are supportive of the delivery of our business objectives, and the Group remains committed to this engagement.

There were no work stoppages as a result of strikes during 2017 and 2016 at all the Gold Fields operations.

## **HEALTH AND SAFETY IMPACT**

Gold Fields operations are also subject to various health and safety laws and regulations that impose various duties on Gold Fields mines while granting the authorities broad powers to, among other things, close or suspend operations at unsafe mines and order corrective action relating to health and safety matters. Additionally, it is Gold Fields policy to halt production at its operations when serious accidents occur in order to rectify dangerous situations and, if necessary, retrain workers. During 2018, Gold Fields operations suffered nine work safety-related stoppages, one related to the fatality in October at South Deep and eight related to unsafe conditions. In South Africa, Gold Fields has actively engaged with the Department of Mineral Resources ( DMR ) on the protocols applied to safety-related mine closures.

Gold Fields expects that should the above factors continue, production levels in the future will be impacted.

## **COSTS**

Over the last three years, Gold Fields production costs consisted primarily of labour and contractor costs, power, water and consumable stores, which include explosives, diesel fuel, other petroleum products and other consumables. Gold Fields expects that its total costs, particularly the input costs noted above, are likely to continue to increase in the near future driven by general economic trends, market dynamics and other regulatory changes.

In order to counter the effect of increasing costs in the mining industry, the Group rationalised and prioritised capital expenditure without undermining the sustainability of its operations and continued prioritisation of cash generation over production volumes. The Group also undertook further reductions in labour costs.

**Table of Contents****South Africa region**

The Gold Fields South African operation is labour intensive due to the use of deep level underground mining methods. As a result, over the last three fiscal years labour has represented on average 38% of all-in costs ( AIC ), as defined on page 68, at the South African operation. In 2018, labour represented 36% of AIC at the South African operation.

In 2018, South Deep concluded a three-year wage agreement with organised labour which provides for an annual increase of 7.3%.

At the South African operation, power and water made up on average 8% of AIC over the last three years. In 2018, power and water costs made up 9% of AIC. The National Energy Regulator of South Africa ( NERSA ) granted Eskom an average five-year increase of 8% over the period 1 April 2013 to 31 March 2017. Although Eskom applied to NERSA for a 19.9% average increase in electricity tariffs for Eskom's 2018 to 2019 financial year, NERSA granted Eskom a 5.23% electricity tariff increase for this period. During 2018, NERSA granted Eskom an additional 4.41% tariff increase adjustment, from the Regulatory Clearing Account ( RCA ), for 2019/2020. In the same period, Eskom submitted their Multi Year Price Determination ( MYPD ) application to NERSA for 2018/2019 to 2021/2022 tariff basis, initially requesting 15% for the three years, later revising the application to 17%, 15% and 15% for 2019/2020, 2020/2021 and 2021/2022, respectively. NERSA granted Eskom tariff increases of 9.41%, 8.1% and 5.2%, for financial years 2019/2020, 2020/2021 and 2021/2022, respectively, thus for 2019/2020, the total approved tariff increase is 13.82%. Since December 2018, Eskom has declared load shedding, rising to stage 4 (short of 4,000MW), for the first time since 2010. Since then, the country continued to experience load shedding, albeit reduced to stages 1 and 2. During this period, Eskom burns significant amounts of diesel to run their gas turbines and called on large power users to curtail power demand. In February 2019, the President of South Africa announced the vertical unbundling of Eskom. This unbundling, while maintaining full-state ownership, is expected to result in the separation of Eskom's generation, transmission and distribution functions, which will require legislative and possibly policy reform. Gold Fields expects this process will take time to implement causing continued poor reliability of the supply of electricity, instability in prices and a possible increase in the tariff. Should Gold Fields experience further power tariff increases, its business, operating results and financial condition may be adversely impacted.

**West Africa region**

In Ghana, Tarkwa and Damang are supplied power by VRA and ECG, respectively. Tarkwa agreed tariffs with VRA with a base tariff of US\$0.17/kWh with effect from 1 January 2015, using a tariff model which inputs actual variables (including the generation mix and input prices) of the previous quarter to determine the tariff for the current quarter.

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

The average VRA tariff for 2017 was US\$0.167/kWh and for 2018 was US\$0.136/kWh.

The ECG's tariff for the period 1 February 2016 to 31 December 2016 was US\$0.23/kWh, 1 January to 31 December 2017 was US\$0.23/kWh and 1 January to 31 December 2018 was US\$0.21/kWh.

In order to reduce their reliance on power supplied by VRA and ECG, Tarkwa and Damang entered into a power purchasing agreement with independent power producer Genser (the Genser PPA). Under the Genser PPA, Genser agreed to commission a gas power generation facility at Tarkwa and Damang. This power supply has replaced a significant proportion of Tarkwa and Damang's current supply from the VRA and ECG. Genser has installed a 27.5MW power plant comprised 5 units of Centrax gas turbines owned and operated by Genser on the Damang mine, and a 44MW power plant comprised 4 units of Solar Mars (Caterpillar) gas turbines, owned and operated Genser on the Tarkwa mine. Both plants will seek to expand with the inclusion of the steam turbines technology. The fourth turbine was commissioned at Genser's Tarkwa plant in 2018 to bring the installed capacity at the Tarkwa mine to 44MW. Genser operational performance has been good and therefore no periods of downtime are expected. Both the Tarkwa and Damang mines can revert to state-owned utilities for their power supply if needed.

During 2018, Genser started construction of a 77km buried gas pipeline to supply Tarkwa and Damang with natural gas, instead of trucking in liquid petroleum gas (LPG) via national roads. Genser expects to commission the pipeline in 2019.

Power and water costs represented on average 9% of AIC at Tarkwa over the last three years, and 9% of AIC during 2018. Over the last three years, power and water costs represented on average 11% of AIC at Damang with 8% in 2018.

Contractor costs represented on average 10% of AIC at Tarkwa over the last three years, and 20% of AIC during 2018. The increase in 2018 at Tarkwa is due to the transition to contractor mining. Over the last three years, contractor costs represented on average 20% of AIC at Damang with 18% in 2018. Following the restructuring concluded in the first half of 2016 in Damang and first quarter of 2018 for Tarkwa, the direct labour cost has decreased as all mining and development is performed by outside contractors. Direct labour costs represent on average a further 15% of AIC at Tarkwa over the last three years and 12% in 2018. Over the last three years, direct labour costs represented on average 11% at Damang and 8% in 2018.

AFR-69

**Table of Contents**

**68 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

Gold Fields' operations in Ghana consume large quantities of diesel fuel for the running of their mining fleet. The cost of diesel fuel is directly related to the oil price and any movement in the oil price will have an impact on the cost of diesel fuel and therefore the cost of running the mining fleet. Over the last three years, fuel costs have represented 12% of AIC at the Ghana operations. In 2018, fuel costs represented 13% of AIC at the Ghana operations. Fuel use is proportionately higher at the Ghana operations than at other operations because open-pit mining in general requires more fuel usage than underground mining and because of the configuration of the Ghana operations, including the scale of certain of the pits and the distances between the pits and the plants.

**South American region**

At Cerro Corona, contractor costs represented on average 27% of AIC over the last three years and 28% of AIC during 2018. Direct labour costs represent on average a further 19% of AIC over the last three years and 18% in 2018. Power and water made up on average a further 6% of AIC over the last three years and 6% in 2018.

**Australia region**

At the Australian operations, mining operations were historically conducted by outside contractors. However, at Agnew, owner mining at the underground operations commenced in May 2010, while development is still conducted by outside contractors. At St Ives, owner mining commenced in July 2011 at the underground operations and in July 2012 at the surface operations, but development is still conducted by contractors. Over the last three years, total contractor costs represented on average 21% at St Ives and 35% at Agnew of AIC and direct labour costs represented on average a further 16% at St Ives and 16% at Agnew of AIC. In 2018, contractors and direct labour costs represented 18% and 13% at St Ives and 29% and 14% at Agnew/ Lawlers, respectively. Power and water made up, on average, a further 8% and 5% of AIC over the last three years and 5% and 3% of AIC in 2018 at St Ives and Agnew, respectively. At Granny Smith, mining operations and development are conducted through owner mining. Over the last three years, contractors and direct labour costs represented, on average, 15% and 23%, respectively, at Granny Smith. In 2018, contractors and direct labour costs represented 12% and 20% at Granny Smith. Power and water made up, on average, a further 7% of AIC over the last three years and 6% of AIC in 2018 at Granny Smith.

The remainder of Gold Fields' total costs consists primarily of amortisation and depreciation, exploration costs and selling, administration and general and corporate charges.

**ALL-IN SUSTAINING AND ALL-IN COSTS**

The World Gold Council has worked closely with its member companies to develop definitions for all-in sustaining costs ( AISC ) and AIC. The World Gold Council is not a regulatory industry organisation and does not have the authority to develop accounting standards or disclosure requirements. Gold Fields ceased being a member of the World Gold Council in 2014. AISC and AIC are non-IFRS measures. These non-IFRS measures are intended to provide further transparency into the costs associated with producing and selling an ounce of gold. The new standard was released by the World Gold Council on 27 June 2013. It is expected that these metrics will be helpful to investors, governments, local communities and other stakeholders in understanding the economics of gold mining. The AISC incorporates costs related to sustaining current production. The AIC include additional costs which relate to the growth of the Group. AISC, as defined by the World Gold Council, are operating costs plus all costs not already included therein relating to sustaining current production, including sustaining capital expenditure. The value of by-product revenues such as silver and copper is deducted from operating costs as it effectively reduces the cost of gold production. AIC starts with AISC and adds additional costs which relate to the growth of the Group, including non-sustaining capital expenditure and exploration, evaluation and feasibility costs not associated with current operations.

AISC and AIC are reported on a per ounce of gold basis, net of by-product revenues (as per the World Gold Council definition) as well as on a per ounce of gold equivalent basis, gross of by-product revenues.

An investor should not consider AISC and AIC or operating costs in isolation or as alternatives to operating costs, cash flows from operating activities or any other measure of financial performance presented in accordance with International Financial Reporting Standards ( IFRS ). AISC and AIC as presented in this Annual Financial Report may not be comparable to other similarly titled measures of performance of other companies.

AFR-70



**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **69**

The following tables set out a reconciliation of Gold Fields' cost of sales before gold inventory change and amortisation and depreciation, as calculated in accordance with IFRS (refer to the consolidated financial statements), to its AISC and AIC net of by-product revenues per ounce of gold sold for 2018, 2017 and 2016. The following tables also set out AISC and AIC gross of by-product revenue on a gold equivalent ounce basis for 2018, 2017 and 2016.

**United States Dollar**

**AISC and AIC, net of by-product revenue per ounce of gold**

**For the year ended 31 December 2018**

								Total Group including equity accounted	Total Group excluding equity accounted	
	South	Deep Tarkwa	Damang	Asanko <sup>1</sup>	St Ives	Lawlers	Smith	Corona projects	and joint venture	and joint venture
					Agnew/	Granny	Cerro	and		

*Figures in millions unless otherwise stated*

<b>Cost of sales before gold inventory change and amortisation and depreciation</b>	<b>262.0</b>	<b>298.7</b>	<b>143.5</b>	<b>41.6</b>	<b>200.9</b>	<b>159.7</b>	<b>166.3</b>	<b>160.3</b>	<b>(0.6)</b>	<b>1,432.4</b>	<b>1,390.8</b>
Gold inventory change	9.6	10.1	(19.1)	(4.2)	(14.9)	1.7	1.8	(5.5)		(20.4)	(16.2)
Royalties	1.0	21.2	7.3	2.8	11.6	7.4	8.8	5.1		65.2	62.5
Realised gains or losses on commodity cost hedges		(5.5)	(2.1)		(2.9)	(0.9)	(0.8)			(12.2)	(12.2)
Community/social responsibility costs	1.3	6.7	0.4					6.3		14.6	14.6
Non-cash remuneration (share-based payments)	4.7	6.7	2.1		3.5	2.6	3.1	4.3	10.6	37.5	37.5
Cash remuneration (long-term employee benefits)	0.9		0.2		0.4	0.1	0.3	(0.4)	(0.5)	1.1	1.1
Other <sup>6</sup>				1.0				1.1	7.9	10.0	9.0
By-product revenue <sup>2</sup>	(0.3)	(0.7)	(0.2)	(0.2)	(0.5)	(0.3)	(0.1)	(169.2)		(171.4)	(171.2)
Rehabilitation, amortisation and interest	0.2	5.5	1.3	0.2	4.4	1.5	1.3	3.7		18.1	17.9
Sustaining capital expenditure <sup>3</sup>	40.0	156.1	13.5	7.9	127.2	72.8	78.8	33.2	2.2	531.5	523.6
Lease payments					1.4			0.9		2.3	2.3
<b>All-in sustaining costs<sup>4</sup></b>	<b>319.4</b>	<b>498.9</b>	<b>147.0</b>	<b>49.1</b>	<b>331.0</b>	<b>244.7</b>	<b>259.6</b>	<b>39.8</b>	<b>19.6</b>	<b>1,908.9</b>	<b>1,859.8</b>
Exploration, feasibility and evaluation costs <sup>5</sup>			0.4						77.8	78.2	78.2
Non-sustaining capital expenditure <sup>3</sup>	18.3		125.0	4.9					147.1	295.3	290.4
<b>All-in costs<sup>4</sup></b>	<b>337.7</b>	<b>498.9</b>	<b>272.3</b>	<b>54.0</b>	<b>331.0</b>	<b>244.7</b>	<b>259.6</b>	<b>39.8</b>	<b>244.6</b>	<b>2,282.3</b>	<b>2,228.3</b>
Gold only ounces sold ( '000oz)	167.8	524.9	180.8	45.9	367.0	238.5	280.5	141.0		1,946.4	1,900.5
All-in sustaining costs	319.4	498.9	147.0	49.1	331.0	244.7	259.6	39.8	19.6	1,908.9	1,859.8
<b>All-in sustaining costs net of by-product revenue per ounce of gold sold (US\$/oz)</b>	<b>1,903</b>	<b>951</b>	<b>813</b>	<b>1,069</b>	<b>902</b>	<b>1,026</b>	<b>925</b>	<b>282</b>		<b>981</b>	<b>979</b>
All-in costs	337.7	498.9	272.3	54.0	331.0	244.7	259.6	39.8	244.6	2,282.3	2,228.3
<b>All-in costs net of by-product revenue per ounce of gold sold (US\$)</b>	<b>2,012</b>	<b>951</b>	<b>1,506</b>	<b>1,175</b>	<b>902</b>	<b>1,026</b>	<b>925</b>	<b>282</b>		<b>1,173</b>	<b>1,172</b>

<sup>1</sup> Equity accounted joint venture.

<sup>2</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

<sup>3</sup> Sustaining capital expenditure represents the majority of capital expenditures at existing operations, including underground mine development costs, ongoing replacement of mine equipment and other capital facilities and other capital expenditures at existing operations and is calculated as total capital expenditure of US\$814.2 million per note 42 to the consolidated financial statements, less non-sustaining capital expenditures. Non-sustaining capital expenditures (or growth capital) represent capital expenditures for major growth projects as well as enhancement

*capital for significant infrastructure improvements at existing operations.*

<sup>4</sup> *This total may not reflect the sum of the line items due to rounding.*

<sup>5</sup> *Includes exploration, feasibility and evaluation and share of equity accounted losses of Far Southeast Gold Resources Incorporated ( FSE ).*

<sup>6</sup> *Other includes offshore structure costs and management fees.*

AFR-71

**Table of Contents****70 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

United States Dollar

**AISC and AIC, gross of by-product revenue per ounce of gold****For the year ended 31 December 2018***Figures in millions unless otherwise stated*

	South Deep	Tarkwa	Damang Asanko <sup>1</sup>	St Ives	Agnew/ Lawlers	Granny Smith	Cerro Corona	and projects	Total Group including equity	Total Group excluding equity	
All-in sustaining costs (per table above)	319.4	498.9	147.0	49.1	331.0	244.7	259.6	39.8	19.6	1,908.9	1,859.8
Add back by-product revenue <sup>2</sup>	0.3	0.7	0.2	0.2	0.5	0.3	0.1	169.2		171.4	171.2
<b>All-in sustaining costs gross of by-product revenue<sup>3</sup></b>	<b>319.7</b>	<b>499.6</b>	<b>147.2</b>	<b>49.3</b>	<b>331.5</b>	<b>245.0</b>	<b>259.7</b>	<b>209.0</b>	<b>19.6</b>	<b>2,080.3</b>	<b>2,031.0</b>
All-in costs (per table above)	337.7	498.9	272.3	54.0	331.0	244.7	259.6	39.8	244.6	2,282.3	2,228.3
Add back by-product revenue <sup>2</sup>	0.3	0.7	0.2	0.2	0.5	0.3	0.1	169.2		171.4	171.2

<b>All-in costs gross of by-product revenue<sup>3</sup></b>	<b>338.0</b>	<b>499.6</b>	<b>272.5</b>	<b>54.2</b>	<b>331.5</b>	<b>245.0</b>	<b>259.7</b>	<b>208.9</b>	<b>244.6</b>	<b>2,453.7</b>	<b>2,399.5</b>
Gold equivalent ounces sold	<b>167.8</b>	<b>524.9</b>	<b>180.8</b>	<b>45.9</b>	<b>367.0</b>	<b>238.5</b>	<b>280.5</b>	<b>299.1</b>		<b>2,104.5</b>	<b>2,058.6</b>
<b>All-in sustaining costs gross of by-product revenue (US\$/equivalent oz)</b>	<b>1,905</b>	<b>952</b>	<b>812</b>	<b>1,073</b>	<b>903</b>	<b>1,027</b>	<b>926</b>	<b>699</b>		<b>988</b>	<b>987</b>
<b>All-in costs gross of by-product revenue (US\$ equivalent oz)</b>	<b>2,014</b>	<b>952</b>	<b>1,506</b>	<b>1,179</b>	<b>903</b>	<b>1,027</b>	<b>926</b>	<b>699</b>		<b>1,166</b>	<b>1,166</b>

<sup>1</sup> Equity accounted joint venture.

<sup>2</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

<sup>3</sup> This total may not reflect the sum of the line items due to rounding.

AFR-72

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **71****United States Dollar**

AISC and AIC, net of by-product revenue per ounce of gold

For the year ended 31 December 2017

<i>Figures in millions unless otherwise stated</i>	Corporate and Continuing operations										
	South Deep	Tarkwa	Damang	St Ives	Agnew/ Lawlers	Granny Smith	Cerro Corona			Darlot	Group
<b>Cost of sales before gold inventory change and amortisation and depreciation</b>	306.3	348.0	121.3	187.6	154.9	156.8	151.2	0.4	1,426.5	46.3	1,472.8
Gold inventory change	(1.5)	(42.0)	0.9	(29.0)	(4.5)	3.6	3.1		(69.5)	0.9	(68.6)
Royalties	1.8	21.7	5.5	11.1	7.6	9.0	5.3		62.0	1.1	63.1
Realised gains or losses on commodity cost hedges		(0.8)		(0.3)	(0.1)	(0.1)			(1.3)		(1.3)
Community/social	2.0	11.1	0.4				6.7		20.2		20.2

Edgar Filing: GOLD FIELDS LTD - Form 20-F

responsibility costs											
Non-cash remuneration (share-based payments)	3.5	4.8	1.3	2.2	1.7	2.1	3.6	7.7	26.8	0.6	27.4
Cash remuneration (long-term employee benefits)	0.5	1.1	0.3	0.7	0.5	0.7	0.7	0.5	5.0	0.1	5.1
Other <sup>5</sup>							1.0	9.8	10.8		10.8
By-product revenue <sup>1</sup>	(0.6)	0.9	(0.1)	(0.6)	(0.3)	(0.1)	(177.8)		(178.6)	(0.1)	(178.7)
Rehabilitation, amortisation and interest	0.2	7.0	0.7	5.5	2.1	1.2	5.8		22.6	0.4	23.0
Sustaining capital expenditure <sup>2</sup>	65.5	180.6	17.2	156.2	73.7	87.0	34.0	2.8	617.0	6.8	623.9
<b>All-in sustaining costs<sup>3</sup></b>	<b>377.7</b>	<b>532.4</b>	<b>147.5</b>	<b>333.5</b>	<b>235.7</b>	<b>260.1</b>	<b>33.5</b>	<b>21.2</b>	<b>1,938.9</b>	<b>56.1</b>	<b>1,997.8</b>
Exploration, feasibility and evaluation costs <sup>4</sup>								59.9	59.9		59.9
Non-sustaining capital expenditure <sup>2</sup>	16.9		114.9					84.7	216.5		216.5
<b>All-in costs<sup>3</sup></b>	<b>394.6</b>	<b>532.4</b>	<b>262.4</b>	<b>333.5</b>	<b>235.7</b>	<b>260.1</b>	<b>33.5</b>	<b>165.8</b>	<b>2,218.1</b>	<b>56.1</b>	<b>2,274.2</b>
Gold only ounces sold ( 000oz)	281.8	566.4	143.6	363.9	241.2	290.3	164.7		2,051.9	39.2	2,091.1
All-in sustaining costs	377.7	532.4	147.5	333.5	235.7	260.1	33.5	21.2	1,938.9	56.1	1,997.8
<b>All-in sustaining costs net of by-product revenue per ounce of gold sold (US\$/oz)</b>	<b>1,340</b>	<b>940</b>	<b>1,027</b>	<b>916</b>	<b>977</b>	<b>896</b>	<b>203</b>		<b>945</b>	<b>1,432</b>	<b>955</b>
All-in costs	394.6	532.4	262.4	333.5	235.7	260.1	33.5	165.8	2,218.1	56.1	2,274.2
<b>All-in costs net of by-product revenue per ounce of gold sold (US\$)</b>	<b>1,400</b>	<b>940</b>	<b>1,827</b>	<b>916</b>	<b>977</b>	<b>896</b>	<b>203</b>		<b>1,081</b>	<b>1,432</b>	<b>1,088</b>

<sup>1</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

<sup>2</sup> Sustaining capital expenditure represents the majority of capital expenditures at existing operations, including underground mine development costs, ongoing replacement of mine equipment and other capital facilities and other capital expenditures at existing operations and is calculated as total capital expenditure of US\$840.4 million per

Edgar Filing: GOLD FIELDS LTD - Form 20-F

*note 42 to the consolidated financial statements, less non-sustaining capital expenditures. Non-sustaining capital expenditures (or growth capital) represent capital expenditures for major growth projects as well as enhancement capital for significant infrastructure improvements at existing operations.*

<sup>3</sup> *This total may not reflect the sum of the line items due to rounding.*

<sup>4</sup> *Includes exploration, feasibility and evaluation and share of equity accounted losses of FSE.*

<sup>5</sup> *Other includes offshore structure costs and management fees.*

AFR-73



**Table of Contents****72 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**United States Dollar**

AISC and AIC, gross of by-product revenue per ounce of gold

For the year ended 31 December 2017

<i>Figures in millions unless otherwise stated</i>	Corporate and Continuing operations										
	South Deep	Tarkwa	Damang	St Ives	Agnew/Lawlers	Granny Smith	Cerro Corona	other operations	Darlot	Group	
All-in sustaining costs (per table above)	377.7	532.4	147.5	333.5	235.7	260.1	33.5	21.2	1,938.9	56.1	1,997.8
Add back by-product revenue <sup>1</sup>	0.6	(0.9)	0.1	0.6	0.3	0.1	177.8		178.6	0.1	178.7
<b>All-in sustaining costs gross of by-product revenue<sup>2</sup></b>	<b>378.3</b>	<b>531.5</b>	<b>147.6</b>	<b>334.1</b>	<b>236.0</b>	<b>260.3</b>	<b>211.3</b>	<b>21.2</b>	<b>2,117.5</b>	<b>56.2</b>	<b>2,176.5</b>
All-in costs (per table above)	394.6	532.4	262.4	333.5	235.7	260.1	33.5	165.8	2,218.1	56.1	2,274.2
Add back by-product revenue <sup>1</sup>	0.6	(0.9)	0.1	0.6	0.3	0.1	177.8		178.6	0.1	178.7
<b>All-in costs gross of by-product revenue<sup>2</sup></b>	<b>395.2</b>	<b>531.5</b>	<b>262.5</b>	<b>334.1</b>	<b>236.0</b>	<b>260.3</b>	<b>211.3</b>	<b>165.8</b>	<b>2,396.7</b>	<b>56.2</b>	<b>2,452.9</b>
Gold equivalent ounces sold	281.8	566.4	143.6	363.9	241.2	290.3	313.8		2,201.1	39.2	2,240.2

<b>All-in sustaining costs gross of by-product revenue (US\$/equivalent oz)</b>	1,342	938	1,028	918	978	897	673	962	1,435	972
<b>All-in costs gross of by-product revenue (US\$/equivalent oz)</b>	1,402	938	1,828	918	978	897	673	1,089	1,435	1,095

<sup>1</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

<sup>2</sup> This total may not reflect the sum of the line items due to rounding.

#### **AISC and AIC continuing operations**

AISC net of by-product revenues (including Asanko) from continuing operations increased by 4% from US\$945 per ounce of gold in 2017 to US\$981 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC net of by-product revenues (including Asanko) from continuing operations increased by 9% from US\$1,081 per ounce of gold in 2017 to US\$1,173 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC net of by-product revenues (excluding Asanko) from continuing operations increased by 4% from US\$945 per ounce of gold in 2017 to US\$979 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC net of by-product revenues (including Asanko) from continuing operations increased by 8% from US\$1,081 per ounce of gold in 2017 to US\$1,172 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC gross of by-product revenues (including Asanko) from continuing operations increased by 3% from US\$962 per ounce of gold in 2017 to US\$988 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC gross of by-product revenues (including Asanko) from continuing operations increased by 7% from US\$1,089 per ounce of gold in 2017 to US\$1,166 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC gross of by-product revenues (excluding Asanko) from continuing operations increased by 3% from US\$962 per ounce of gold in 2017 to US\$987 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC gross of by-product revenues (excluding Asanko) from continuing operations increased by 7% from US\$1,089 per ounce of gold in 2017 to US\$1,166 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AFR-74

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **73****United States Dollar**

AISC and AIC, net of by-product revenue per ounce of gold

For the year ended 31 December 2016

<i>Figures in millions unless otherwise stated</i>	South Deep	Tarkwa	Damang	St Ives	Agnew/Lawlers	Granny Smith	Cerro Corona	Corporate and Continuing other operations	Darlot	Group	
<b>Cost of sales before gold inventory change and amortisation and depreciation</b>	272.3	344.7	136.4	192.8	145.7	141.1	143.7	(1.1)	1,375.7	57.3	1,433.0
Gold inventory change	(0.7)	(17.5)	(0.4)	(11.0)	(5.1)	(7.4)	(3.8)		(45.9)	0.4	(45.5)
Royalties	1.8	35.4	9.2	11.5	7.1	8.8	4.6		78.4	2.0	80.4
Realised gains or losses on commodity cost hedges				0.6	0.2	0.7			1.6	0.1	1.6
Community/social responsibility costs	1.2	5.1	0.3				8.7		15.3		15.3

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Non-cash remuneration (share-based payments)	2.3	2.5	0.3	1.5	0.8	0.9	2.0	3.6	13.9	0.4	14.4
Cash remuneration (long-term employee benefits)	2.4	3.0	0.8	0.9	0.9	1.0	1.8	(0.5)	10.4	0.6	11.0
Other <sup>5</sup>							0.9	11.9	12.8		12.8
By-product revenue <sup>2</sup>	(0.5)	(1.5)	(0.1)	(0.8)	(0.2)	(0.1)	(130.6)		(133.8)	(0.3)	(134.1)
Rehabilitation, amortisation and interest	0.4	4.8	0.7	8.9	3.2	1.4	3.9		23.3	0.2	23.5
Sustaining capital expenditure <sup>3</sup>	70.1	168.4	37.9	140.0	70.0	90.3	42.8		619.4	21.4	640.8
<b>All-in sustaining costs<sup>1</sup></b>	349.3	545.0	185.2	344.3	222.5	236.7	74.4	13.9	1,971.0	82.3	2,053.6
Exploration, feasibility and evaluation costs <sup>4</sup>									47.1	47.1	47.1
Non-sustaining capital expenditure <sup>3</sup>	7.8								1.3	9.1	9.1
<b>All-in costs<sup>1</sup></b>	357.1	545.0	185.2	344.3	222.5	236.7	74.4	62.0	2,027.2	82.3	2,109.4
Gold only ounces sold ( '000oz)	289.4	568.1	147.7	362.9	229.3	283.8	149.1		2,030.2	66.4	2,096.8
All-in sustaining costs	349.3	545.0	185.2	344.3	222.5	236.7	74.0	13.9	1,971.0	82.3	2,053.6
<b>All-in sustaining costs net of by-product revenue per ounce of gold sold (US\$/oz)</b>	1,207	959	1,254	949	971	834	499		972	1,238	980
All-in costs	357.1	545.0	185.2	344.3	222.5	236.7	74.0	62.0	2,027.2	82.3	2,109.4
<b>All-in costs net of by-product revenue per ounce of gold sold (US\$)</b>	1,234	959	1,254	949	971	834	499		998	1,238	1,006

<sup>1</sup> This total may not reflect the sum of the line items due to rounding.

<sup>2</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

<sup>3</sup> Sustaining capital expenditure represents the majority of capital expenditures at existing operations, including underground mine development costs, ongoing replacement of mine equipment and other capital facilities and other capital expenditures at existing operations and is calculated as total capital expenditure of US\$649.9 million per note 42 to the consolidated financial statements, less non-sustaining capital expenditures. Non-sustaining capital

*expenditures (or growth capital) represent capital expenditures for major growth projects as well as enhancement capital for significant infrastructure improvements at existing operations.*

<sup>4</sup> *Includes exploration, feasibility and evaluation and share of equity accounted losses of FSE.*

<sup>5</sup> *Other includes offshore structure costs and management fees.*

AFR-75

**Table of Contents****74 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**United States Dollar**

AISC and AIC, gross of by-product revenue per ounce of gold

For the year ended 31 December 2016

<i>Figures in millions unless otherwise stated</i>	South Deep	Tarkwa	Damang	St Ives	Agnew/Lawlers	Granny Smith	Cerro Corona	Corporate and other operations	Continuing operations	Darlot	Group
All-in sustaining costs (per table above)	349.3	545.0	185.2	344.3	222.5	236.7	74.4	13.9	1,971.0	82.3	2,053.6
Add back by-product revenue <sup>2</sup>	0.5	1.5	0.1	0.8	0.2	0.1	130.6		133.8	0.3	134.1
<b>All-in sustaining costs gross of by-product revenue</b>	<b>349.8</b>	<b>546.5</b>	<b>185.2</b>	<b>345.1</b>	<b>222.8</b>	<b>236.8</b>	<b>205.0</b>	<b>13.9</b>	<b>2,104.8</b>	<b>82.5</b>	<b>2,187.7</b>
All-in costs (per table above)	357.1	545.0	185.2	344.3	222.5	236.7	74.4	61.5	2,027.1	82.3	2,109.5
Add back by-product revenue <sup>2</sup>	0.5	1.5	0.1	0.8	0.2	0.1	130.6		133.8	0.3	134.1
<b>All-in costs gross of by-product revenue</b>	<b>357.6</b>	<b>546.5</b>	<b>185.2</b>	<b>345.1</b>	<b>222.8</b>	<b>236.8</b>	<b>205.0</b>	<b>61.5</b>	<b>2,161.0</b>	<b>82.5</b>	<b>2,243.6</b>
Gold equivalent ounces sold	289.4	568.1	147.7	362.9	229.3	283.8	268.9		2,150.0	66.4	2,216.4

**All-in sustaining costs  
gross of by-product  
revenue**

(US\$/equivalent oz)	1,209	962	1,254	951	972	834	762	979	1,243	987
<b>All-in costs gross of by-product revenue</b>										
(US\$/equivalent oz)	1,236	962	1,254	951	972	834	762	1,005	1,243	1,012

<sup>1</sup> This total may not reflect the sum of the line items due to rounding.

<sup>2</sup> By-product revenue at Cerro Corona relates to copper. For all the other operations, by-product revenue relates to silver.

**AISC and AIC (Group) continuing and discontinued operations**

AISC net of by-product revenues for the Group decreased by 3% from US\$980 per ounce of gold in 2016 to US\$955 per ounce of gold in 2017, mainly due to a higher gold inventory credit, higher by-product credits, lower royalties and lower sustaining capital expenditure partially offset by higher cost of sales before gold inventory change and amortisation and depreciation and lower gold sold. AIC net of by-product revenues for the Group, increased by 8% from US\$1,006 per ounce of gold in 2016 to US\$1,088 per ounce of gold in 2017 due to higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC gross of by-product revenues for the Group decreased by 2% from US\$987 per equivalent ounce of gold in 2016 to US\$972 per equivalent ounce of gold in 2017 mainly due to a higher gold inventory credit, lower royalties and lower sustaining capital expenditure, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation and lower gold sold. AIC gross of by-product revenues for the Group increased by 8% from US\$1,012 per equivalent ounce of gold in 2016 to US\$1,095 per equivalent ounce of gold in 2017, for the same reasons as AISC gross of by-product revenues.

**AISC and AIC continuing operations**

AISC net of by-product revenues from continuing operations decreased by 3% from US\$972 per ounce of gold in 2016 to US\$945 per ounce of gold in 2017, mainly due to higher by-product credits, lower royalties, a higher gold inventory credit, higher gold sold and lower sustaining capital expenditure, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation. AIC net of by-product revenues from continuing operations increased by 8% from US\$998 per ounce of gold in 2016 to US\$1,081 per ounce of gold in 2017 due to higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC gross of by-product revenues from continuing operations decreased by 2% from US\$979 per equivalent ounce of gold in 2016 to US\$962 per equivalent ounce of gold in 2017 mainly due to lower royalties, a higher gold inventory credit, higher gold sold and lower sustaining capital expenditure, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation. AIC gross of by-product revenues from continuing operations increased by 8% from US\$1,005 per equivalent ounce of gold in 2016 to US\$1,089 per equivalent ounce of gold in 2017, for the same reasons as AISC gross of by-product revenues due to higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

**AISC and AIC discontinued operation**

AISC and AIC net of by-product revenues from discontinued operation, Darlot increased by 16% from US\$1,238 per ounce of gold for the 12 months to December 2016 to US\$1,432 per ounce of gold for the nine months to September 2017 due to lower gold sold and a higher gold inventory charge to costs, partially offset by lower cost of sales before gold inventory change and amortisation and depreciation and lower capital expenditure.

AFR-76



**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **75**

AISC and AIC gross of by-product revenues from discontinued operation, Darlot increased by 15% from US\$1,243 per equivalent ounce of gold for the 12 months to December 2016 to US\$1,435 per equivalent ounce of gold for the nine months to September 2017 due to lower gold sold and a higher gold inventory charge to costs, partially offset by lower cost of sales before gold inventory change and amortisation and depreciation and lower capital expenditure.

**Adjusted free cash flow and adjusted free cash flow margin ( free cash flow or free cash flow margin )**

Adjusted free cash flow under the existing LTIP scheme is defined as AIC adjusted for non-cash share-based payments, non-cash long-term employee benefits, exploration, feasibility and evaluation costs outside of existing operations, non-sustaining capital expenditure for growth projects only, realised gains or losses on revenue hedges and taxation paid (excluding royalties).

Adjusted free cash flow margin under the existing LTIP scheme is adjusted free cash flow divided by revenue adjusted for by-product revenue.

The adjusted FCF margin is calculated as follows:

*Figures in millions unless otherwise stated*

	2018	2017	2016
Revenue <sup>1</sup>	<b>2,406.6</b>	2,632.1	2,615.4
Less: Cash outflow	<b>(2,032.6)</b>	(2,214.9)	(2,177.8)
AIC <sup>2</sup>	<b>(2,228.3)</b>	(2,274.2)	(2,109.4)
<i>Adjusted for:</i>			
Share-based payments <sup>3</sup>	<b>37.5</b>	27.4	14.4
Long-term employee benefits <sup>3</sup>	<b>1.1</b>	5.1	11.0
Exploration outside of existing operations <sup>2</sup>	<b>78.2</b>	59.9	47.1
Non-sustaining capital expenditure <sup>4</sup>	<b>272.1</b>	196.0	
Revenue hedge <sup>5</sup>	<b>41.7</b>	12.8	14.3
Long-term employee benefits payment	<b>(17.8)</b>		
Tax paid from continuing and discontinued operations	<b>(217.1)</b>	(241.9)	(155.2)

Adjusted FCF	374.0	417.2	437.6
Adjusted FCF margin <sup>6</sup>	16%	16%	17%

<sup>1</sup> Revenue from continuing and discontinued operations less revenue from by-product revenue per AIC calculation (pages 68 to 75), being US\$2,577.8 million less US\$171.2 million, US\$2,810.8 million less US\$178.7 million and US\$2,749.5 million less US\$134.1 million, for 2018, 2017 and 2016, respectively.

<sup>2</sup> Per AIC calculation in management discussion and analysis (per pages 68 to 75).

<sup>3</sup> Per note 42 of the consolidated financial statements.

<sup>4</sup> Includes non-sustaining capital expenditure for growth projects only at Damang and Gruyere.

<sup>5</sup> Represents realised hedges on revenue only, excludes unrealised revenue hedges as well as non-revenue hedges.

<sup>6</sup> Non-IFRS measures such as adjusted free cash flow margin is the responsibility of the Group's Board of Directors and is presented for illustration purposes only and because of its nature, adjusted free cash flow margin should not be considered a representation of earnings. The adjusted free cash flow margin is used as a key metric in the determination of the long-term incentive plan ( LTIP ).

## ROYALTIES

### South Africa

The Royalty Act was promulgated on 24 November 2008 and came into operation on 1 March 2010. The Royalty Act imposes a royalty on refined and unrefined minerals payable to the South African government.

The royalty in respect of refined minerals (which include gold and platinum) is calculated by dividing earnings before interest and taxes ( EBIT ), as defined by the Royalty Act, by the product of 12.5 times gross revenue calculated as a percentage, plus an additional 0.5%. EBIT refers to taxable mining income (with certain exceptions such as no deduction for interest payable and foreign exchange losses) before assessed losses but after capital expenditure. A maximum royalty of 5% is levied on refined minerals.

The royalty in respect of unrefined minerals (which include uranium) is calculated by dividing EBIT by the product of nine times gross revenue calculated as a percentage, plus an additional 0.5%. A maximum royalty of 7% is levied on unrefined minerals.

Where unrefined mineral resources (such as uranium) constitute less than 10% in value of the total composite mineral resources, the royalty rate in respect of refined mineral resources may be used for all gross sales and a separate calculation of EBIT for each class of mineral resources is not required. For Gold Fields, this means that currently it will pay a royalty based on the refined minerals royalty calculation as applied to its gross revenue. The rate of royalty tax payable for 2018, 2017 and 2016 was 0.5% of revenue.

AFR-77

**Table of Contents****76 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**Ghana**

Minerals are owned by the Republic of Ghana and held in trust by the President. From March 2016, under the terms of the Development Agreement ( DA ) entered into with the government of Ghana, Tarkwa and Damang have been subject to a sliding scale for royalty rates, linked to the prevailing gold price. The royalty sliding scale is as follows:

Average gold price		Royalty rate
Low value	High value	
US\$0.00	US\$1,299.99	3.0%
US\$1,300.00	US\$1,449.99	3.5%
US\$1,450.00	US\$2,299.99	4.1%
US\$2,300.00	Unlimited	5.0%

The rate of royalty tax payable for 2018 and 2017 based on the above sliding scale was 3% on revenue. During 2016, the Ghanaian operations were subject to a 5% gold royalty on revenue. Asanko does not have a DA with the government and was subject to a 5% royalty tax rate for 2018.

**Australia**

Royalties are payable to the state based on the amount of gold produced from a mining tenement. Royalties are payable quarterly at a fixed rate of 2.5% of the royalty value of gold sold. The royalty value of gold is the amount of gold produced during the month multiplied by the average gold spot price for the month.

**Peru**

Royalties are calculated with reference to the operating margin and ranging from 1% (for operating margins less than 10%) to 12% (for operating margins of more than 80%), or 1% of revenue, the highest of both amounts. Cerro Corona's effective royalty rate for 2018, 2017 and 2016 was 4.0%, 4.6% and 6.4% of operating profit, respectively.

## INCOME AND MINING TAXES

### Gold Fields tax strategy and policy

The Gold Fields tax strategy is to proactively manage its tax obligations in a transparent, responsible and sustainable manner, acknowledging the differing interests of all stakeholders.

Gold Fields has invested and allocated appropriate resources in the Group tax department to ensure compliance with global tax obligations. The Group does not engage in aggressive tax planning and seeks to maintain professional real time relationships with the relevant tax authorities. In material or complex matters, the Group would generally seek advance tax rulings, or alternatively obtain external counsel opinion.

Gold Fields has appropriate controls and procedures in place to ensure compliance with relevant tax legislation in all the jurisdictions in which it operates. This includes compliance with Transfer Pricing ( TP ) legislation and associated TP documentation requirements, which is governed by the Group TP policy. The Group TP policy is fully compliant with OECD guidelines and is regularly updated and benchmarked by independent experts. Uncertain tax positions are properly evaluated, and reported in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Group is subject to South African Controlled Foreign Companies ( CFC ) tax legislation which is aimed at taxing passive income and capital gains realised by its foreign subsidiaries (to the extent that it was not taxed in the foreign jurisdiction). Therefore, tax avoidance on passive income or capital gains cannot be achieved by shifting such passive income to low or tax haven jurisdictions. The active business income from mining is taxed at source in the relevant jurisdiction where the mining operations are located.

The Group does not embark on intra-group gold sales and only sells its gold (or gold-equivalent product) directly to independent third parties at arm s-length prices generally at the prevailing gold (or gold-equivalent) spot price.

The Group has reported its key financial figures on a country-by-country basis from 2017 as required by the South African Revenue Service ( SARS ), such requirement being aligned with OECD guidelines. The country-by-country reports are filed with SARS, which will exchange the information with all the relevant jurisdictions with which it has concluded or negotiated exchange of information agreements.

AFR-78

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 77**South Africa**

Generally, South Africa imposes tax on the worldwide income (including capital gains) of all of Gold Fields' South African incorporated and tax resident entities. Certain classes of passive income such as interest and royalties, and certain capital gains, derived by Controlled Foreign Companies ( CFC ) could be subject to South African tax on a notional imputation basis. CFC s generally constitute a foreign company in which Gold Fields owns or controls more than 50% of the shareholding.

Gold Fields pays taxes on its taxable income generated by its mining and non-mining tax entities. Under South African law, gold mining companies and non-gold mining companies are taxed at different rates. Companies in the Group not carrying on direct gold mining operations are taxed at a statutory rate of 28%.

Gold Fields Operations Limited ( GFO ), and GFI Joint Venture Holdings Proprietary Limited ( GFIJVH ), jointly own the South Deep mine and constitute gold mining companies for South African taxation purposes. These companies are subject to the gold formula on their mining income.

The applicable formula takes the form  $Y = 34 - 170/x$

Where:

Y = the tax rate to be determined

x = the ratio of taxable income to the total income (expressed as a percentage)

The effective mining tax rate for GFO and GFIJVH, owners of the South Deep mine, has been calculated at 29% (2016: 30% and 2015: 30%).

**Ghana**

Ghanaian resident entities are subject to tax on a source basis where income has a source in Ghana, if it accrues in or is derived from Ghana. Under the terms of the Development Agreement ( DA ) entered into with the government of Ghana, Tarkwa and Damang are liable to a 32.5% corporate income tax rate. Asanko does not have a DA with the government and is subject to a 35% corporate income tax rate.

Dividends paid by Tarkwa and Damang are subject to an 8% withholding tax rate.

Tarkwa and Damang are allowed to deduct 20% on a straight-line basis for capital allowances on depreciable assets (i.e. over five years). Any capital allowances which are not utilised in a particular year are added to operating losses (if any), thereby increasing operating losses and then carried forward for five years. Any operating losses carried forward are extinguished if not utilised within five years.

The Revenue Administration Act, 2016 (Act 915) became effective on 1 January 2017. Act 915 consolidates the tax administration provisions from the various tax laws (income tax, value added tax, customs) into a single Act and introduces a more stringent tax compliance framework. Act 915 enables taxpayers to offset surpluses and liabilities arising from different tax types. It should be noted that the tax authorities are again expected to release guidance notes to allow taxpayers to fully utilise the offset mechanism.

### **Australia**

Generally, Australia imposes tax on the worldwide income (including capital gains) of all of Gold Fields Australian incorporated and tax resident entities. The current income tax rate for companies is 30%. Exploration expenditure is deductible in full as incurred and other capital expenditure is generally deductible over the effective lives of the assets acquired. The Australian Uniform Capital Allowance system allows tax deductions for the decline in value of depreciable assets and certain other capital expenditures.

Gold Fields Australia and its eligible related Australian sister companies, together with all wholly owned Australian subsidiaries, have elected to be treated as a tax consolidated group for taxation purposes. As a tax consolidated group, a single tax return is lodged for the Group based on the consolidated results of all companies within the Group.

Withholding tax is payable on dividends, interest and royalties paid by Australian residents to non-residents. In the case of dividend payments to non-residents, withholding tax at a rate of 30% will apply. However, where the recipient of the dividend is a resident of a country with which Australia has concluded a double taxation agreement, the rate of withholding tax is generally limited to between 5% and 15%, depending on the applicable agreement and percentage shareholding. Where dividends are paid out of profits that have been subject to Australian corporate tax there is no withholding tax, regardless of whether a double taxation agreement is in place.

### **Peru**

Peruvian taxes for resident individuals and domiciled corporations are based on their worldwide income, and for non-resident individuals and non-domiciled corporations are based on their Peruvian income source. The general income tax rate applicable to domiciled corporations is 29.5% on taxable income and to non-resident corporations is 30%. The income tax applied to interest paid to non-residents is 4.99%. The dividends tax rate (to residents and non-residents) is 5%. Capital gains are also taxed as ordinary income for domiciled corporations.

AFR-79

---

**Table of Contents****78 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**EXCHANGE RATES**

Gold Fields' Australian and South African revenues and costs are very sensitive to the Australian Dollar/US Dollar exchange rate and the Rand/US Dollar exchange rate, because revenues are generated using a gold price denominated in US Dollar, while the costs of the Australian and South African operations are incurred principally in Australian Dollar and Rand, respectively. Depreciation of the Australian Dollar and Rand against the US Dollar reduces Gold Fields' average costs when they are translated into US Dollar, thereby increasing the operating margin of the Australian and South African operations. Conversely, appreciation of the Australian Dollar and Rand results in Australian and South African operating costs being translated into US Dollar at a lower Australian Dollar/US Dollar exchange rate and Rand/US Dollar exchange rate, resulting in higher costs in US Dollar terms and in lower operating margins. The impact on profitability of any change in the value of the Australian Dollar and Rand against the US Dollar can be substantial. Furthermore, the exchange rates obtained when converting US Dollar to Australian Dollar and Rand are set by foreign exchange markets, over which Gold Fields has no control. In 2018, the Rand strengthened by 1% against the US Dollar, from an average of R13.33 per US\$1.00 in 2017 to R13.20 per US\$1.00 in 2018. The Australian Dollar weakened by 3% at an average of A\$1.00 per US\$0.77 in 2017 to US\$1.00 per US\$0.75 in 2018.

With respect to its operations in Ghana and Peru, a substantial portion of Gold Fields' operating costs (including wages) are either directly incurred in US Dollar or are translated to US Dollar. Accordingly, fluctuations in the Ghanaian Cedi and Peruvian Nuevo Soles do not materially impact operating results for the Ghana and Peru operations.

During 2018, Gold Fields entered into the following currency forward contracts:

In May 2018, the Australian operations entered into Australian Dollar/US Dollar average rate forwards for a total notional US\$96 million for the period January 2019 to December 2019 at an average strike price of 0.7517. In June 2018, further hedges were taken out for a total notional US\$60 million for the same period January 2019 to December 2019 at an average strike of 0.7330. In September 2018, further hedges were taken out for a total notional US\$100 million for the same period January 2019 to December 2019 at an average strike of 0.7182. In October 2018, further hedges were taken out for the period January 2019 to December 2019 for a notional US\$60 million at an average strike of 0.7075. In December 2018, further hedges were taken out for the period January 2019 to December 2019 for a notional US\$50 million at an average strike of 0.715.

During 2017, Gold Fields had no currency forward contracts.

During 2016, Gold Fields had the following currency forward contract:

On 25 February 2016, South Deep entered into US Dollar/Rand forward exchange contracts for a total delivery of US\$69.8 million starting from July 2016 to December 2016. The average forward rate achieved over the six-month period was R16.8273. The hedge was delivered into in July and August and the balance closed out in September 2016. The average rate achieved on delivery and close out was R13.8010, resulting in a positive cash flow of US\$14 million.

## **INFLATION**

A period of significant inflation could adversely affect Gold Fields' results and financial condition. Further, over the past several years, production costs, especially wages and electricity costs, have increased considerably. The effect of these increases has adversely affected, and may continue to adversely affect, the profitability of Gold Fields' South Deep operations.

To ensure sustainability and free cash flow generation, reinvesting in and upgrading the Gold Fields portfolio is essential. To achieve this, Gold Fields embarked on a period of reinvestment in 2017 and the process continued in 2018. Given the high levels of capital expenditure, the Group undertook short-term tactical hedging. For further details, refer pages 86 and 87.

The Group continued rationalising and prioritising capital expenditure without undermining the sustainability of its operations and continued prioritisation of cash generation over production volumes. The Group undertook reductions in labour costs through a retrenchment process in Damang in preparation for rightsizing the Damang reinvestment plan in 2017. In 2018, Tarkwa transitioned from owner mining to contractor mining in an attempt to address cost inflation in the region. In addition, the Australian operations implemented a margin improvement project.

Further, the majority of Gold Fields' costs at the South African operations are in Rand and revenues from gold sales are in US Dollar. Generally, when inflation is high, the Rand potentially devalues thereby increasing Rand revenues and potentially offsetting the increase in costs. However, there can be no guarantee that any cost-saving measures or the effects of any potential devaluation will offset the effects of increased inflation and production costs.

The same applies to the Australian operations with regard to the link between the Australian Dollar and US Dollar. The Peruvian and Ghanaian operations, on the other hand, are affected by inflation without a potential similar effect on revenue proceeds, thereby increasing the impact of inflation on the operating margins.

## **CAPITAL EXPENDITURES**

Gold Fields will continue to be required to make capital investments in both new and existing infrastructure and opportunities and, therefore, management will be required to continue to balance the demands for capital expenditure in the business and allocate Gold Fields' resources in a focused manner to achieve its sustainable growth objectives. Gold Fields expects that its use of available capital resources and allocation of its capital expenditures may shift in future periods as it increases investment in certain of its exploration projects.



---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **79****Group**

Capital expenditure for the Group (excluding Asanko) decreased by 2%, from US\$834 million in 2017 to US\$814 million in 2018. Set out below are the capital expenditures made by Gold Fields during 2018. Also, refer to Cash flows from investing activities section.

**Continuing operations**

Capital expenditure from continuing operations (excluding Asanko) decreased by 2%, from US\$834 million in 2017 (comprising sustaining capital expenditure of US\$617 million and growth capital expenditure of US\$217 million) to US\$814 million in 2018 (comprising sustaining capital expenditure of US\$524 million and growth capital expenditure of US\$290 million).

The growth capital expenditure of US\$290 million in 2018 comprised South Deep of R242 million (US\$18 million), Damang of US\$125 million, Gruyere of A\$180 million (US\$134 million) and other growth capital expenditure of US\$13 million. The growth capital expenditure of US\$217 million in 2017 comprised South Deep of R225 million (US\$17 million), Damang of US\$115 million, Gruyere of A\$106 million (US\$81 million) and other growth capital expenditure of US\$4 million.

**South African operation**

Gold Fields spent R770 million (US\$58 million) on capital expenditure at South Deep in 2018 and has budgeted approximately R490 million (US\$36 million) for capital expenditure at South Deep in 2019. The capital expenditure of R770 million (US\$58 million) in 2018 comprised sustaining capital expenditure of R528 million (US\$40 million) and growth capital expenditure of R242 million (US\$18 million). The budgeted capital expenditure of R490 million (US\$36 million) comprises sustaining capital expenditure of R490 million (US\$36 million) and growth capital expenditure of Rnil (US\$nil).

**Ghanaian operations**

Gold Fields spent US\$156 million on capital expenditure at Tarkwa in 2018 and has budgeted US\$113 million for capital expenditure at Tarkwa for 2019. The total spend relates to sustaining capital expenditure.

Gold Fields spent US\$139 million on capital expenditure at Damang in 2018 and has budgeted US\$75 million of capital expenditure at Damang for 2019. The expenditure of US\$139 million in 2018 comprised sustaining capital expenditure of US\$14 million and growth capital expenditure of US\$125 million. The budgeted capital expenditure of US\$75 million comprises sustaining capital expenditure of US\$6 million and growth capital expenditure of US\$69 million.

Gold Fields spent US\$13 million on capital expenditure at Asanko for five months in 2018 and has budgeted US\$25 million of capital expenditure at Asanko for 2019. The capital expenditure of US\$13 million in 2018 comprised sustaining capital expenditure of US\$8 million and growth capital expenditure of US\$5 million. The budgeted capital expenditure of US\$25 million comprises sustaining capital expenditure of US\$7 million and growth capital expenditure of US\$18 million.

#### **Peruvian operation**

Gold Fields spent US\$33 million on capital expenditure at Cerro Corona in 2018 and has budgeted US\$55 million for capital expenditure at Cerro Corona for 2019. The total spend relates to sustaining capital expenditure.

#### **Australian operations**

Gold Fields spent A\$170 million (US\$127 million) on capital expenditure at St Ives in 2018 and has budgeted A\$156 million (US\$117 million) for capital expenditure at St Ives in 2019. The total spend relates to sustaining capital expenditure.

Gold Fields spent A\$98 million (US\$73 million) on capital expenditure at Agnew/Lawlers in 2018 and has budgeted A\$98 million (US\$74 million) for capital expenditure at Agnew/Lawlers for 2019. The total spend relates to sustaining capital expenditure.

Gold Fields spent A\$105 million (US\$79 million) on capital expenditure at Granny Smith in 2018 and has budgeted A\$107 million (US\$80 million) for capital expenditure at Granny Smith for 2019. The total spend relates to sustaining capital expenditure.

Gold Fields spent A\$180 million (US\$134 million) on capital expenditure at the Gruyere Gold project in 2018 and has budgeted A\$112 million (US\$83 million) for capital expenditure for 2019. The total spend in 2018 relates to growth capital expenditure. The budgeted capital expenditure of A\$112 million (US\$83 million) comprises sustaining capital expenditure of A\$13 million (US\$9 million) and growth capital of A\$99 million (US\$74 million).

#### **Discontinued operation**

Capital expenditure spend at the discontinued operation, Darlot, was A\$9 million (US\$7 million) in the nine months to September 2017.

The actual capital expenditure for the future periods noted above may be different from the amounts set out above and the amount of actual capital expenditure will depend on a number of factors, such as production volumes, the price of gold, copper and other minerals mined by Gold Fields and general economic conditions. Some of the factors are outside of the control of Gold Fields.

**Table of Contents**

**80 The Gold Fields Annual Financial Report including Governance Report 2018**

Management's discussion and analysis  
of the financial statements (continued)

**SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Gold Fields' significant accounting policies are more fully described in the accounting policies to its consolidated financial statements included in this Annual Financial Report. Some of Gold Fields' accounting policies require the application of significant judgements and estimates by management that can affect the amounts reported in the consolidated financial statements. By their nature, these judgements are subject to a degree of uncertainty and are based on Gold Fields' historical experience, terms of existing contracts, management's view on trends in the gold mining industry, information from outside sources and other assumptions that Gold Fields considers to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Refer to the accounting policies, pages 129 to 149, to the consolidated financial statements included elsewhere in this Annual Financial Report for the more significant areas requiring the use of management judgements and estimates.

**RESULTS FOR THE PERIOD – YEARS ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017**

Loss attributable to owners of the parent for the Group was US\$348 million (or US\$0.42 per share) for 2018 compared to US\$19 million (or US\$0.02 per share) for 2017.

Loss attributable to owners of the parent for continuing operations was US\$348 million (or US\$0.42 per share) for 2018 compared to US\$32 million (or US\$0.04 per share) for 2017.

Profit attributable to discontinued operation, Darlot, was US\$nil for 2018 compared to US\$13 million (or US\$0.02 per share) for 2017.

The reasons for this increase in loss are discussed below.

**CONTINUING OPERATIONS**

**Revenue**

Revenue from continuing operations decreased by 7% from US\$2,762 million in 2017 to US\$2,578 million in 2018. The decrease in revenue of US\$184 million was due to lower ounces sold.

The average US Dollar gold price achieved by the Group decreased marginally from US\$1,255 per equivalent ounce in 2017 to US\$1,252 per equivalent ounce in 2018. The average Rand gold price decreased by 1% from R538,344 per

kilogram to R531,253 per kilogram. The average Australian Dollar gold price increased by 3% from A\$1,640 per ounce to A\$1,694 per ounce. The average US Dollar gold price for the Ghanaian operations (including Asanko) increased by 1% from US\$1,255 per ounce in 2017 to US\$1,265 per ounce in 2018 and the average US Dollar gold price for the Ghanaian operations (excluding Asanko) increased by 1% from US\$1,255 per ounce in 2017 to US\$1,270 per ounce in 2018. The average equivalent US Dollar gold price, net of treatment and refining charges, for Cerro Corona decreased by 6% from US\$1,252 per equivalent ounce in 2017 to US\$1,174 per equivalent ounce in 2018. The average US Dollar/Rand exchange rate strengthened by 1% from R13.33 in 2017 to R13.20 in 2018. The average Australian/US Dollar exchange rate weakened by 3% from A\$1.00 = US\$0.77 in 2017 to A\$1.00 = US\$0.75 in 2018.

Gold sales from continuing operations (excluding Asanko) decreased by 6% from 2,201,100 equivalent ounces in 2017 to 2,058,600 equivalent ounces in 2018. Gold sales at the South African operation decreased by 40% from 8,766 kilograms (281,800 ounces) in 2017 to 5,220 kilograms (167,800 ounces) in 2018. Gold sales at the Ghanaian operations (excluding Asanko) decreased by 1% from 710,000 ounces in 2017 to 705,700 ounces in 2018. Gold equivalent sales at the Peruvian operation (Cerro Corona) decreased by 5% from 313,800 equivalent ounces in 2017 to 299,100 equivalent ounces in 2018. At the Australian operations, gold sales decreased by 1% from 895,400 ounces in 2017 to 885,900 ounces in 2018. As a general rule, Gold Fields sells all the gold it produces.

	2018			2017		
	Revenue US\$ million	Gold sold ( 000oz)	Gold produced ( 000oz)	Revenue US\$ million	Gold sold ( 000oz)	Gold produced ( 000oz)
South Deep	210.1	167.8	157.1	354.1	281.8	281.3
Tarkwa	666.9	524.9	524.9	710.8	566.4	566.4
Damang	229.0	180.8	180.8	180.3	143.6	143.6
Asanko <sup>1</sup>	54.9	45.9	44.5			
Cerro Corona	351.0	299.1	314.1	392.9	313.8	306.7
St Ives	464.7	367.0	366.9	457.3	363.9	363.9
Agnew/Lawlers	301.1	238.5	239.1	302.6	241.2	241.2
Granny Smith	355.0	280.5	280.4	363.8	290.3	290.3
Continuing operations (including Asanko)	2,632.7	2,104.5	2,107.8	2,761.8	2,201.1	2,193.3
Continuing operations (excluding Asanko)	2,577.8	2,058.6	2,063.2	2,761.8	2,201.1	2,193.3

<sup>1</sup> Equity accounted joint venture. Included above for information only, not included in revenue for the Group.

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **81**

At South Deep in South Africa, gold sales decreased by 40% from 8,766 kilograms (281,800 ounces) in 2017 to 5,220 kilograms (167,800 ounces) in 2018 due to decreased volumes and grades. This was mainly due to the industrial action, the restructuring process as well as the fatal accident, further exacerbated by poor ground conditions in the high grade areas of the mine.

At the Ghanaian operations, gold sales at Tarkwa decreased by 7% from 566,400 ounces in 2017 to 524,900 ounces in 2018 due to lower volumes mined in line with the 2018 planned strategy to reduce mining and optimise margins and cash flow. Damang's gold sales increased by 26% from 143,600 ounces in 2017 to 180,800 ounces in 2018 mainly due to higher head grade and yield. Gold sales at Asanko amounted to 45,900 ounces for the five months ended December 2018 (Asanko is an equity accounted joint venture and not included in the Group or Ghanaian operations figures).

At Cerro Corona in Peru, copper sales increased by 1% from 30,377 tonnes in 2017 to 30,742 tonnes in 2018 mainly due to higher copper production as a result of higher copper head grade. Gold sales decreased by 14% from 164,715 ounces in 2017 to 141,041 ounces in 2018 due to lower gold production and timing of shipments. Gold equivalent sales decreased by 5% from 313,800 ounces in 2017 to 299,100 ounces in 2018 as a result of lower gold sold and higher copper price relative to the gold price (price factor).

At the Australian operations, gold sales at St Ives increased by 1% marginally from 363,900 ounces in 2017 to 367,000 ounces in 2018. At Agnew/Lawlers, gold sales decreased by 1% from 241,200 ounces in 2017 to 238,500 ounces in 2018 mainly due to decreased ore processed. At Granny Smith, gold sales decreased by 3% from 290,300 ounces in 2017 to 280,500 ounces in 2018 due to lower grades mined.

**Cost of sales**

Cost of sales, which comprises cost of sales before gold inventory change and amortisation and depreciation, gold inventory change and amortisation and depreciation, decreased by 3% from US\$2,105 million in 2017 to US\$2,043 million in 2018. The reasons for this decrease are described below.

**Cost of sales before gold inventory change and amortisation and depreciation**

Cost of sales before gold inventory change and amortisation and depreciation from continuing operations decreased by 3% from US\$1,427 million in 2017 to US\$1,391 million in 2018.

At South Deep in South Africa, cost of sales before gold inventory change and amortisation and depreciation decreased by 15% from R4,083 million (US\$306 million) in 2017 to R3,459 million (US\$262 million) in 2018. This decrease of R624 million was mainly due to lower production exacerbated by the industrial action, lower expenditure on consumables, contractors, labour and utility costs.

At the Ghanaian operations (excluding Asanko), cost of sales before gold inventory change and amortisation and depreciation decreased by 6% from US\$469 million in 2017 to US\$442 million in 2018. At Tarkwa, cost of sales before gold inventory change and amortisation and depreciation decreased by 14% from US\$348 million in 2017 to US\$299 million in 2018 due to lower mining costs in line with lower operational tonnes mined. At Damang, cost of sales before gold inventory change and amortisation and depreciation increased by 19% from US\$121 million in 2017 to US\$144 million in 2018 mainly due to higher operating tonnes mined. Cost of sales before gold inventory change and amortisation and depreciation at Asanko amounted to US\$42 million for the five months ended December 2018 (Asanko is an equity accounted joint venture and not included in the Group or Ghanaian regional figures).

At Cerro Corona in Peru, cost of sales before gold inventory change and amortisation and depreciation increased by 6% from US\$151 million in 2017 to US\$160 million in 2018, mainly due to higher tonnes mined in 2018.

At the Australian operations, cost of sales before gold inventory change and amortisation and depreciation increased by 8% from A\$653 million (US\$499 million) in 2017 to A\$705 million (US\$527 million) in 2018. At St Ives, cost of sales before gold inventory change and amortisation and depreciation increased by 10% from A\$245 million (US\$188 million) in 2017 to A\$269 million (US\$201 million) in 2018 mainly due to increased underground mining cost as a result of increased ore tonnes mined at Invincible, less cheaper open-pit tonnes mined and increased processing maintenance cost. At Agnew/Lawlers, cost of sales before gold inventory change and amortisation and depreciation increased by 5% from A\$203 million (US\$155 million) in 2017 to A\$214 million (US\$160 million) in 2018 mainly due to increased mining cost at Waroonga as a result of increased ground support and paste fill. At Granny Smith, cost of sales before gold inventory change and amortisation and depreciation increased by 9% from A\$205 million (US\$157 million) in 2017 to A\$223 million (US\$166 million) in 2018 mainly due to increased mining cost as a result of mining deeper zones.

### **Gold inventory change**

The gold inventory credit to costs from continuing operations of US\$16 million in 2018 compared with US\$70 million in 2017.

At South Deep, the gold inventory charge to costs of R127 million (US\$10 million) in 2018 compared with a credit to costs of R21 million (US\$2 million) in 2017, due to a drawdown of gold in circuit at the end of 2018 compared with a buildup of gold in circuit in 2017.

At Tarkwa, the gold inventory charge to costs of US\$10 million in 2018 compared with a credit to cost of US\$42 million in 2017. In 2017, higher volumes were mined and more medium grade ore was stockpiled compared to 2018. In 2018 more lower grade ore was stockpiled and medium grade ore was processed.

**Table of Contents**

**82 The Gold Fields Annual Financial Report including Governance Report 2018**

Management's discussion and analysis

of the financial statements (continued)

At Damang, the gold inventory credit to costs of US\$19 million in 2018 compared with a charge to costs of US\$1 million in 2017, due to a buildup of stockpiles in 2018 compared to a drawdown in 2017.

At Asanko, the gold inventory credit to costs amounted to US\$4 million for the five months ended December 2018 (Asanko is an equity accounted joint venture and not included in the Group or Ghanaian operation's figures).

At Cerro Corona, the gold inventory credit to costs of US\$6 million in 2018 compared to a charge to costs of US\$3 million in 2017, due to a buildup of concentrate inventory in 2018 compared a drawdown of concentrate inventory in 2017.

At St Ives, the credit to costs of A\$20 million (US\$15 million) in 2018 compared with A\$38 million (US\$29 million) in 2017, both due to a buildup of stockpiles.

At Agnew, the charge to costs of A\$2 million (US\$2 million) in 2018 compared with a credit costs of A\$6 million (US\$5 million) in 2017, due to a drawdown of stockpiles in 2018 compared to a buildup of stockpiles in 2017.

At Granny Smith, the charge to costs of A\$3 million (US\$2 million) in 2018 compared to A\$5 million (US\$4 million) in 2017, both due to a drawdown of stockpiles.

**Amortisation and depreciation**

Amortisation and depreciation are calculated on the units-of-production method and is based on current gold production as a percentage of total expected gold production over the lives of the different mines based on proved and probable reserves.

The table below depicts the changes from 31 December 2017 to 31 December 2018 for proved and probable managed gold and equivalent reserves and for the life-of-mine for each operation and the resulting impact on the amortisation charge in 2018. The amortisation in 2018 was based on the reserves as at 31 December 2017. The life-of-mine information is based on the operations' strategic plans, adjusted for proved and probable reserve balances. In basic terms, amortisation is calculated using the life-of-mine for each operation, which is based on: (1) the proved and probable reserves for the operation at the start of the relevant year (which are taken to be the same as at the end of the prior fiscal year and using reserves); and (2) the amount of gold produced by the operation during the year. The ore reserve statement as at 31 December 2018 became effective on 1 January 2019.

	Proved and probable mineral reserves as of			Life-of-mine		Amortisation for the year ended	
	December 2018 ( 000oz)	December 2017 ( 000oz)	December 2016 ( 000oz)	December 2018 (years)	December 2017 (years)	31 December 2018 (US\$ million)	31 December 2017 (US\$ million)
<b>South Africa region</b>							
South Deep <sup>1</sup>	<b>32,800</b>	37,400	37,300	<b>75</b>	78	<b>48.9</b>	74.2
<b>West Africa region</b>							
Tarkwa <sup>2</sup>	<b>5,800</b>	5,900	6,100	<b>14</b>	14	<b>168.3</b>	220.0
Damang <sup>3</sup>	<b>1,600</b>	1,700	1,700	<b>7</b>	8	<b>99.9</b>	22.3
<b>South America region</b>							
Cerro Corona <sup>4</sup>	<b>3,400</b>	3,700	2,400	<b>12</b>	13	<b>81.8</b>	130.9
Salares Norte	<b>4,049</b>			<b>11.5</b>			
<b>Australia region</b>							
St Ives	<b>1,700</b>	1,600	1,700	<b>7</b>	5	<b>146.2</b>	172.3
Agnew/Lawlers	<b>600</b>	500	500	<b>4</b>	4	<b>75.0</b>	82.3
Granny Smith	<b>2,200</b>	2,200	1,700	<b>12</b>	11	<b>44.6</b>	43.5
Gruyere <sup>5</sup>	<b>1,900</b>	1,900	1,800	<b>12</b>	13		
<b>Corporate and other</b>						<b>3.7</b>	2.7
<b>Total reserves continuing operations<sup>6</sup></b>	<b>54,049</b>	54,900	53,200			<b>668.4</b>	748.1

<sup>1</sup> As of 31 December 2016, 31 December 2017 and 31 December 2018, 91.3%, 91.0% and 90.8% of mineral reserves amounting to 34.072 million ounces, 34.023 million ounces and 29.772 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to future non-controlling shareholders in the South Deep operation in terms of the South Deep BEE transaction.

<sup>2</sup> As of 31 December 2016, 31 December 2017 and 31 December 2018, 90% of mineral reserves amounting to 5.473 million ounces, 5.315 million ounces and 5.200 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Tarkwa operation.

<sup>3</sup> As of 31 December 2016, 31 December 2017 and 31 December 2018, 90% of mineral reserves amounting to 1.506 million ounces, 1.555 million ounces and 1.454 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Damang operation.

<sup>4</sup> As of 31 December 2016, 31 December 2017 and 31 December 2018, 99.53% of mineral reserves amounting to 2.356 million ounces, 3.710 million ounces and 3.342 million ounces of equivalent gold were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Cerro Corona operation.

<sup>5</sup> As of 31 December 2017 and 31 December 2018 mineral reserves at Gruyere represent the 50% portion attributable to Gold Fields only.

<sup>6</sup> As of 31 December 2016, 31 December 2017 and 31 December 2018 reserves of 49.172 million ounces, 50.787 million ounces and 50.258 million ounces of equivalent gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Ghanaian and Peruvian operations.



**Table of Contents**

Amortisation and depreciation from the continuing operations decreased by 11% from US\$748 million in 2017 to US\$668 million in 2018.

At South Deep in South Africa, amortisation and depreciation decreased by 35% from R989 million (US\$74 million) in 2017 to R646 million (US\$49 million) in 2018 mainly due to a decrease in production and lower equipment purchases.

At the Ghanaian operations (excluding Asanko), amortisation and depreciation increased by 11% from US\$242 million in 2017 to US\$268 million in 2018. Tarkwa decreased by 24% from US\$220 million in 2017 to US\$168 million in 2018 mainly due to a decrease in ounces mined combined with the transition from owner mining to contractor mining, resulting in a decrease in mining fleet. Damang increased by 355% from US\$22 million in 2017 to US\$100 million in 2018, mainly due to increased ounces mined from the higher cost Amoanda pit in line with the reinvestment plan. At Asanko, the amortisation and depreciation amounted to US\$16 million for the five months ended December 2018 (Asanko is an equity accounted joint venture and not included in the Group or Ghanaian operations figures).

At Cerro Corona in Peru, amortisation and depreciation decreased by 37% from US\$131 million in 2017 to US\$82 million in 2018. This decrease was mainly due to the increase in reserves at Cerro Corona in line with the life extension from 2023 to 2030.

At the Australian operations, amortisation and depreciation decreased by 8% from A\$388 million (US\$298 million) in 2017 to A\$356 million (US\$266 million). At St Ives, amortisation and depreciation decreased by 12% from A\$223 million (US\$172 million) in 2017 to A\$196 million (A\$146 million) in 2018 due to a decrease in ounces mined. At Agnew/Lawlers, amortisation and depreciation decreased by 7% from A\$108 million (US\$82 million) in 2017 to A\$100 million (US\$75 million) in 2018 due to an increase in ore reserves at Waroonga mine in 2018, resulting in a lower amortisation rate per ounce. At Granny Smith, amortisation and depreciation increased by 5% from A\$57 million (US\$44 million) in 2017 to A\$60 million (US\$45 million) in 2018 due to depreciation of new mining equipment bought at the beginning of 2018, compared to mostly fully depreciated equipment utilised in 2017.

**All-in sustaining and total all-in costs**

The following table sets out for each operation and the Group, total gold sales in ounces, all-in sustaining costs and total all-in costs, net of by-product revenue, in US\$/oz for 2018 and 2017:

	2018			2017		
		All-in sustaining costs	Total all-in costs		All-in sustaining costs	Total all-in costs
	Gold only ounces sold	US\$/oz	US\$/oz	Gold only ounces sold	US\$/oz	US\$/oz
<i>Figures in thousands unless otherwise stated</i>						
South Deep	167.8	1,903	2,012	281.8	1,340	1,400
<b>South African operation</b>	<b>167.8</b>	<b>1,903</b>	<b>2,012</b>	<b>281.8</b>	<b>1,340</b>	<b>1,400</b>
Tarkwa	524.9	951	951	566.4	940	940
Damang	180.8	813	1,506	143.6	1,027	1,827
Asanko <sup>1</sup>	45.9	1,069	1,175			
<b>Ghanaian operations</b>	<b>751.6</b>	<b>926</b>	<b>1,098</b>	<b>710.0</b>	<b>958</b>	<b>1,119</b>
Cerro Corona <sup>2</sup>	141.0	282	282	164.7	203	203
<b>Peruvian operation</b>	<b>141.0</b>	<b>282</b>	<b>282</b>	<b>164.7</b>	<b>203</b>	<b>203</b>
St Ives	367.0	902	902	363.9	916	916
Agnew/Lawlers	238.5	1,026	1,026	241.2	977	977
Granny Smith	280.5	925	925	290.3	896	896
<b>Australian operations</b>	<b>885.9</b>	<b>943</b>	<b>943</b>	<b>895.4</b>	<b>926</b>	<b>926</b>
Continuing operations (including Asanko)	1,946.4	981	1,173	2,051.9	945	1,081
<b>Continuing operations (excluding Asanko)</b>	<b>1,900.5</b>	<b>979</b>	<b>1,172</b>	<b>2,051.9</b>	<b>945</b>	<b>1,081</b>

All-in costs are calculated in accordance with the World Gold Council Industry standard. Refer to pages 68 to 75 for detailed calculations and discussion of non-IFRS measures.

<sup>1</sup> Equity accounted joint venture.

<sup>2</sup> Gold sold at Cerro Corona excludes copper equivalents of 158,100 ounces in 2018 and 149,100 ounces in 2017. Figures above may not add as they are rounded independently.

AFR-85

---

**Table of Contents****84 The Gold Fields Annual Financial Report including Governance Report 2018**

Management's discussion and analysis

of the financial statements (continued)

**AISC and AIC**

AISC net of by-product revenues (including Asanko) from continuing operations increased by 4% from US\$945 per ounce of gold in 2017 to US\$981 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC net of by-product revenues (including Asanko) from continuing operations increased by 9% from US\$1,081 per ounce of gold in 2017 to US\$1,173 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

AISC net of by-product revenues (excluding Asanko) from continuing operations increased by 4% from US\$945 per ounce of gold in 2017 to US\$979 per ounce of gold in 2018, mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. AIC net of by-product revenues (including Asanko) from continuing operations increased by 8% from US\$1,081 per ounce of gold in 2017 to US\$1,172 per ounce of gold in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure and higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

At South Deep in South Africa, all-in sustaining costs increased by 41% from R574,406 per kilogram (US\$1,340 per ounce) in 2017 to R807,688 per kilogram (US\$1,903 per ounce) in 2018 mainly due to lower gold sold, partially offset by lower cost of sales before amortisation and depreciation and lower sustaining capital expenditure. The total all-in cost increased by 42% from R600,109 per kilogram (US\$1,400 per ounce) in 2017 to R854,049 per kilogram (US\$2,012 per ounce) in 2018 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure.

At the Ghanaian operations, all-in sustaining costs decreased by 3% from US\$958 per ounce in 2017 to US\$926 per ounce in 2018 mainly due to higher gold sold and lower sustaining capital expenditure, partially offset by higher cost of sales before amortisation and depreciation. Results for Asanko were included for five months in 2018. Total all-in cost decreased by 2% from US\$1,119 per ounce in 2017 to US\$1,098 per ounce in 2018 due to the same reasons as for all-in sustaining costs and higher non-sustaining capital expenditure of US\$125 million on the Damang reinvestment project and US\$5 million at Asanko. At Tarkwa, all-in sustaining costs and total all-in costs increased by 1% from US\$940 per ounce in 2017 to US\$951 per ounce in 2018 due to higher cost of sales before amortisation and depreciation and lower gold sold, partially offset by lower capital expenditure. At Damang, all-in sustaining costs decreased by 21% from US\$1,027 per ounce in 2017 to US\$813 per ounce in 2018 due to higher gold sold and lower sustaining capital expenditure, partially offset by higher cost of sales before amortisation and depreciation. All-in

costs decreased by 18% from US\$1,827 per ounce in 2017 to US\$1,506 per ounce in 2018 due to the same reasons as for all-in sustaining cost, partially offset by increased non-sustaining capital expenditure. At Asanko, all-in sustaining costs and total all-in cost for the five months ended December 2018 was US\$1,069 per ounce and US\$1,175 per ounce, respectively.

At Cerro Corona in Peru, all-in sustaining costs and total all-in costs increased by 39% from US\$203 per ounce in 2017 to US\$282 per ounce in 2018 mainly due to lower gold sold, lower by-product credits and higher cost of sales before amortisation and depreciation, partially offset by lower capital expenditure. All-in sustaining costs and total all-in cost per equivalent ounce increased by 4% from US\$673 per equivalent ounce in 2017 to US\$699 per equivalent ounce in 2018 mainly due to the same reasons as above as well as lower equivalent ounces sold.

At the Australian operations, all-in sustaining costs and total all-in costs increased by 4% from A\$1,210 per ounce (US\$926 per ounce) in 2017 to A\$1,262 per ounce (US\$943 per ounce) in 2018, mainly due to higher cost of sales before amortisation and depreciation and lower gold sold, partially offset by lower capital expenditure. At St Ives, all-in sustaining costs and total all-in costs increased by 1% from A\$1,198 per ounce (US\$916 per ounce) in 2017 to A\$1,207 per ounce (US\$902 per ounce) in 2018 due to higher cost of sales before amortisation and depreciation, partially offset by higher gold sold and lower capital expenditure. At Agnew, all-in sustaining costs and total all-in costs increased by 8% from A\$1,276 per ounce (US\$977 per ounce) in 2017 to A\$1,374 per ounce (US\$1,026 per ounce) in 2018 due to higher cost of sales before amortisation and depreciation, higher capital expenditure and lower gold sold. At Granny Smith, all-in sustaining costs and total all-in costs increased by 6% from A\$1,171 per ounce (US\$896 per ounce) in 2017 to A\$1,239 per ounce (US\$925 per ounce) in 2018, mainly due to higher cost of sales before amortisation and depreciation and lower gold sold, partially offset by lower capital expenditure.

### **Investment income**

Income from investments increased by 33% from US\$6 million in 2017 to US\$8 million in 2018. The increase was mainly due to higher cash balances at the international operations in 2018.

The investment income in 2018 of US\$8 million comprised US\$1 million interest on monies invested in the South African rehabilitation trust fund and US\$7 million interest on other cash and cash equivalent balances.

The investment income in 2017 of US\$6 million comprised US\$1 million interest on monies invested in the South African rehabilitation trust fund and US\$5 million interest on other cash and cash equivalent balances.

Interest received on the South African rehabilitation trust fund remained flat at US\$1 million.

Interest on other cash balances increased by 40% from US\$5 million in 2017 to US\$7 million in 2018 mainly due to higher cash balances at the international operations in 2018.

**Table of Contents****Finance expense**

Finance expense increased by 9% from US\$81 million in 2017 to US\$88 million in 2018.

The finance expense of US\$88 million in 2018 comprised US\$12 million relating to the accretion of the environmental rehabilitation liability, US\$2 million relating to the unwinding of the silicosis provision and US\$92 million on various Group borrowings, partially offset by borrowing costs capitalised of US\$18 million.

The finance expense of US\$81 million in 2017 comprised US\$12 million relating to the accretion of the environmental rehabilitation liability, US\$1 million relating to the unwinding of the silicosis provision and US\$91 million on various Group borrowings, partially offset by borrowing costs capitalised of US\$23 million.

The environmental rehabilitation liability accretion expense remained flat at US\$12 million in 2018.

Capitalised interest decreased by 22% from US\$23 million in 2017 to US\$18 million in 2018 due to South Deep no longer meeting the definition of a qualifying project for capitalisation of interest, partially offset by higher interest capitalised due to higher carrying values at Damang and Gruyere. This interest was capitalised in terms of IAS 23 *Borrowing Costs*. IAS 23 requires capitalisation of borrowing costs whenever general borrowings are used to finance qualifying projects. The qualifying projects in 2018 were the Damang reinvestment project (US\$10 million) and the Gruyere project (US\$8 million). The qualifying projects in 2017 were South Deep (US\$20 million), Damang (US\$2 million) and Gruyere (US\$1 million). An average interest capitalisation rate of 5.9% (2017: 5.3%) was applied.

Below is an analysis of the components making up the interest on the various Group borrowings, stated on a comparative basis:

**United States Dollar**

*Figures in millions unless otherwise stated*



**2018**

2017

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Interest on borrowings to fund capital expenditure and operating costs at the South African operation	<b>9</b>	12
Interest on US\$1 billion notes issue	<b>43</b>	43
Interest on US\$70 million revolving senior secured credit facility		1
Interest on US\$100 million revolving senior secured credit facility	<b>4</b>	2
Interest on US\$150 million revolving senior secured credit facility (old)		2
Interest on US\$150 million revolving senior secured credit facility (new)	<b>3</b>	1
Interest on US\$1,290 million term loan and revolving credit facilities	<b>31</b>	27
Other interest charges	<b>2</b>	3
	<b>92</b>	91

Interest on borrowings to fund capital expenditure and operating costs at the South African operation decreased from US\$12 million in 2017 to US\$9 million in 2018 due to repayments of South African borrowings in 2018.

Interest on the US\$1 billion notes issue remained flat at US\$43 million in 2018.

Interest on the US\$70 million senior secured revolving credit facility decreased from US\$1 million in 2017 to US\$nil in 2018. The decrease is due to the US\$70 million revolving senior secured credit facility being cancelled and refinanced through the US\$100 million revolving senior secured credit facility on 21 July 2017. Interest on the US\$100 million term revolving senior secured credit facility increased from US\$2 million in 2017 to US\$4 million in 2018. The increase is due to the interest charge being for five months in 2017 compared to 12 months in 2018.

Interest on the US\$150 million revolving senior secured credit facility (old) decreased from US\$2 million in 2017 to US\$nil in 2018. The decrease is due to the US\$150 million revolving senior secured credit facility being cancelled and refinanced through the US\$150 million revolving senior secured credit facility (new) on 22 September 2017. Interest on the US\$150 million revolving senior secured credit facility (new) increased from US\$1 million in 2017 to US\$3 million in 2018. The increase is due to interest charge being for three months in 2017 compared to 12 months in 2018.

Interest on the US\$1,290 million term loan and revolving credit facilities increased from US\$27 million in 2017 to US\$31 million in 2018 due to drawdowns in 2018.

AFR-87

**Table of Contents****86 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**Gain on financial instruments**

The gain on financial instruments decreased by 38% from US\$34 million in 2017 to US\$21 million in 2018.

United States Dollar

*Figures in millions unless otherwise stated*

	2018	2017
South Deep gold hedge	(3)	11
Ghana gold hedge	22	
Ghana oil hedge	2	9
Peru copper hedge	9	(6)
Australia gold hedge	(5)	15
Australia oil hedge	1	5
Australia foreign currency hedge	(9)	
Maverix warrants – gain on fair value	4	
	<b>21</b>	34

**South Deep gold hedge**

In November 2017, South Deep entered into zero-cost collars for the period January 2018 to December 2018 for 63,996 ounces of gold. The strike prices are R600,000 per kilogram on the floor and R665,621 per kilogram on the cap.

At 31 December 2018, the marked-to-market value of the hedge was a positive R5 million (US\$nil), with a realised gain of R117 million (US\$9 million).

In October 2018 and November 2018, average rate forwards were entered into for the period September 2019 to December 2019 for a total of 69,543 ounces at an average strike price of R615,103 per kilogram.

At 31 December 2018, the marked-to-market value was a negative R29 million (US\$2.0 million).

Subsequent to year end, additional rate forwards were taken out for a further 30,072 ounces at an average strike price of R620,000 per kilogram. In summary, the rate forwards taken out for South Deep for 2019 are for 99,615 ounces of gold in total at an average strike price of R616,581 per kilogram.

### **Ghana gold hedge**

In January 2018 and April 2018, a total of 488,900 ounces of the expected production for the Ghanaian region was hedged for the period January 2018 to December 2018 using zero-cost collars. The average strike prices are US\$1,300 per ounce on the floor and US\$1,418 per ounce on the cap.

At 31 December 2018, the marked-to-market value on the hedge was a positive US\$2 million, with a realised gain of US\$20 million.

### **Ghana oil hedge**

In May 2017 and June 2017, the Ghanaian operations entered into fixed price ICE Gasoil cash settled swap transaction for a total of 125.8 million litres of diesel for the period June 2017 to December 2019. The average swap price is US\$457.2 per metric tonne (equivalent US\$61.4 per barrel). At the time of the transactions, the average Brent swap equivalent over the tenure was US\$49.8 per barrel.

At 31 December 2018, the marked-to-market value on the hedge was a positive US\$3 million, with a realised gain of US\$8 million.

### **Peru copper hedge**

In November 2017, further zero-cost collars were entered into for the period January 2018 to December 2018. A total volume of 29,400 tonnes was hedged, at an average floor price of US\$6,600 per tonne and an average cap price of US\$7,431 per tonne.

At 31 December 2018, the marked-to-market value on the hedge was a positive US\$1 million, with a realised gain of US\$5 million.



---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **87****Australia gold hedge**

In February 2018, the Australian operations entered into Asian swaps (Asian swaps are options where the payoff is determined by the average monthly gold price over the option period) for the period June 2018 to December 2018 for a total of 221,000 ounces of gold. The average strike price on the swaps was A\$1,714 per ounce. In March 2018, the Australian operations entered into zero-cost collars for the period April 2018 to December 2018 for a total of 452,800 ounces of gold. The average strike prices are A\$1,703 per ounce on the floor and US\$1,767 per ounce on the cap.

The realised gain on the above Asian swaps and zero-cost collars was A\$11 million (US\$8 million).

In December 2018, additional Asian swaps were entered into for the period January 2019 to December 2019 for a notional 283,000 ounces of gold at an average strike price of A\$1,751 per ounce.

At 31 December 2018, the marked-to-market value on the above hedges was a negative A\$12 million (US\$8 million).

In December 2018, additional zero-cost collars were executed for the period January 2019 to December 2019 for a notional 173,000 ounces of gold with a strike price on the floor at A\$1,720 per ounce and the strike price on the cap at A\$1,789 per ounce.

At 31 December 2018, the marked-to-market value on the hedge was a negative A\$6 million (US\$4 million).

Subsequent to year end, additional zero-cost collars were executed for the period January 2019 to December 2019 for a notional 456,000 ounces of gold with a strike price on the floor at A\$1,800 per ounce and the strike price on the cap at A\$1,869 per ounce. In summary, the zero-cost collars taken out for Australia for 2019 are for 629,000 ounces of gold in total with a strike price on the floor at A\$1,778 per ounce and a strike price on the cap at A\$1,847 per ounce and Asian swaps of 283,000 ounces of gold with an average strike price of A\$1,751 per ounce.

**Australia oil hedge**

In May 2017 and June 2017, the Australian operations entered into fixed price Singapore 10ppm Gasoil cash-settled swap transactions for a total of 77.5 million litres of diesel for the period June 2017 to December 2019. The average swap price is US\$61.15 per barrel. At the time of the transactions, the average Brent swap equivalent over the tenure was US\$49.92 per barrel.

At 31 December 2017, the marked-to-market value on the hedge was a positive A\$3 million (US\$2 million) with a realised gain of A\$6 million (US\$5 million).

### **Australia foreign currency hedge**

In May 2018, the Australian operations entered into Australian Dollar/US Dollar average rate forwards for a total notional US\$96 million for the period January 2019 to December 2019 at an average strike price of 0.7517. In June 2018, further hedges were taken out for a total notional US\$60 million for the same period January 2019 to December 2019 at an average strike of 0.7330. In September 2018, further hedges were taken out for a total notional US\$100 million for the same period January 2019 to December 2019 at an average strike of 0.7182. In October 2018, further hedges were taken out for the period January 2019 to December 2019 for a notional US\$60 million at an average strike of 0.7075. In December 2018, further hedges were taken out for the period January 2019 to December 2019 for a notional US\$50 million at an average strike of 0.715.

At 31 December 2018, the marked-to-market value on the hedge was a negative A\$12 million (US\$9 million).

### **Foreign exchange loss**

The foreign exchange gain of US\$6 million in 2018 compared with a loss of US\$4 million in 2017.

These gains or losses on foreign exchange related to the conversion of offshore cash holdings into their functional currencies. The exchange gain of US\$6 million was due to the strengthening of the Ghanaian Cedi and the weakening of the Australian Dollar, while the exchange loss of US\$4 million was due to the weakening of the Ghanaian Cedi and the strengthening of the Australian Dollar.

### **Other costs, net**

Other costs, net increased by 137% from US\$19 million in 2017 to US\$45 million in 2018.

The costs in 2018 are mainly made up of:

- Social contributions and sponsorships of US\$15 million;
- Offshore structure costs of US\$16 million;
- Corporate-related costs of US\$5 million;
- Loss on sale of inventory of US\$9 million; and
- Rehabilitation income of US\$1 million as a result of changes in estimates relating to the provision for environmental rehabilitation costs recognised in profit or loss.

**Table of Contents**

**88 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

The costs in 2017 are mainly made up of:

- Social contributions and sponsorships of US\$20 million;
- Offshore structure costs of US\$11 million;
- Corporate-related costs of US\$1 million; and
- Rehabilitation income of US\$14 million as a result of changes in estimates relating to the provision for environmental rehabilitation costs recognised in profit or loss.

**Share-based payments**

Gold Fields recognises the cost of share options granted (share-based payments) in terms of IFRS 2 *Share-based Payment*.

Gold Fields has adopted appropriate valuation models (Black-Scholes and Monte Carlo simulation) to fair value share-based payments. The value of the share options is determined at the grant date of the options and depending on the rules of the plan expensed on a straight-line basis over a three-year vesting period, adjusted for forfeitures as appropriate.

Share-based payments increased by 41% from US\$27 million in 2017 to US\$38 million in 2018. The corresponding entry for the share-based payment expense was the share-based payment reserve within shareholders' equity.

The charge in 2018 related to a new allocation in 2018 in addition to the 2017 and 2016 allocations. The charge in 2017 related only to the 2017 and 2016 allocations.

**Long-term incentive plan expense**

Gold Fields recognises the long-term incentive plan expense in terms of IAS 19 *Employee Benefits*.

On 1 March 2014, the Remuneration Committee approved the Gold Fields Limited Long-Term Incentive Plan (LTIP). The plan provided for executive directors, certain officers and employees to receive a cash award, conditional on the achievement of specified performance conditions relating to total shareholder return and free cash flow margin. The conditions were assessed over the performance cycle which runs over three calendar years. The expected timing of the cash outflows in respect of each grant was at the end of three years after the original award was made. The last award under this plan was made in 2015.

From 2018 onwards, Executive Committee members (including regional Executive Committee members) receive awards under the Gold Fields Limited 2012 Share Plan amended, while senior and middle management receive awards under the revised LTIP. The performance conditions of the revised LTIP are approved annually by the Remuneration Committee. The expected timing of the cash outflows in respect of each grant is at the end of three years after the original award was made.

No allocations were made under the LTIP in 2017.

The LTIP expense decreased by 80% from US\$5 million in 2017 to US\$1 million in 2018 due to negative marked-to-market adjustments of the plan.

### Exploration expense

The exploration expense decreased by 5% from US\$110 million in 2017 to US\$104 million in 2018.

United States Dollar

*Figures in millions unless otherwise stated*

	2018	2017
Australia	37	52
Salares Norte	61	53
Arctic Platinum Project ( APP )		1
Exploration office costs	5	4
<b>Total exploration expense</b>	<b>104</b>	110

In 2018, Australia spent US\$64 million on exploration of which US\$38 million was expensed in the income statement.

In 2017, Australia spent US\$75 million on exploration of which US\$52 million was expensed in the income statement.

### Share of results of equity accounted investees, net of taxation

Share of results of equity accounted investees, net of taxation increased from a loss of US\$1 million in 2017 to a loss of US\$13 million in 2018.

During 2018, Gold Fields equity accounted for Far South East Resources Incorporated ( FSE ), Maverix Metals Incorporated ( Maverix ) and Asanko Gold Inc ( Asanko ). During 2017, Gold Fields accounted for FSE and Maverix.

FSE's share of results of equity accounted investees, net of taxation increased from a loss of US\$1 million in 2017 to a loss of US\$13 million in 2018, mainly due to the US\$12 million write-off of deferred costs and other non-recoverable amounts.

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **89**

Maverix's share of results of equity accounted investees, net of taxation increased from US\$nil for 2017 to a profit of US\$1 million in 2018, representing 19.9% (2017: 27.9%) shareholding.

In March 2018, Gold Fields entered into an agreement to form an incorporated joint venture with Asanko Gold. In the deal which became unconditional on 31 July 2018, Gold Fields acquired 45% of Asanko Gold Ghana Limited (AGGL), the Asanko subsidiary that owns the Asanko Gold mine, with the government of Ghana continuing to retain a 10% free carried interest in AGGL. The share of results of equity accounted investees, net of taxation for Asanko, was a loss of US\$1 million in 2018.

**Restructuring costs**

Restructuring costs increased from US\$9 million in 2017 to US\$114 million in 2018. The cost in 2018 relates mainly to separation packages at South Deep (US\$11 million), Damang (US\$14 million) and Tarkwa (US\$89 million) (related to the conversion from owner to contractor mining implemented in 2018) and the cost in 2017 relates mainly to separation packages at South Deep (US\$2 million), Damang (US\$2 million) (related to the conversion from owner to contractor mining implemented in 2017) and Tarkwa (US\$5 million).

**Silicosis settlement costs**

Silicosis settlement costs related to a reversal of costs of US\$5 million in 2018 compared to costs of US\$30 million in 2017.

A consolidated application was brought against several South African mining companies, including Gold Fields, for certification of a class action on behalf of current or former mineworkers (and their dependants) who have allegedly contracted silicosis and/or tuberculosis while working for one or more of the mining companies listed in the application.

During 2017, as a result of the ongoing work of the Working Group (refer note 35 of the consolidated financial statements for further details) and engagements with affected stakeholders since 31 December 2016, Gold Fields provided an amount of US\$30 million for its share of the estimated cost in relation to the Working Group of a possible settlement of the class action claims and related costs.

During 2018, reversal of costs of US\$5 million related to a change in the expected timing of the cash flows.

### **Gain on acquisition of Asanko**

On 29 March 2018, the Group entered into certain definitive agreements (the *JV Transaction*) with Asanko Gold Inc. pursuant to which, among other things:

Gold Fields and Asanko will each own a 45% interest in Asanko Gold Ghana Limited (*AGGL*), the Asanko subsidiary that currently owns the Asanko Gold mine, with the government of Ghana continuing to retain a 10% free-carried interest in AGGL (the *Joint Arrangement*);

Gold Fields and Asanko will each own a 50% interest in Adansi Gold Company Ghana Limited (Adansi Ghana), the Asanko subsidiary that currently owns a number of the Company's exploration licences; and

Gold Fields and Asanko will each acquire a 50% interest in a newly formed entity (Shika Group Finance Limited (*JV Finco*)).

On 20 June 2018, Gold Fields and Asanko received approval of the JV transaction from the Ghanaian Minister of Lands and Natural Resources and the JV transaction closed on 31 July 2018 once all conditions precedent were met.

In consideration for its interests in the Joint Arrangement, Gold Fields contributed US\$165 million, representing its initial US\$165 million redeemable share investment in JV Finco, as well as its initial US\$nil equity investments in AGGL, Adansi Ghana and JV Finco, respectively. An additional US\$20.0 million will be invested in the redeemable preference shares on an agreed Esaase development milestone, but in any event no later than 31 December 2019.

### **Recognition and measurement**

Gold Fields and Asanko have joint control and the Asanko transaction is structured as a separate vehicle and the Group has a residual interest in the net assets of Asanko. Accordingly, the Group has classified its interest in Asanko as a joint venture.

### **Fair value measured on a provisional basis**

The fair value of identifiable net assets acquired has been performed on a provisional basis, using the acquisition life-of-mine model, pending completion of review and sign off of the life-of-mine model, including the Reserves and Resources, by the Group Competent Person. Any changes to the acquisition life-of-mine model and/or Reserves and Resources could result in a material change to the cash flows used to determine the fair value of the identifiable net assets acquired.

If new information is obtained, within one year from the date of acquisition, about facts and circumstances that existed at the date of acquisition about the life-of-mine and adjustments are required to be made to the provisional fair values of the identifiable net assets, or if any additional provisions that existed at the date of acquisition are identified, then the accounting for the acquisition will be revised.

AFR-91

**Table of Contents****90 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**Consideration transferred**

The following table summarises the acquisition date fair value of the consideration transferred:

*Figures in millions unless otherwise stated*

**2018**

Cash for Asanko redeemable preference shares and equity

**Total consideration paid**

**United  
States  
Dollar**

**165  
165**

**Gain on acquisition of Asanko**

The gain on acquisition was determined as follows:

*Figures in millions unless otherwise stated*

**2018**

Total fair value of assets acquired

Consideration transferred

**Gain on acquisition**

**United  
States  
Dollar**

**217  
(165)  
52**

The redeemable preference shares have the following conditions:

- Redeemable at the option of the issuer at par value; and
- Non-interest-bearing.

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

The redeemable preference shares were recognised as an investment in an equity financial instrument measured at fair value. The key assumptions used to determine the fair value of the redeemable preference shares of US\$130 million at acquisition were as follows:

Par value of the preference shares	US\$/m	165.0 million
Market-related interest rate		7.85%
Expected redemption period 2020 to 2023		5 years

The key assumptions used to determine the fair value of the net identifiable assets acquired were as follows:

US\$ gold price 2018 to 2019	US\$/oz	1,200
US\$ gold price 2020 onwards	US\$/oz	1,300
Discount rate		10.27%
Life-of-mine 2019 to 2030		12 years

The excess of the fair value of the identifiable net assets acquired over the consideration is recognised immediately in profit or loss as a gain on acquisition. The injection of capital into Asanko Gold Mine for an equity stake represented a favourable deal for Gold Fields, as Asanko needed to refinance the debt of Asanko Gold Mine, resulting in a gain on acquisition.

### Impairment, net of reversal of impairment of investments and assets

Impairment, net of reversal of impairment of investments and assets increased by 160% from US\$200 million in 2017 to US\$520 million in 2018.

### United States Dollar

*Figures in millions unless otherwise stated*

	<b>2018</b>	2017
Cerro Corona redundant assets	<b>2</b>	1
Tarkwa mining fleet		7
Damang Rex pit assets		4
South Deep cash-generating unit goodwill	<b>72</b>	278
South Deep cash-generating unit other assets	<b>410</b>	
Listed and unlisted investments		4
Cerro Corona cash-generating unit other assets		(53)
APP		(39)
FSE	<b>37</b>	
	<b>520</b>	200



**Table of Contents****The impairment charge of US\$520 million in 2018 comprises:**

US\$2 million impairment of redundant assets at Cerro Corona;

US\$482 million cash-generating unit impairment at South Deep. US\$72 million of the impairment was firstly allocated to goodwill and the remainder of US\$410 million to other assets. The impairment calculation was performed in June 2018 and given that impairment indicators still existed at 31 December 2018, a further assessment was performed. The recoverable amount at 31 December 2018 is R21.2 billion (US\$1.4 billion). There were no further impairments at 31 December 2018 using the following assumptions:

Gold price of R525,000 per kilogram for 2019 and R550,000 per kilogram thereafter;

Resource price of US\$17 per ounce at a Rand/US\$ exchange rate of R14.63;

Resource ounces of 24.5 million ounces;

Life-of-mine of 75 years; and

Discount rate of 13.5% nominal.

US\$37 million impairment of FSE. The impairment of FSE was based on the fair value less cost of disposal of the investment which was indirectly derived from the market value of Lepanto Consolidated Mining Company.

The impairment charge of US\$200 million in 2017 comprises:

US\$1 million impairment of redundant assets at Cerro Corona;

US\$7 million asset specific impairment at Tarkwa, relating to aged, high maintenance and low effectiveness mining fleet that is no longer used;

US\$4 million asset specific impairment at Damang, relating to all assets at the Rex pit. Following a series of optimisations, the extensional drilling, completed in 2017, failed to deliver sufficient tonnages at viable grades to warrant further work;

US\$278 million cash-generating unit impairment at South Deep, the impairment is due to a reduction in the gold price assumptions, a lower resource price and a deferral of production. The main assumptions used were:

Gold price of R525,000 per kilogram;

Resource price of US\$17 per ounce at a Rand/US\$ exchange rate of R12.58;

Resource ounces of 29.0 million ounces;

Life-of-mine of 77 years; and

Discount rate of 13.5% nominal.

US\$4 million impairment of listed and unlisted investments.

The above were partially offset by the following reversal of impairments:

US\$53 million reversal of cash-generating unit impairment at Cerro Corona. The reversal of the impairment is due to a higher net present value due to the completion of a pre-feasibility study in 2017 extending the life-of-mine from 2023 to 2030 by optimising the tailings density and increasing the tailings capacity by using in-pit tailings after mining activities end. The main assumptions used were:

- Gold price of US\$1,200 per ounce for 2018 and US\$1,300 per ounce for 2019 onwards;
- Copper price of US\$2.50 per pound for 2018 and US\$2.80 per pound for 2019 onwards;
- Resource price of US\$41 per ounce;
- Life-of-mine of 13 years; and
- Discount rate of 4.8%.

US\$39 million reversal of APP impairment. During 2017, active marketing activities continued for APP and as a result, a sale agreement was completed comprising a purchase offer of US\$40 million cash and a 2% net smelter refiner royalty on all metals. As a result, the impairment previously recorded, was reversed up to the value of the selling price.

**(Loss)/profit on disposal of assets**

Profit on disposal of assets was US\$4 million in 2017 compared to a loss of US\$52 million in 2018.

Loss on disposal of assets of US\$52 million in 2018 related mainly to the losses of US\$38 million on the sale of mining fleet and heavy machinery equipment and inventory at Tarkwa as part of the transition to contractor mining and a loss of US\$15 million on the sale of APP.

Profit on disposal of assets of US\$4 million in 2017 related mainly to the sale of redundant assets at Agnew and Tarkwa.

AFR-93

**Table of Contents****92 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**Royalties**

Royalties increased by 2% from US\$62 million in 2017 to US\$63 million in 2018 and are made up as follows:

United States Dollar

*Figures in millions unless otherwise stated*

	<b>2018</b>	2017
South Africa	<b>1</b>	2
Ghana	<b>29</b>	27
Peru	<b>5</b>	5
Australia	<b>28</b>	28
	<b>63</b>	62

The royalty in South Africa decreased by 50% from US\$2 million in 2017 to US\$1 million in 2018 due to a decrease in revenue in 2018.

The royalty in Ghana increased by 7% from US\$27 million in 2017 to US\$29 million in 2018 due to an increase in revenue in 2018.

The royalty in Peru remained flat at US\$5 million.

The royalty in Australia remained flat at US\$28 million.

**Mining and income tax**

Mining and income tax was a charge of US\$173 million in 2017 compared to an income of US\$66 million in 2018.

The table below indicates Gold Fields' effective tax rate in 2018 and 2017:

United States Dollar

*Figures in millions unless otherwise stated*

	<b>2018</b>	2017
Income and mining tax credit/(charge) (US\$ million)	<b>66</b>	(173)
Effective tax rate (%)	<b>16.0</b>	113.6

In 2018, the effective tax rate of 16.0% was lower than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- US\$18 million non-taxable gain on acquisition of Asanko;
- US\$1 million non-taxable fair value gain on Maverix warrants;
- US\$1 million non-taxable profit on dilution of Gold Fields' interest in Maverix warrants;
- US\$7 million deferred tax assets recognised at Damang; and
- US\$70 million additional capital allowances recognised at South Deep.

The above were offset by the following tax effected charges:

- US\$7 million adjustment to reflect the actual realised company tax rates in South Africa and offshore;
- US\$35 million non-deductible charges comprising share-based payments (US\$13 million) and exploration expense (US\$22 million);
- US\$13 million and US\$24 million deferred tax assets not recognised on impairment of FSE and South Deep goodwill, respectively;
- US\$26 million non-deductible interest paid;
- US\$5 million of non-deductible share of results of equity accounted Investees, net of taxation;
- US\$16 million dividend withholding tax;
- US\$15 million deferred tax assets not recognised at Cerro Corona;
- US\$8 million of net non-deductible expenditure and non-taxable income;
- US\$1 million deferred tax raised on unremitted earnings at Tarkwa and Cerro Corona;
- US\$1 million deferred tax movement on Peruvian Nuevo Sol devaluation against US Dollar;
- US\$8 million of various Peruvian non-deductible expenses; and
- US\$11 million deferred tax release on change of tax rate at South Deep.

AFR-94

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **93**

In 2017, the effective tax rate of 113.6% was higher than the maximum South African mining statutory tax rate of 34% mainly due to the tax effect of the following:

- US\$19 million adjustment to reflect the actual realised company tax rates in South Africa and offshore;
- US\$13 million deferred tax assets not recognised on reversal of impairment of APP;
- US\$5 million deferred tax movement on Peruvian Nuevo Sol devaluation against US Dollar;
- US\$7 million utilisation of tax losses not previously recognised at Damang; and
- US\$20 million deferred tax assets recognised at Cerro Corona and Damang.

The above were offset by the following tax effected charges:

- US\$29 million non-deductible charges comprising share-based payments (US\$9 million) and exploration expense (US\$20 million);
- US\$24 million non-deductible interest paid;
- US\$95 million impairment of South Deep goodwill;
- US\$13 million deferred tax assets not recognised at Cerro Corona and Damang;
- US\$5 million of net non-deductible expenditure and non-taxable income;
- US\$10 million deferred tax raised on unremitted earnings at Tarkwa; and
- US\$5 million of various Peruvian non-deductible expenses.

**Loss from continuing operations**

As a result of the factors discussed above, a loss from continuing operations increased from US\$21 million in 2017 to US\$345 million in 2018.

**Profit from discontinued operations, net of tax**

Profit from discontinued operations decreased from US\$13 million in 2017 to US\$nil in 2018 due to the disposal of Darlot in 2017.

**Loss for the year – continuing and discontinued operations**

Loss for the year increased from US\$8 million in 2017 to US\$345 million in 2018.

**Loss attributable to owners of the parent**

Loss attributable to owners of the parent increased from US\$19 million in 2017 to US\$348 million in 2018.

The loss attributable to owners of the parent of US\$348 million in 2018 comprised US\$348 million loss attributable to owners of the parent from continuing operations and US\$nil attributable to owners of the parent from discontinued operations.

The loss attributable to owners of the parent of US\$19 million in 2017 comprised US\$32 million loss attributable to owners of the parent from continuing operations and US\$13 million profit attributable to owners of the parent from discontinued operations.

### Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by 73% from US\$11 million in 2017 to US\$3 million in 2018.

The non-controlling interest consists of Gold Fields Ghana (Tarkwa) and Abosso Goldfields (Damang) at 10% each at the end of 2018 and 2017 and Gold Fields La Cima (Cerro Corona) at 0.47% at the end of 2018 and 2017.

The amount making up the non-controlling interest is shown below:

	2018	2017	2018	2017
	Minority interest Effective*	Minority interest Effective**	S\$ million	US\$ million
Gold Fields Ghana Limited Tarkwa	<b>10.0%</b>	10.0%	<b>4</b>	9
Abosso Goldfields Damang	<b>10.0%</b>	10.0%	<b>(1)</b>	2
Gold Fields La Cima Cerro Corona	<b>0.47%</b>	0.47%	<b>3</b>	11

\*Average for the year.

### Loss per share from continuing operations

As a result of the above, Gold Fields loss per share increased from US\$0.04 per share in 2017 to US\$0.42 per share in 2018.

### Earnings per share from discontinued operations

Earnings per share from discontinued operation decreased from US\$0.02 per share in 2017 to US\$nil in 2018.

**Table of Contents**

**94 The Gold Fields Annual Financial Report including Governance Report 2018**

Management's discussion and analysis  
of the financial statements (continued)

**RESULTS FOR THE PERIOD YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016**

Loss attributable to owners of the parent for the Group was US\$19 million (or US\$0.02 per share) for 2017 compared with a profit of US\$158 million (or US\$0.19 per share) in 2016.

Loss attributable to owners of the parent for continuing operations was US\$32 million (or US\$0.04 per share) for 2017 compared with a profit of US\$157 million (or US\$0.19 per share) for 2016.

Profit attributable to discontinued operation, Darlot, was US\$13 million (or US\$0.02 per share) for 2017 compared with US\$1 million (or US\$nil per share) for 2016.

The reasons for this decrease are discussed below.

**CONTINUING OPERATIONS**

**Revenue**

Revenue from continuing operations increased by 4% from US\$2,666 million in 2016 to US\$2,762 million in 2017. The increase in revenue of US\$96 million was mainly due to higher ounces sold as well as an increase in the average US Dollar gold price in 2017.

The average US Dollar gold price achieved by the Group increased by 1% from US\$1,241 per equivalent ounce in 2016 to US\$1,255 per equivalent ounce in 2017. The average Rand gold price decreased by 8% from R584,894 per kilogram to R538,344 per kilogram. The average Australian Dollar gold price decreased by 2% from A\$1,674 per ounce to A\$1,640 per ounce. The average US Dollar gold price for the Ghanaian operations increased by 1% from US\$1,247 per ounce in 2016 to US\$1,255 per ounce in 2017. The average equivalent US Dollar gold price, net of treatment and refining charges, for Cerro Corona increased by 4% from US\$1,199 per equivalent ounce in 2016 to US\$1,252 per equivalent ounce in 2017. The average US Dollar/Rand exchange rate strengthened by 9% from R14.70 in 2016 to R13.33 in 2017. The average Australian Dollar/US Dollar exchange rate strengthened by 3% from A\$1.00 = US\$0.75 in 2016 to A\$1.00 = US\$0.77 in 2017.

Gold sales from continuing operations increased by 2% from 2,150,000 equivalent ounces in 2016 to 2,201,100 equivalent ounces in 2017. Gold sales at the South African operation decreased by 3% from 9,001 kilograms (289,400 ounces) to 8,766 kilograms (281,800 ounces). Gold sales at the Ghanaian operations decreased by 1% from 715,800

Edgar Filing: GOLD FIELDS LTD - Form 20-F

ounces to 710,000 ounces. Gold equivalent sales at the Peruvian operation (Cerro Corona) increased by 17% from 268,900 equivalent ounces to 313,800 equivalent ounces. At the Australian operations, gold sales increased by 2% from 875,900 ounces to 895,400 ounces. As a general rule, Gold Fields sells all the gold it produces.

	2017			2016		
	Revenue US\$ million	Gold sold ( 000oz)	Gold produced ( 000oz)	Revenue US\$ million	Gold sold ( 000oz)	Gold produced ( 000oz)
South Deep	354.1	281.8	281.3	358.2	289.4	290.4
Tarkwa	710.8	566.4	566.4	708.9	568.1	568.1
Damang	180.3	143.6	143.6	183.4	147.7	147.7
Cerro Corona	392.9	313.8	306.7	322.3	268.9	270.2
St Ives	457.3	363.9	363.9	452.3	362.9	362.9
Agnew/Lawlers	302.6	241.2	241.2	285.4	229.3	229.3
Granny Smith	363.8	290.3	290.3	355.8	283.8	283.8
Continuing operations	2,761.8	2,201.1	2,193.3	2,666.4	2,150.0	2,152.3

At South Deep in South Africa, gold sales decreased by 3% from 9,001 kilograms (289,400 ounces) to 8,766 kilograms (281,800 ounces) mainly due to decreased volumes, partially offset by increased grades. Production and therefore sales in 2017 were impacted by a weak March quarter after two fatal accidents and three fall-of-ground incidents negatively affected the contribution from the high-grade areas.

At the Ghanaian operations, gold sales at Tarkwa decreased marginally from 568,100 ounces to 566,400 ounces due to the lower plant throughput and recovery. Damang's gold sales decreased by 3% from 147,700 ounces to 143,600 ounces, mainly due to lower head grade and lower yield.

At Cerro Corona in Peru, copper sales increased by 2% from 29,905 tonnes to 30,377 tonnes and gold sales increased by 10% from 149,105 ounces to 164,715 ounces. As a result, gold equivalent sales increased by 17% from 268,900 ounces to 313,800 ounces due to higher copper to gold price ratio as well as higher gold head grades and higher gold recovery.

AFR-96



---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **95**

At the Australian operations, gold sales at St Ives increased marginally from 362,900 ounces to 363,900 ounces. At Agnew/Lawlers, gold sales increased by 5% from 229,300 ounces to 241,200 ounces mainly due to increased ore processed due to a shortage of mill feed early in 2016 when the mill was running below capacity. At Granny Smith, gold production increased by 2% from 283,800 ounces to 290,300 ounces due to increased ore tonnes mined and processed.

**Cost of sales**

Cost of sales, which comprises cost of sales before gold inventory change and amortisation and depreciation, gold inventory change and amortisation and depreciation, increased by 5% from US\$2,001 million in 2016 to US\$2,105 million in 2017. The reasons for this increase are described below.

**Cost of sales before gold inventory change and amortisation and depreciation**

Cost of sales before gold inventory change and amortisation and depreciation from continuing operations increased by 4% from US\$1,376 million in 2016 to US\$1,427 million in 2017.

At South Deep in South Africa, cost of sales before gold inventory change and amortisation and depreciation increased by 2% from R4,003 million (US\$272 million) to R4,083 million (US\$306 million). This increase of R80 million was mainly due to annual salary increases, electricity rate increase and an increase in employees in line with the strategy to sustainably improve all aspects of the operation.

At the Ghanaian operations, cost of sales before gold inventory change and amortisation and depreciation decreased by 2% from US\$481 million in 2016 to US\$469 million in 2017. At Tarkwa, cost of sales before gold inventory change and amortisation and depreciation increased by 1% from US\$345 million to US\$348 million mainly due to increased ore tonnes mined partially offset by benefits realised as a result of the incorporation of the DA, effective 17 March 2016. At Damang, cost of sales before gold inventory change and amortisation and depreciation decreased by 11% from US\$136 million to US\$121 million due to benefits realised as a result of the incorporation of the development agreement, effective 17 March 2016, and the move to contractor mining as well as lower operating tonnes mined.

At Cerro Corona in Peru, cost of sales before gold inventory change and amortisation and depreciation increased by 5% from US\$144 million in 2016 to US\$151 million in 2017, mainly due to higher mining costs as a result of higher tonnes mined in 2017 and higher power expenses in 2017 due to a new contract with the power supplier which came

into effect in June 2017.

At the Australian operations, cost of sales before gold inventory change and amortisation and depreciation increased by 2% from A\$643 million (US\$480 million) in 2016 to A\$653 million (US\$499 million) in 2017. At St Ives, cost of sales before gold inventory change and amortisation and depreciation decreased by 5% from A\$259 million (US\$193 million) to A\$245 million (US\$188 million) due to reduced operational tonnes mined from the open pits and cost improvements at the open pits and Hamlet. At Agnew/Lawlers, cost of sales before gold inventory change and amortisation and depreciation increased by 4% from A\$195 million (US\$146 million) to A\$203 million (US\$155 million), mainly due to higher mining costs as a result of a 16% increase in ore development metres achieved. At Granny Smith, cost of sales before gold inventory change and amortisation and depreciation increased by 8% from A\$189 million (US\$141 million) to A\$205 million (US\$157 million) due to additional volumes of ore mined.

### **Gold inventory change**

The gold inventory credit to costs from continuing operations of US\$70 million in 2017 compared with US\$46 million in 2016.

At South Deep, the gold inventory credit of R21 million (US\$2 million) in 2017 compared with R11 million (US\$1 million) in 2016, due to higher gold produced not sold at year-end.

At Tarkwa, the gold inventory credit of US\$42 million in 2017 compared with US\$18 million in 2016, both due to a buildup of stockpiles due to a strategy to mill higher grade ore and stockpile lower grade ore.

At Damang, the gold inventory charge to costs of US\$1 million in 2017 compared with a credit of US\$nil in 2016, due to a drawdown of stockpiles in 2017.

At Cerro Corona, the gold inventory charge to costs of US\$3 million in 2017 compared with a credit of US\$4 million in 2016, due to a buildup of concentrate inventory in 2016 compared with a drawdown in 2017.

At St Ives, the credit to costs of A\$38 million (US\$29 million) in 2017 compared with A\$15 million (US\$11 million) in 2016, due to a buildup of stockpiles in both years. This was mainly due to increased productivity and equipment utilisation achieved in the open pits as St Ives had a strategic shift to a primarily open-pit operation in these years.

At Agnew, the credit to costs of A\$6 million (US\$5 million) in 2017 compared with A\$7 million (US\$5 million) in 2016, both due to a buildup of stockpiles.

At Granny Smith, the charge to costs of A\$5 million (US\$4 million) in 2017 compared with a credit of A\$10 million (US\$7 million) in 2016 due to a drawdown of stockpiles in 2017 compared with a buildup of stockpiles in 2016.

AFR-97

**Table of Contents****96 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**Amortisation and depreciation**

Amortisation and depreciation is calculated on the units-of-production method and is based on current gold production as a percentage of total expected gold production over the lives of the different mines based on proved and probable reserves.

The table below depicts the changes from 31 December 2016 to 31 December 2017 for proved and probable managed gold and equivalent reserves and for the life-of-mine for each operation and the resulting impact on the amortisation charge in 2017. The amortisation in 2017 was based on the reserves as at 31 December 2016. The life-of-mine information is based on the operations' strategic plans, adjusted for proved and probable reserve balances. In basic terms, amortisation is calculated using the life-of-mine for each operation, which is based on: (1) the proved and probable reserves for the operation at the start of the relevant year (which are taken to be the same as at the end of the prior fiscal year and using reserves); and (2) the amount of gold produced by the operation during the year. The ore reserve statement as at 31 December 2017 became effective on 1 January 2018.

	Proved and probable			Life-of-mine		Amortisation	
	mineral reserves as of					for the year ended	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2017	2016	2015	2017	2016	2017	2017
	( '000oz)	( '000oz)	( '000oz)	(years)	(years)	(US\$ million)	(US\$ million)
<b>Africa region</b>							
Dep <sup>1</sup>	37,400	37,300	37,300	78	79	74.2	
<b>Africa region</b>							
Dep <sup>1</sup>	5,900	6,100	6,700	14	15	220.0	
Dep <sup>1</sup>	1,700	1,700	1,000	8	8	22.3	
<b>America region</b>							

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Corona <sup>4</sup>	3,700	2,400	2,800	13	7	130.9
South Africa region						
	1,600	1,700	1,500	5	5	172.3
Lawlers	500	500	700	4	3	82.3
Smith	2,200	1,700	1,300	11	9	43.5
	1,900	1,800		13		
Site and other reserves						2.7
Operating operations <sup>6</sup>	54,900	53,200	51,300			748.1

<sup>1</sup> As of 31 December 2015, 31 December 2016 and 31 December 2017, 91.3%, 91.3% and 91.0% of mineral reserves amounting to 34.027 million ounces, 34.072 million ounces and 34.023 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the South Deep operation.

<sup>2</sup> As of 31 December 2015, 31 December 2016 and 31 December 2017, 90% of mineral reserves amounting to 6.071 million ounces, 5.473 million ounces and 5.315 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Tarkwa operation.

<sup>3</sup> As of 31 December 2015, 31 December 2016 and 31 December 2017, 90% of mineral reserves amounting to 0.876 million ounces, 1.506 million ounces and 1.555 million ounces of gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Damang operation.

<sup>4</sup> As of 31 December 2015, 31 December 2016 and 31 December 2017, 99.53% of mineral reserves amounting to 2.763 million ounces, 2.356 million ounces and 3.710 million ounces of equivalent gold were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Cerro Corona operation.

<sup>5</sup> As of 31 December 2017 mineral reserves at Gruyere represent the 50% portion attributable to Gold Fields only.

<sup>6</sup> As of 31 December 2015, 31 December 2016 and 31 December 2017, reserves of 47.292 million ounces, 49.172 million ounces and 50.787 million ounces of equivalent gold, respectively, were attributable to Gold Fields, with the remainder attributable to non-controlling shareholders in the Ghanaian and Peruvian operations.

AFR-98

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **97**

Amortisation and depreciation from the continuing operations increased by 11% from US\$671 million in 2016 to US\$748 million in 2017.

At South Deep in South Africa, amortisation and depreciation decreased by 6% from R1,051 million (US\$72 million) in 2016 to R989 million (US\$74 million) in 2017 mainly due to a decrease in production, marginal increase in reserves and lower equipment purchases.

At the Ghanaian operations, amortisation and depreciation increased by 20% from US\$202 million in 2016 to US\$242 million in 2017. Tarkwa increased by 20% from US\$184 million to US\$220 million mainly due to a reduction in reserves as well as an increase in ore mined and stockpiled. Damang increased by 22% from US\$18 million to US\$22 million mainly due to increased ounces mined from the more expensive Amoanda pit.

At Cerro Corona in Peru, amortisation and depreciation increased by 13% from US\$116 million in 2016 to US\$131 million in 2017. This increase was due to reduction in gold and copper reserves, as well as an increase in production. In addition, the methodology for amortisation and depreciation was amended in 2017 changing to gold ounces produced from tonnes mined. Gold ounces are considered a better reflection of the pattern in which the mine's future economic benefits are expected to be consumed by the entity in line with the declining grade over the life-of-mine.

During the year ended 31 December 2017, the Group corrected the amortisation and depreciation methodology for the mineral rights asset at the Australian operations to reduce the level of estimation required in calculating amortisation. Prior to the correction of the methodology, the total mineral rights asset capitalised at the Australian operation was amortised on a units-of-production basis over a useful life that exceeded proved and probable reserves. The amortisation methodology was revised in order to divide the total mineral rights asset capitalised at the respective operations into a depreciable and a non-depreciable component. The mineral rights are initially capitalised to the mineral rights asset as a non-depreciable component.

Annually, as part of the preparation of the updated reserve and resource statement and preparation of the updated life-of-mine plan, a portion of resources will typically be converted to reserves as a result of ongoing resource definition drilling, resultant geological model updates and subsequent mine planning. Based on this conversion of resources to reserves, a portion of the historic cost is allocated from the non-depreciable component of the mineral rights asset to the depreciable component of the mineral rights asset. Therefore, the category of non-depreciable mineral rights asset is expected to reduce and will eventually be fully allocated within the depreciable component of the mineral rights asset.

Each operation typically comprises a number of mines and the depreciable component of the mineral rights asset is therefore allocated on a mine-by-mine basis at the operation and is amortised over the estimated proved and probable ore reserves of the respective mine on the units-of-production method. The remaining non-depreciable component of the mineral rights asset is not depreciated but, in combination with the depreciable component of the mineral rights asset and other assets included in the cash-generating unit, is evaluated for impairment when events and changes in circumstances indicate that the carrying amount may not be recoverable.

At 1 January 2017, as a result of this correction of methodology, management identified an understatement of the amortisation and depreciation charge in prior periods. The understatement has been corrected by restating each of the affected financial statement line items for prior periods.

As a result of the correction of the methodology, the amortisation and depreciation at the Australian operations in 2016 increased by 3% from A\$358 million (US\$267 million) to A\$368 million (US\$274 million). At St Ives, amortisation and depreciation increased by 7% from A\$194 million (US\$145 million) to A\$207 million (US\$154 million). Agnew/Lawlers decreased by 3% from A\$103 million (US\$77 million) to A\$100 million (US\$75 million). Amortisation and depreciation at Granny Smith remained flat at A\$61 million (US\$45 million).

At the Australian operations, amortisation and depreciation increased by 5%, from A\$368 million (US\$274 million) in 2016 to A\$388 million (US\$298 million) in 2017. At St Ives, amortisation and depreciation increased by 8% from A\$207 million (US\$154 million) in 2016 to A\$223 million (US\$172 million) in 2017 due to a decrease in reserves. Agnew/Lawlers increased by 8% from A\$100 million (US\$75 million) in 2016 to A\$108 million (US\$82 million) in 2017 mainly due to a decrease in reserves. At Granny Smith, amortisation and depreciation decreased by 7% from A\$61 million (US\$45 million) to A\$57 million (US\$44 million) due to lower production as well as an increase in reserves.

AFR-99

**Table of Contents****98 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**All-in sustaining and total all-in costs**

The following table sets out for each operation and the Group, total gold sales in ounces, all-in sustaining costs and total all-in costs, net of by-product revenue, in US\$/oz for 2017 and 2016:

	2017			2016		
	Gold only ounces sold	All-in sustaining costs	Total all-in costs	Gold only ounces sold	All-in sustaining costs	Total all-in costs
		US\$/oz	US\$/ounce		US\$/oz	US\$/oz
<i>Figures in thousands unless otherwise stated</i>						
South Deep	281.8	1,340	1,400	289.4	1,207	1,234
<b>South African operation</b>	281.8	1,340	1,400	289.4	1,207	1,234
Tarkwa	566.4	940	940	568.1	959	959
Damang	143.6	1,027	1,827	147.7	1,254	1,254
<b>Ghanaian operations</b>	710.0	958	1,119	715.8	1,020	1,020
Cerro Corona <sup>1</sup>	164.7	203	203	149.1	499	499
<b>Peruvian operation</b>	164.7	203	203	149.1	499	499
St Ives	363.9	916	916	362.9	949	949
Agnew/Lawlers	241.2	977	977	229.3	971	971
Granny Smith	290.3	896	896	283.8	834	834
<b>Australian operations</b>	895.4	926	926	876.0	917	917
Corporate and other		10	81		7	31
<b>Continuing operations</b>	2,051.9	945	1,081	2,030.4	972	998

All-in costs are calculated in accordance with the World Gold Council Industry standard. Refer to pages 68 to 75 for detailed calculations and discussion of non-IFRS measures.

<sup>1</sup> Gold sold at Cerro Corona excludes copper equivalents of 149,100 ounces in 2017 and 119,800 ounces in 2016.

*Figures above may not add as they are rounded independently.*

## **AISC and AIC**

AISC net of by-product revenues from continuing operations decreased by 3% from US\$972 per ounce of gold in 2016 to US\$945 per ounce of gold in 2017, mainly due to higher by-product credits, lower royalties, a higher gold inventory credit, higher gold sold and lower sustaining capital expenditure, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation. AIC net of by-product revenues from continuing operations increased by 8% from US\$998 per ounce of gold in 2016 to US\$1,081 per ounce of gold in 2017 due to higher non-sustaining capital expenditure and higher exploration, feasibility and evaluation costs.

At South Deep in South Africa, all-in sustaining costs increased by 1% from R570,303 per kilogram (US\$1,207 per ounce) in 2016 to R574,406 per kilogram (US\$1,340 per ounce) in 2017 mainly due to lower gold sold and higher cost of sales before gold inventory change and amortisation and depreciation, partially offset by lower sustaining capital expenditure and a higher gold inventory credit. The total all-in costs increased by 3% from R583,059 per kilogram (US\$1,234 per ounce) in 2016 to R600,109 per kilogram (US\$1,400 per ounce) in 2017 due to the same reasons as for all-in sustaining costs as well as higher non-sustaining capital expenditure.

At the Ghanaian operations, all-in sustaining costs decreased by 6% from US\$1,020 per ounce in 2016 to US\$958 per ounce in 2017 mainly due to lower cost of sales before gold inventory change and amortisation and depreciation, a higher gold inventory credit and lower sustaining capital expenditure, partially offset by lower gold sold. All-in costs increased by 10% from US\$1,020 per ounce in 2016 to US\$1,119 per ounce in 2017 mainly due to non-sustaining capital expenditure of US\$115 million on the Damang reinvestment project compared to US\$nil in 2016. At Tarkwa, all-in sustaining costs and total all-in costs decreased by 2% from US\$959 per ounce in 2016 to US\$940 per ounce in 2017 due to a higher gold inventory credit, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation, higher sustaining capital expenditure and lower gold sold. At Damang, all-in sustaining costs decreased by 18% from US\$1,254 per ounce in 2016 to US\$1,027 per ounce in 2017 due to lower cost of sales before gold inventory change and amortisation and depreciation and lower sustaining capital expenditure, partially offset by lower gold sold and a gold inventory charge to cost. At Damang, all-in costs increased by 46% from US\$1,254 per ounce in 2016 to US\$1,827 per ounce in 2017 mainly due to non-sustaining capital expenditure of US\$115 million on the Damang reinvestment project.

AFR-100



---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **99**

At Cerro Corona in Peru, all-in sustaining costs and total all-in costs decreased by 59% from US\$499 per ounce in 2016 to US\$203 per ounce in 2017 mainly due to higher by-product credits, lower sustaining capital expenditure and higher gold sold, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation and a gold inventory charge to costs. All-in sustaining costs and total all-in costs per equivalent ounce decreased by 12% from US\$762 per equivalent ounce to US\$673 per equivalent ounce mainly due to the same reasons as above.

At the Australian operations, all-in sustaining costs and total all-in costs decreased by 2% from A\$1,231 per ounce (US\$917 per ounce) in 2016 to A\$1,210 per ounce (US\$926 per ounce) in 2017 mainly due to higher gold sold and a higher gold inventory credit, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation and higher capital expenditure. At St Ives, all-in sustaining costs and total all-in costs decreased by 6% from A\$1,273 per ounce (US\$949 per ounce) in 2016 to A\$1,198 per ounce (US\$916 per ounce) in 2017 due to lower cost of sales before gold inventory change and amortisation and depreciation, a higher gold inventory credit and higher gold sold, partially offset by higher capital expenditure. At Agnew, all-in sustaining costs and total all-in costs decreased by 2% from A\$1,301 per ounce (US\$971 per ounce) in 2016 to A\$1,276 per ounce (US\$977 per ounce) in 2017 due to higher gold sold, partially offset by higher cost of sales before gold inventory change and amortisation and depreciation and higher capital expenditure. At Granny Smith, all-in sustaining costs and total all-in costs increased by 5% from A\$1,119 per ounce (US\$834 per ounce) in 2016 to A\$1,171 per ounce (US\$896 per ounce) in 2017 mainly due to higher cost of sales before gold inventory change and amortisation and depreciation and a gold inventory charge to costs compared to a credit to costs in 2016, partially offset by higher gold sold and lower capital expenditure.

**Investment income**

Income from investments decreased by 25% from US\$8 million in 2016 to US\$6 million in 2017. The decrease was mainly due to lower cash balances at the international operations in 2017.

The investment income in 2017 of US\$6 million comprised US\$1 million interest on monies invested in the South African rehabilitation trust fund and US\$5 million interest on other cash and cash equivalent balances.

The investment income in 2016 of US\$8 million comprised US\$1 million interest on monies invested in the South African rehabilitation trust fund and US\$7 million interest on other cash and cash equivalent balances.

Interest received on the South African rehabilitation trust fund remained flat at US\$1 million.

Interest on other cash balances decreased by 29% from US\$7 million in 2016 to US\$5 million in 2017, mainly due to lower cash balances at the international operations in 2017.

### **Finance expense**

Finance expense increased by 4% from US\$78 million in 2016 to US\$81 million in 2017.

The finance expense of US\$81 million in 2017 comprised US\$12 million relating to the accretion of the environmental rehabilitation liability, US\$1 million relating to the unwinding of the silicosis provision and US\$91 million on various Group borrowings, partially offset by borrowing costs capitalised of US\$23 million.

The finance expense of US\$78 million in 2016 comprised US\$11 million relating to the accretion of the environmental rehabilitation liability and US\$82 million on various Group borrowings, partially offset by borrowing costs capitalised of US\$15 million.

The environmental rehabilitation liability accretion expense increased by 9% from US\$11 million in 2016 to US\$12 million in 2017, mainly due to marginally higher present values of the rehabilitation liabilities and an increase in discount rates used in unwinding in Ghana.

Capitalised interest increased by 53% from US\$15 million in 2016 to US\$23 million in 2017 due to higher borrowings. This interest was capitalised in terms of IAS 23 *Borrowing Costs*. IAS 23 requires capitalisation of borrowing costs whenever general borrowings are used to finance qualifying projects. The qualifying projects were South Deep's mine development (US\$20 million), Damang reinvestment project (US\$2 million) and the Gruyere project (US\$1 million). South Deep was the only qualifying project in 2016. An average interest capitalisation rate of 5.3% (2016: 4.7%) was applied.

AFR-101

**Table of Contents****100 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

Below is an analysis of the components making up the interest on the various Group borrowings, stated on a comparative basis:

**United States Dollar***Figures in millions unless otherwise stated*

	2017	2016
Interest on borrowings to fund capital expenditure and operating costs at the South African operation	12	6
Interest on US\$1 billion notes issue	43	44
Interest on US\$70 million revolving senior secured credit facility	1	2
Interest on US\$100 million revolving senior secured credit facility	2	
Interest on US\$150 million revolving senior secured credit facility (old)	2	3
Interest on US\$150 million revolving senior secured credit facility (new)	1	
Interest on US\$1,510 million term loan and revolving credit facilities		12
Interest on US\$1,290 million term loan and revolving credit facilities	27	14
Other interest charges	3	1
	91	82

Interest on borrowings to fund capital expenditure and operating costs at the South African operation increased from US\$6 million in 2016 to US\$12 million in 2017 due to drawdowns of South African borrowings in 2017.

Interest on the US\$1 billion notes issue decreased marginally from US\$44 million in 2016 to US\$43 million in 2017.

Interest on the US\$70 million senior secured revolving credit facility decreased from US\$2 million in 2016 to US\$1 million in 2017. The decrease is due to the US\$70 million revolving senior secured credit facility being cancelled and refinanced through the US\$100 million revolving senior secured credit facility on 21 July 2017. Interest on the US\$100 million term revolving senior secured credit facility from the date of refinancing was US\$2 million.

Interest on the US\$150 million revolving senior secured credit facility (old) decreased from US\$3 million in 2016 to

US\$2 million in 2017. The decrease is due to the US\$150 million revolving senior secured credit facility being cancelled and refinanced through the US\$150 million revolving senior secured credit facility (new) on 22 September 2017. Interest on the US\$150 million revolving senior secured credit facility (new) from the date of refinancing was US\$1 million.

Interest on the US\$1,510 million term loan and revolving credit facilities decreased from US\$12 million in 2016 to US\$nil in 2017. The decrease is due to the US\$1,510 million term loan and revolving credit facilities being cancelled and refinanced through the US\$1,290 million term loan and revolving credit facilities on 6 June 2016.

Interest on the US\$1,290 million term loan and revolving credit facilities increased from US\$14 million in 2016 to US\$27 million in 2017. The increase is due to the interest charge being for five months in 2016 compared to 12 months in 2017.

### Gain on financial instruments

The gain on financial instruments increased by 143% from US\$14 million in 2016 to US\$34 million in 2017.

### United States Dollar

*Figures in millions unless otherwise stated*

	2017	2016
South Deep gold hedge	11	
Australia gold hedge	15	
Ghana oil hedge	9	
Australia oil hedge	5	
Peru copper hedge	(6)	
South Deep currency hedge		14
	34	14

AFR-102

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **101****South Deep gold hedge**

In November 2017, South Deep entered into zero-cost collars for the period January 2018 to December 2018 for 63,996 ounces of gold. The strike prices are R600,000 per kilogram on the floor and R665,621 per kilogram on the cap. At 31 December 2017, the marked-to-market value of the hedge was a positive R137 million (US\$11 million).

**Australia gold hedge**

In April 2017 and June 2017, the Australian operations entered into a combination of zero-cost collars and forward sales transactions for the period July 2017 to December 2017 for 295,000 ounces of gold. The average strike prices on the collars were A\$1,695.9 on the floor and A\$1,754.2 on the cap. The average forward price was A\$1,719.9. At 31 December 2017, there were no open positions and the total realised gain was US\$15 million.

**Ghana oil hedge**

In May 2017 and June 2017, the Ghanaian operations entered into fixed price ICE Gasoil cash-settled swap transaction for a total of 125.8 million litres of diesel for the period June 2017 to December 2019. The average swap price is US\$457.2 per metric tonne (equivalent US\$61.4 per barrel). At the time of the transactions, the average Brent swap equivalent over the tenure was US\$49.8 per barrel. At 31 December 2017, the marked-to-market value on the hedge was a positive US\$9 million.

**Australia oil hedge**

In May 2017 and June 2017, the Australian operations entered into fixed price Singapore 10ppm Gasoil cash-settled swap transactions for a total of 77.5 million litres of diesel for the period June 2017 to December 2019. The average swap price is US\$61.15 per barrel. At the time of the transactions, the average Brent swap equivalent over the tenure was US\$49.92 per barrel. At 31 December 2017, the marked-to-market value on the hedge was a positive US\$5 million.

**Peru copper hedge**

In July 2017, Peru entered into zero-cost collars for the period August 2017 and December 2017 for 8,250 tonnes of copper. The average floor price was US\$5,867 per tonne and the average cap was US\$6,300 per tonne. The total realised loss was US\$3 million.

In November 2017, further zero-cost collars were entered into for the period January 2018 to December 2018. A total volume of 29,400 tonnes was hedged, at an average floor price of US\$6,600 per tonne and an average cap price of US\$7,431 per tonne. At 31 December 2017, the marked-to-market value on the hedge was a negative US\$3 million.

### **South Deep currency hedge**

On 25 February 2016, South Deep entered into US\$/Rand forward exchange contracts for a total delivery of US\$69.8 million starting at July 2016 to December 2016. The average forward rate achieved over the six-month period was R16.8273. The hedge was delivered into in July and August and the balance closed out in September 2016. The average rate achieved on delivery and close out was R13.8010, resulting in a positive cash flow of US\$14 million.

### **Hedges entered into subsequent to year-end**

#### *Ghana gold hedge*

In January 2018, 409,000 ounces of gold were hedged by the Ghanaian operations for the period January 2018 to December 2018 using zero-cost collars with an average floor price of US\$1,300.00 per ounce and an average cap price of US\$1,409.34 per ounce.

#### *Australia gold hedge*

In February and March 2018, the Australian operations entered into a combination of forward sales agreements and zero-cost collars for the period February 2018 to December 2018 for 321,000 ounces of gold. The average forward price on 221,000 ounces is A\$1,713.83 per ounce and on 100,000 ounces the cap price is A\$1,750 per ounce and the floor price is A\$1,700 per ounce.

### **Foreign exchange loss**

The foreign exchange loss decreased by 33% from US\$6 million in 2016 to US\$4 million in 2017.

These gains or losses on foreign exchange related to the conversion of offshore cash holdings into their functional currencies. The exchange loss of US\$4 million was due to the weakening of the Ghanaian Cedi and the strengthening of the Australian Dollar, while US\$6 million in 2016 were mainly due to the weakening of the Ghanaian Cedi.

**Table of Contents**

**102 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**Other costs, net**

Other costs, net increased by 12% from US\$17 million in 2016 to US\$19 million in 2017.

The costs in 2017 are mainly made up of:

- Social contributions and sponsorships of US\$20 million;
- Offshore structure costs of US\$11 million;
- Corporate related costs of US\$1 million; and
- Rehabilitation income of US\$14 million as a result of changes in estimates relating to the provision for environmental rehabilitation costs recognised in profit or loss.

The costs in 2016 are mainly made up of:

- Social contributions and sponsorships of US\$19 million;
- Facility charges of US\$8 million on borrowings;
- Offshore structure costs of US\$9 million;
- Corporate related costs of US\$4 million;
- GFA margin improvement project of US\$5 million;
- Profit of US\$18 million on the buy-back of notes; and
- Rehabilitation income of US\$10 million as a result of changes in estimates relating to the provision for environmental rehabilitation costs recognised in profit or loss.

**Share-based payments**

Gold Fields recognises the cost of share options granted (share-based payments) in terms of IFRS 2 *Share-based Payment*.

Gold Fields has adopted appropriate valuation models (Black-Scholes and Monte Carlo simulation) to fair value share-based payments. The value of the share options is determined at the grant date of the options and depending on the rules of the plan expensed on a straight-line basis over a three-year vesting period, adjusted for forfeitures as appropriate.

Share-based payments increased by 93% from US\$14 million in 2016 to US\$27 million in 2017. The corresponding entry for the share-based payment expense was the share-based payment reserve within shareholders' equity.

The charge in 2017 related to a new allocation in 2017 in addition to the 2016 allocation, as well as positive marked-to-market adjustments relating to the free cash flow margin portion of the awards. The charge in 2016 related only to the 2016 share-based payment allocation and a marginal positive marked-to-market adjustment.

### **Long-term incentive plan expense**

Gold Fields recognises the long-term incentive plan expense in terms of IAS 19 *Employee Benefits*.

On 1 March 2014, the Remuneration Committee approved the Gold Fields Limited Long-Term Incentive Plan ( LTIP ). The plan provides for executive directors, certain officers and employees to receive a cash award conditional on the achievement of specified performance conditions relating to total shareholder return and free cash flow margin. The conditions are assessed over the performance cycle which runs over three calendar years. The expected timing of the cash outflows in respect of each grant is at the end of three years after the original award was made.

These awards are measured on the date the award is made and remeasured at each reporting period. The total shareholder return portion of the award is measured using the Monte Carlo simulation valuation model, which requires assumptions regarding the share price volatility and expected dividend yield. The fair value of the free cash flow portion of the award is valued based on the actual and expected achievement of the cash flow targets set out in the plan. The assumptions used in the Monte Carlo model and the expected cash flow targets are reviewed at each reporting date.

No allocations were made under the LTIP in 2016 and 2017 following the introduction of the revised Gold Fields Limited 2012 share plan.

The LTIP expense decreased by 55% from US\$11 million in 2016 to US\$5 million in 2017. The decrease was due to negative marked-to-market adjustments relating to the share price portion of the incentive scheme as well as expensing of only one LTIP allocation in 2017 due to the scheme coming to an end. The charge in 2016 related to two LTIP allocations and negative marked-to-market adjustments.

AFR-104



**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **103****Exploration expense**

The exploration expense increased by 28% from US\$86 million in 2016 to US\$110 million in 2017.

**United States Dollar**

*Figures in millions unless otherwise stated*

	2017	2016
Australia	52	42
Salares Norte	53	39
Arctic Platinum Project ( APP )	1	1
Exploration office costs	4	5
Total exploration expense	110	86

In 2017, Australia spent US\$75 million on exploration of which US\$52 million was expensed in the income statement.

In 2016, Australia spent US\$69 million on exploration of which US\$42 million was expensed in the income statement.

**Share of results of equity accounted investees, net of taxation**

Share of results of equity accounted investees, net of taxation decreased by 50% from a loss of US\$2 million in 2016 to a loss of US\$1 million in 2017 and related mainly to activities at FSE.

During 2017, Gold Fields equity accounted for Far South East Resources Incorporated ( FSE ) and Maverix Metals Incorporated ( Maverix ). During 2016, Gold Fields accounted for FSE only.

FSE's share of results of equity accounted investees, net of taxation decreased by 50% from a loss of US\$2 million in 2016 to a loss of US\$1 million in 2017.

On 23 December 2016, Gold Fields sold a portfolio of 11 producing and non-producing royalties to Maverix in exchange for 42.85 million common shares and 10.0 million common share purchase warrants of Maverix. The share of results of equity accounted investees, net of taxation for Maverix was US\$nil for 2017, representing 27.9% (2016: 32.3%) shareholding.

#### **Restructuring costs**

Restructuring costs decreased by 25% from US\$12 million in 2016 to US\$9 million in 2017. The cost in 2017 relates mainly to separation packages in South Deep, Damang (related to the conversion from owner to contractor mining implemented in 2017) and Tarkwa and the cost in 2016 relates mainly to separation packages in Damang and Granny Smith.

#### **Silicosis settlement costs**

Silicosis settlement costs were US\$30.2 million in 2017 compared to US\$nil in 2016.

A consolidated application was brought against several South African mining companies, including Gold Fields, for certification of a class action on behalf of current or former mineworkers (and their dependants) who have allegedly contracted silicosis and/or tuberculosis while working for one or more of the mining companies listed in the application.

During 2017, as a result of the ongoing work of the Working Group (refer note 35 of the consolidated financial statements for further details) and engagements with affected stakeholders since 31 December 2016, Gold Fields provided an amount of US\$30 million for its share of the estimated cost in relation to the Working Group of a possible settlement of the class action claims and related costs. The nominal value of this provision was US\$41 million.

AFR-105

**Table of Contents****104 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

**Impairment, net of reversal of impairment of investments and assets**

Impairment, net of reversal of impairment of investments and assets increased by 160% from US\$77 million in 2016 to US\$200 million in 2017.

United States Dollar

*Figures in millions unless otherwise stated*

	2017	2016
Cerro Corona redundant assets	1	
Tarkwa mining fleet	7	
Damang Rex pit assets	4	
South Deep goodwill	278	
Listed and unlisted investments	4	
Cerro Corona CGU	(53)	66
APP	(39)	
Damang mining fleet		2
Damang write-down to net realisable value		8
	200	77

The impairment charge of US\$200 million in 2017 comprises:

US\$1 million impairment of redundant assets at Cerro Corona;

US\$7 million asset-specific impairment at Tarkwa, relating to aged, high maintenance and low effectiveness mining fleet that is no longer used;

US\$4 million asset-specific impairment at Damang, relating to all assets at the Rex pit. Following a series of optimisations, the extensional drilling, completed in 2017, failed to deliver sufficient tonnages at viable grades to warrant further work;

US\$278 million cash-generating unit impairment at South Deep, the impairment is due to a reduction in the gold price assumptions, a lower resource price and a deferral of production. The main assumptions used were:

Gold price of R525,000 per kilogram;  
Resource price of US\$17 per ounce at a Rand/US\$ Dollar exchange rate of R12.58;  
Resource ounces of 29.0 million ounces;  
Life-of-mine of 77 years; and  
Discount rate of 13.5% nominal.

US\$4 million impairment of listed and unlisted investments.

The above were partially offset by the following reversal of impairments:

US\$53 million reversal of cash-generating unit impairment at Cerro Corona. The reversal of the impairment is due to a higher net present value due to the completion of a pre-feasibility study in 2017 extending the life-of-mine from 2023 to 2030 by optimising the tailings density and increasing the tailings capacity by using in-pit tailings after mining activities end. The main assumptions used were:

Gold price of US\$1,200 per ounce for 2018 and US\$1,300 per ounce for 2019 onwards;  
Copper price of US\$2.50 per pound for 2018 and US\$2.80 per pound for 2019 onwards;  
Resource price of US\$41 per ounce;  
Life-of-mine of 13 years; and  
Discount rate of 4.8%.

US\$39 million reversal of APP impairment. During 2017, active marketing activities continued for APP and as a result, a sale agreement was completed comprising a purchase offer of US\$40 million cash and a 2% net smelter refiner royalty on all metals. As a result, the impairment previously recorded, was reversed up to the value of the selling price.

The impairment charge of US\$77 million in 2016 comprises:

US\$2 million asset-specific impairment at Damang, relating to inoperable mining fleet that is no longer used under the current life-of-mine plan;

US\$8 million write down of assets held for sale. Following the Damang reinvestment plan, a decision was taken to sell certain mining fleet assets and related spares. The sale of the assets was concluded during 2017. As a result, the assets were classified as held for sale and valued at the lower of fair value less costs of disposal ( FVLCOD ) or carrying value which resulted in an impairment; and

US\$66 million cash-generating unit impairment at Cerro Corona. The impairment was due to the reduction in gold and copper reserves due to depletion, a decrease in the gold and copper price assumptions for 2017 and 2018, a lower resource price and an increase in the Peru tax rate from 2017 onwards.

AFR-106

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **105****Profit on disposal of investments**

The profit on the disposal of investments was US\$nil in 2017 compared with US\$2 million in 2016.

The profit on disposal of investments of US\$2 million in 2016 related mainly to the profit on disposal of shares in Sibanye Gold Limited.

**Profit/(loss) on disposal of assets**

Profit on disposal of assets decreased by 92% from US\$48 million in 2016 to US\$4 million in 2017.

The major disposals in 2017 related mainly to the sale of redundant assets at Agnew and Tarkwa.

Profit on disposal of assets of US\$48 million in 2016 related to the sale of royalties as part of the Maverix transaction.

**Royalties**

Royalties decreased by 21% from US\$78 million in 2016 to US\$62 million in 2017 and are made up as follows:

**United States Dollar**

*Figures in millions unless otherwise stated*

	2017	2016
South Africa	2	2
Ghana	27	44
Peru	5	5
Australia	28	27
	62	78

The royalty in South Africa remained flat at US\$2 million.

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

The royalty in Ghana decreased by 39% from US\$44 million in 2016 to US\$27 million in 2017 due to the introduction in 2017 of a sliding scale for royalty rates, linked to the prevailing gold price. The royalty rate per the sliding scale for 2017 was 3% (2016: fixed at 5% of total revenue earned from minerals obtained).

The royalty in Peru remained flat at US\$5 million.

The royalty in Australia decreased in Australian Dollar terms from A\$39 million in 2016 to A\$36 million in 2017, however, increased in United States Dollar terms due to the strengthening of the Australian Dollar against the United States Dollar.

### **Mining and income tax**

Mining and income tax charge decreased by 9% from US\$190 million in 2016 to US\$173 million in 2017.

As a result of the correction of the amortisation and depreciation methodology at the Australian operations, mining and income tax in 2016 decreased by 1% from US\$192 million to US\$190 million.

The table below indicates Gold Fields' effective tax rate in 2017 and 2016:

### **United States Dollar**

*Figures in millions unless otherwise stated*

	2017	2016
Income and mining tax charge (US\$ million)	(173)	(190)
Effective tax rate (%)	113.6	53.0

In 2017, the effective tax rate of 113.6% was higher than the maximum South African mining statutory tax rate of 34%, mainly due to the tax effect of the following:

- US\$19 million adjustment to reflect the actual realised company tax rates in South Africa and offshore;
- US\$13 million deferred tax assets not recognised on reversal of impairment of APP;
- US\$5 million deferred tax movement on Peruvian Nuevo Sol devaluation against US Dollar;
- US\$7 million utilisation of tax losses not previously recognised at Damang; and
- US\$20 million deferred tax assets recognised at Cerro Corona and Damang.

AFR-107

**Table of Contents**

**106 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

The above were offset by the following tax-effected charges:

- US\$29 million non-deductible charges comprising share-based payments (US\$9 million) and exploration expense (US\$20 million);
- US\$24 million non-deductible interest paid;
- US\$95 million impairment of South Deep goodwill;
- US\$13 million deferred tax assets not recognised at Cerro Corona and Damang;
- US\$5 million of net non-deductible expenditure and non-taxable income;
- US\$10 million deferred tax raised on unremitted earnings at Tarkwa; and
- US\$5 million of various Peruvian non-deductible expenses.

In 2016, the effective tax rate of 53.0% was higher than the maximum South African mining statutory tax rate of 34%, mainly due to the tax effect of the following:

- US\$22 million adjustment to reflect the actual realised company tax rates in South Africa and offshore;
- US\$9 million deferred tax released on the reduction of corporate tax rate at the Ghanaian operations, partially offset by the increase in tax rate at Cerro Corona;
- US\$6 million non-taxable profit on the buy-back of notes; and
- US\$1 million non-taxable profit on disposal of investments.

The above were offset by the following tax-effected charges:

- US\$20 million non-deductible charges comprising share-based payments (US\$5 million) and exploration expense (US\$15 million);
- US\$24 million non-deductible interest paid;
- US\$1 million deferred tax charge on Peruvian Nuevo Sol devaluation against US Dollar;
- US\$35 million deferred tax assets not recognised at Cerro Corona and Damang;
- US\$10 million of net non-deductible expenditure and non-taxable income;
- US\$1 million of non-deductible share of results of associates after taxation; and
- US\$8 million of various Peruvian non-deductible expenses.

**(Loss)/profit from continuing operations**

As a result of the factors discussed above, a loss from continuing operations of US\$21 million in 2017 compared with a profit from continuing operations of US\$168 million in 2016.

As a result of the correction of the amortisation and depreciation methodology at the Australian operations, the profit from continuing operations in 2016 decreased by 3% from US\$173 million to US\$168 million.

## **DISCONTINUED OPERATIONS**

### **Profit from discontinued operations, net of tax**

Profit from discontinued operations was US\$13 million in 2017 compared to US\$1 million in 2016.

The main reason for the increase was the profit on disposal of Darlot of US\$24 million (US\$16 million after tax) partially offset by the loss from operating activities relating to nine months to 30 September 2017 (disposal date) of US\$3 million in 2017 as compared to profit from operating activities of US\$1 million in 2016.

Revenue decreased by 41% from US\$83 million in the 12 months to December 2016 to US\$49 million in the nine months to September 2017. Gold sales decreased by 41% from 66,400 ounces for the 12 months to December 2016 to 39,200 ounces for the nine months to September 2017 due to lower grades mined and a three-month shorter period accounted for in 2017.

Cost of sales before gold inventory change and amortisation and depreciation decreased by 21% from A\$77 million (US\$57 million) in the 12 months to December 2016 to A\$61 million (US\$46 million) for the nine months to September 2017 due to a three-month shorter period in 2017.

In terms of gold inventory change, the charge to costs of A\$1 million (US\$1 million) for the nine months to September 2017 compared with A\$1 million (US\$nil million) for the 12 months to December 2016.

Amortisation and depreciation decreased by 79% from A\$19 million (US\$14 million) for the 12 months to December 2016 to A\$4 million (US\$4 million) to the nine months to September 2017 due to a lower property, plant and equipment balance at end of 2016 due to limited life-of-mine as well as a three-month shorter period accounted for in 2017.

Other costs decreased by 71% from US\$7 million in 2016 to US\$2 million in 2017 in line with reduction of activities.

Royalties decreased by 50% from US\$2 million in 2016 to US\$1 million in 2017 in line with lower revenue on which they are calculated.

Mining and income tax increased by 500% from US\$1 million in 2016 to US\$6 million in 2017 due to the taxation charge on the profit realised on disposal of Darlot of US\$24 million.



**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **107**

**AISC and AIC discontinued operation**

At the discontinued operation, Darlot, all-in sustaining costs and total all-in costs increased by 13% from A\$1,662 per ounce (US\$1,238 per ounce) in for the 12 months in 2016 to A\$1,874 per ounce (US\$1,432 per ounce) for the nine months to December 2017 due to lower gold sold and a higher gold inventory charge to costs compared to a credit to costs in 2016, partially offset by lower cost of sales before gold inventory change and amortisation and depreciation and lower capital expenditure.

**(Loss)/profit for the year continuing and discontinued operations**

A loss of US\$8 million in 2017 compared with a profit of US\$169 million in 2016.

As a result of the correction of the amortisation and depreciation methodology at the Australian operations, the profit for the year in 2016 decreased by 3% from US\$174 million to US\$169 million.

**(Loss)/profit attributable to owners of the parent**

A loss attributable to owners of the parent of US\$19 million in 2017 compared to a profit of US\$158 million in 2016.

The loss attributable to owners of the parent of US\$19 million in 2017 comprised US\$32 million loss attributable to owners of the parent from continuing operations and US\$13 million profit attributable to owners of the parent from discontinued operations.

The profit attributable to owners of the parent of US\$158 million in 2016 comprised US\$157 million profit attributable to owners of the parent from continuing operations and US\$1 million profit attributable to owners of the parent from discontinued operations.

**Profit attributable to non-controlling interests**

Profit attributable to non-controlling interests remained flat at US\$11 million.

The non-controlling interest consists of Gold Fields Ghana (Tarkwa) and Abooso Goldfields (Damang) at 10% each at the end of 2017 and 2016 and Gold Fields La Cima (Cerro Corona) at 0.47% at the end of 2017 and 2016.

Edgar Filing: GOLD FIELDS LTD - Form 20-F

The amount making up the non-controlling interest is shown below:

	2017	2016	2017	2016
	Minority interest Effective*	Minority interest Effective*	US\$ million	US\$ million
Gold Fields Ghana Limited Tarkwa	10.0%	10.0%	9	12
Abosso Goldfields Damang	10.0%	10.0%	2	(1)
Gold Fields La Cima Cerro Corona	0.47%	0.47%	11	11

*\*Average for the year.*

**(Loss)/earnings per share from continuing operations**

As a result of the above, Gold Fields loss of US\$0.04 per share from continuing operations in 2017 compared with earnings of US\$0.19 per share from continuing operations in 2016.

**Earnings per share from discontinued operations**

Earnings of US\$0.02 per share from discontinued operations in 2017 compared with US\$nil earnings per share from discontinued operations in 2016.

AFR-109

**Table of Contents****108 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**LIQUIDITY AND CAPITAL RESOURCES YEARS ENDED 31 DECEMBER 2018 AND  
31 DECEMBER 2017 CASH RESOURCES**

**Cash flows from operating activities**

Cash inflows from operating activities decreased by 27% from US\$762 million in 2017 to US\$558 million in 2018. The items comprising these are discussed below.

**CONTINUING OPERATIONS**

Cash generated by continuing operations decreased by 26% from US\$756 million in 2017 to US\$558 million in 2018.

The decrease of US\$198 million was due to:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
Decrease in cash generated from operations due to lower gold sold and higher restructuring costs	<b>(289)</b>
Increase in interest received due to higher cash balances	<b>2</b>
Decrease in investment in working capital <sup>1</sup>	<b>53</b>
Increase in interest paid due to higher borrowings	<b>(1)</b>
Decrease in taxes paid	<b>23</b>
Decrease in dividends paid due to lower normalised earnings, partially offset by higher dividends paid to non-controlling interests	<b>14</b>
	<b>(198)</b>

<sup>1</sup> In 2017, A\$78 million (US\$60 million) payment was made in respect of the deferred portion of the purchase price of the Group's 50% share of the Gruyere Gold project.

Dividends paid decreased from US\$71 million in 2017 to US\$57 million in 2018. The dividends paid of US\$57 million in 2018 comprised dividends paid to ordinary shareholders of US\$45 million, dividends paid to non-controlling interests in Ghana and Peru of US\$10 million and South Deep BEE dividend of US\$2 million.

The dividends paid of US\$71 million in 2017 comprised dividends paid to ordinary shareholders of US\$63 million, dividends paid/advanced to non-controlling interests in Ghana and Peru of US\$6 million and South Deep BEE dividend of US\$2 million.

## DISCONTINUED OPERATIONS

Cash generated by discontinued operations decreased from US\$7 million in 2017 to US\$nil in 2018 due to the sale of Darlot in 2017.

### Cash flows from investing activities

Cash outflows from investing activities decreased by 2% from US\$909 million in 2017 to US\$887 million in 2018.

## CONTINUING OPERATIONS

Cash utilised in continuing operations decreased by 2% from US\$902 million in 2017 to US\$887 million in 2018.

The decrease of US\$15 million was due to:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
Decrease in additions to property, plant and equipment	<b>19</b>
Increase in proceeds on disposal of property, plant and equipment	<b>56</b>
Purchase of Asanko Gold joint venture investment	<b>(165)</b>
Decrease in purchase of investments	<b>61</b>
Increase in proceeds on disposal of investments	<b>1</b>
Proceeds on disposal of APP 2018	<b>40</b>
Proceeds on disposal of Darlot 2017	<b>(5)</b>
Decrease in environmental trust funds and rehabilitation payments	<b>9</b>
	<b>15</b>

AFR-110

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **109****Additions to property, plant and equipment**

Capital expenditure increased by 2% from US\$834 million in 2017 to US\$814 million in 2018.

**United States Dollar**

*Figures in millions unless*

*otherwise stated*

	2018			2017		
	Remaining capital	Growth capital	Total capital	Remaining capital	Growth capital	Total capital
South Deep	40	18	58	66	17	82
<b>South African region</b>	<b>40</b>	<b>18</b>	<b>58</b>	66	17	82
Tarkwa	156		156	181		181
Damang	14	125	139	17	115	132
Asanko <sup>1</sup>	8	5	13			
<b>Ghanaian region</b>	<b>178</b>	<b>130</b>	<b>308</b>	198	115	313
Cerro Corona	33		33	34		34
<b>South American region</b>	<b>33</b>		<b>33</b>	34		34
St Ives	127		127	156		156
Agnew/Lawlers	73		73	74		74
Granny Smith	79		79	87		87
<b>Australian region</b>	<b>279</b>		<b>279</b>	317		317
Gruyere		134	134		81	81
Other	2	13	15	3	4	7
<b>Capital expenditure</b>						
<b>(including Asanko)</b>	<b>532</b>	<b>295</b>	<b>827</b>	617	217	834
<b>Capital expenditure</b>	<b>524</b>	<b>290</b>	<b>814</b>	617	217	834

(excluding Asanko)

<sup>1</sup> *Equity accounted joint venture.*

Capital expenditure at South Deep in South Africa decreased by 30% from R1,099 million (US\$82 million) in 2017 to R770 million (US\$58 million) in 2018. The capital expenditure of R770 million (US\$58 million) in 2018 comprised R528 million (US\$40 million) sustaining capital and R242 million (US\$18 million) growth capital. The capital expenditure of R1,099 million (US\$82 million) in 2017 comprised R874 million (US\$66 million) sustaining capital and R225 million (US\$17 million) growth capital.

This decrease was due to lower spending on fleet and surface infrastructure, partially offset by higher expenditure on new mine development infrastructure and more metres developed compared to 2017.

Capital expenditure at the Ghanaian operations (excluding Asanko) decreased by 6% from US\$313 million in 2017 to US\$295 million in 2018:

Tarkwa decreased by 14% from US\$181 million in 2017 to US\$156 million in 2018 mainly due to the lower expenditure on mining fleet as a consequence of the conversion from owner mining to contractor mining. All capital related to sustaining capital;

Damang increased by 5% from US\$132 million in 2017 to US\$139 million in 2018 with the majority spent on waste stripping due to the reinvestment project. The capital expenditure of US\$139 million in 2018 comprised US\$14 million sustaining capital and US\$125 million growth capital. The capital expenditure of US\$132 million in 2017 comprised US\$17 million sustaining capital and US\$115 million growth capital; and

Asanko incurred total capital expenditure of US\$13 million for the five months ended December 2018 comprising sustaining capital expenditure of US\$8 million and non-sustaining capital expenditure of US\$5 million. Non-sustaining capital expenditure included construction of the haul road and other expenditure related to the Esaase project, which commenced production in early 2019. (Asanko is an equity accounted joint venture and not included in the Group or Ghanaian operation's figures.)

Capital expenditure at Cerro Corona in Peru decreased by 3% from US\$34 million in 2017 to US\$33 million in 2018. All capital related to sustaining capital:

The decrease is due to lower expenditure on the tailings dam and waste storage facilities.

AFR-111

## **Table of Contents**

### **110 The Gold Fields Annual Financial Report including Governance Report 2018**

Management's discussion and analysis

of the financial statements (continued)

Capital expenditure at the Australian operations decreased by 10% from A\$414 million (US\$317 million) in 2017 to A\$373 million (US\$279 million):

St Ives decreased by 17% from A\$204 million (US\$156 million) to A\$170 million (US\$127 million) in 2018 mainly due to lower capital development in the open pits following completion of mining activities at Invincible open pit stage 5 (A\$54 million/US\$41 million), partially offset by increased capital development at the new Invincible underground mine (A\$25 million/US\$19 million);

Agnew/Lawlers increased by 2% from A\$96 million (US\$74 million) to A\$98 million (US\$73 million) in 2018. Capital expenditure in 2018 included A\$7 million (US\$5 million) for the new camp. All capital related to sustaining capital; and

Granny Smith decreased by 8% from A\$114 million (US\$87 million) to A\$105 million (US\$79 million) in 2018 due to the completion of the VR8 ventilation shaft in 2017. The majority of capital expenditure related to development and infrastructure at the Wallaby mine, exploration and the development of a paste plant and associated infrastructure. All capital related to sustaining capital.

Capital expenditure at Gruyere increased by 70% from A\$106 million (US\$81 million) to A\$180 million (US\$134 million) due to project construction activities. All capital related to growth capital.

### **Proceeds on disposal of property, plant and equipment**

Proceeds on the disposal of property, plant and equipment increased by 243% from US\$23 million in 2017 to US\$79 million in 2018. In 2018, the proceeds related mainly to the disposal of fleet in Tarkwa of US\$73 million as part of the conversion to contractor mining and the balance related to the sale of various redundant assets. In 2017, the proceeds related mainly to the disposal of fleet in Damang of US\$17 million and the balance related to the sale of various redundant assets.

### **Purchase of Asanko Gold joint venture investment**

Purchase of Asanko of US\$165 million in 2018 related to the JV transaction with Asanko which was completed on 31 July 2018. Gold Fields acquired a 50% stake in Asanko's 90% interest in the Asanko Gold Mine in Ghana.

### **Purchase of investments**

Investment purchases decreased by 76% from US\$80 million in 2017 to US\$19 million in 2018.

The purchase of investments of US\$19 million in 2018 comprised:

*Figures in millions unless otherwise stated*

Asanko Gold Inc  
Lefroy Exploration Limited

United States Dollar
18
1
19

The purchase of investments of US\$80 million in 2017 comprised:

*Figures in millions unless otherwise stated*

Red 5 Limited  
Cardinal Resources Limited  
Gold Road Resources Limited

United States Dollar
5
20
55
80

### **Proceeds on disposal of investments**

Proceeds on the disposal of investments increased by 100% from US\$nil in 2017 to US\$1 million in 2018.

The proceeds on disposal of investments of US\$1 million in 2018 related to the disposal of various investments.

### **Proceeds on disposal of APP**

On 24 January 2018, Gold Fields sold APP to a Finnish subsidiary of private equity fund CD Capital Natural Resources Fund III for US\$40 million.

### **Proceeds on disposal of Darlot**

In 2017, Gold Fields sold the Darlot mine in Western Australia, through a wholly owned subsidiary, to ASX-listed Red 5 Limited ( Red 5 ) for a total consideration of A\$18.5 million, comprising A\$12 million in cash and 130 million Red 5 shares. The cash component was made up of an upfront amount of A\$7 million (US\$5 million) which could be converted into participation in a Red 5 rights issue and A\$5 million deferred for up to 24 months. The deferred consideration may be taken as additional shares in Red 5 or as cash at Gold Fields election. The gain on disposal of Darlot was A\$31 million (US\$24 million).



**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **111**

The sale of Darlot was completed on 2 October 2017. Gold Fields received the relevant cash consideration of US\$5 million and converted it into participation in a rights issue, as well as the issue of the Red 5 shares as part of the consideration. Gold Fields participated in a rights issue by Red 5 and received 117 million additional shares valued at A\$6 million (US\$5 million). Gold Fields has a 19.9% shareholding in Red 5 with a market value of A\$15 million (US\$11 million).

**Contributions to environmental trust funds**

The contributions to environmental trust fund decreased by 53% from US\$17 million in 2017 to US\$8 million in 2018.

The contributions to environmental trust funds of US\$8 million in 2018 comprised:

*Figures in millions unless otherwise stated*

South Deep mine environmental trust fund  
Tarkwa mine environmental trust fund

United States Dollar	
	1
	7
	8

The contributions to environmental trust funds of US\$17 million in 2017 comprised:

*Figures in millions unless otherwise stated*

South Deep mine environmental trust fund

United States Dollar	
	3

Tarkwa mine environmental trust fund	6
Ongoing rehabilitation payments <sup>1</sup>	8
	17

<sup>1</sup> Ongoing rehabilitation payments were allocated to cash flows from operating activities in 2018.

## **DISCONTINUED OPERATIONS**

Cash utilised in discontinued operations decreased by 100% from US\$7 million in 2017 to US\$nil in 2018 due to the sale of Darlot in 2017.

### **Cash flows from financing activities**

Cash inflows from financing activities increased by 206% from US\$84 million in 2017 to US\$257 million in 2018. The items comprising these numbers are discussed below.

## **CONTINUING OPERATIONS**

Cash generated by continuing operations increased by 206% from US\$84 million in 2017 to US\$257 million in 2018.

The increase of US\$173 million was due to:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
Decrease in loans raised	(88)
Decrease in loans repaid	264
Increase in payment of finance lease liability	(3)
	173

AFR-113

**Table of Contents****112 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

**Loans raised**

Loans raised decreased by 11% from US\$780 million in 2017 to US\$692 million in 2018.

The US\$692 million loans raised in 2018 comprised:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
A\$500 million syndicated revolving credit facility	<b>120</b>
US\$1,290 million term loan and revolving credit facilities	<b>383</b>
R1,500 million Nedbank revolving credit facility	<b>21</b>
R500 million Standard Bank revolving credit facility <sup>1</sup>	<b>14</b>
R500 million Absa revolving credit facility <sup>2</sup>	<b>36</b>
Short-term Rand uncommitted credit facilities	<b>118</b>
	<b>692</b>

***Credit facilities financing and refinancing***

<sup>1</sup> On 27 March 2017, Gold Fields Operations Limited and GFI Joint Venture Holdings Proprietary Limited entered into a R500 million revolving credit facility with the Standard Bank of South Africa Limited which became available on 31 March 2017. The purpose of this facility was to fund (i) capital expenditure of the Gold Fields group, and (ii) general corporate and working requirements of the Gold Fields group. The final maturity date of this facility is three years from the financial close date, namely 31 March 2020. The Group only drew down under this facility in 2018.

<sup>2</sup> On 27 March 2017, Gold Fields Operations Limited and GFI Joint Venture Holdings Proprietary Limited entered into a R500 million revolving credit facility with Absa Bank Limited which became available on 31 March 2017. The purpose of this facility was to fund (i) capital expenditure of the Gold Fields group, and (ii) general corporate and working requirements of the Gold Fields group. The final maturity date of this facility is three years from the financial close date, namely 31 March 2020. The Group only drew down

under this facility in 2018.

The US\$780 million loans raised in 2017 comprised:

*Figures in millions unless otherwise stated*

	United States Dollar
US\$150 million revolving senior secured credit facility <sup>1</sup> new	84
US\$100 million revolving senior secured credit facility <sup>2</sup>	45
A\$500 million syndicated revolving credit facility <sup>3</sup>	237
US\$1,290 million term loan and revolving credit facilities	73
R1,500 million Nedbank revolving credit facility	79
Short-term Rand uncommitted credit facilities	262
	<b>780</b>

### ***Credit facilities financing and refinancing***

<sup>1</sup> On 19 September 2017, Gold Fields La Cima S.A. entered into a US\$150 million revolving senior secured credit facility with Banco de Crédito del Perú and Scotiabank Perú S.A.A. which became available on 20 September 2017. The purpose of this facility was (i) to refinance the US\$200 million revolving senior secured credit facility; (ii) to finance the working capital requirements of the borrower; and (iii) for the general corporate purposes of the borrower. The final maturity date of this facility is three years from the date of the agreement, namely 19 September 2020.

<sup>2</sup> On 12 June 2017, Gold Fields Ghana Limited and Abooso Goldfields Limited entered into a US\$100 million senior secured revolving credit facility with the Standard Bank of South Africa Limited (acting through its Isle of Man branch) which became available on 17 July 2017. The purpose of this facility was (i) to refinance the outstanding balance of US\$45 million under the US\$70 million senior secured revolving credit facility (which matured on 17 July 2017); (ii) to finance working capital requirements; (iii) for general corporate purposes; and (iv) for capital expenditure purposes of each borrower. The final maturity date of this facility is three years from the financial close date, namely 17 July 2020.

<sup>3</sup> On 24 May 2017, Gruyere Holdings entered into a A\$500 million revolving credit facility which became available on 13 June 2017 with a syndicate of international banks and financial institutions. The purpose of this facility is to finance capital expenditure in respect of the Gruyere Gold project and to fund general working capital requirements. The final maturity date of this facility is three years from the agreement date, namely 13 June 2020.

### **Loans repaid**

Loans repaid decreased by 38% from US\$696 million in 2017 to US\$432 million in 2018.

The US\$432 million loans repaid in 2018 comprised:

*Figures in millions unless otherwise stated*

	United States Dollar
US\$1,290 million term loan and revolving credit facility	180
R1,500 million Nedbank revolving credit facility	108
Short-term Rand uncommitted credit facilities	144

AFR-114

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **113**

The US\$696 million loans repaid in 2017 comprised:

*Figures in millions unless otherwise stated*

US\$150 million revolving senior secured credit facility	old
US\$70 million revolving senior secured credit facility	
US\$1,290 million term loan and revolving credit facility	
Short-term Rand uncommitted credit facilities	

<b>United States Dollar</b>
-------------------------------------

<b>82</b>
<b>45</b>
<b>352</b>
<b>217</b>
<b>696</b>

**Payment of finance lease liabilities**

The US\$3 million payment in 2018 related mainly to the power purchase agreements entered into at Gruyere and Granny Smith.

**DISCONTINUED OPERATIONS**

Cash generated by discontinued operations was US\$nil in 2018 and 2017.

**Net cash utilised**

As a result of the above, net cash utilised increased by 16% from US\$62 million in 2017 to US\$72 million in 2018.

Cash and cash equivalents decreased by 16% from US\$479 million at 31 December 2017 to US\$400 million at 31 December 2018.

**Cash flow from operating activities less net capital expenditure, environmental payments and finance lease payments ( net cash flow )**

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

This is a measure that management uses to measure the cash generated by the core business. Cash flow from operating activities less net capital expenditure, environmental payments and finance lease payments is defined as net cash from operations adjusted for South Deep BEE dividend, additions to property, plant and equipment, proceeds on disposal of property, plant and equipment, environmental trust funds payments and finance lease payments per the statement of cash flows.

The cash outflow increased from US\$2 million in 2017 to US\$132 million in 2018. The main reasons for the increase was that net cash from operations decreased from US\$826 million in 2017 to US\$615 million in 2018 mainly due to lower gold sold, higher restructuring costs, partially offset by lower taxes paid and lower investment in working capital. Additions to property plant and equipment decreased from US\$834 million in 2017 to US\$814 million in 2018 due to a decrease in sustaining capital across all operations, partially offset by an increase in growth capital, being growth capital at Damang of US\$125 million (2017: US\$115 million), the growth capital at South Deep of US\$18 million (2017: US\$17 million) and Gruyere project capital of US\$134 million (2017: US\$81 million).

Below is a table reconciling the cash flow from operating activities less net capital expenditure, environmental payments and finance lease payments to the statement of cash flows.

### United States Dollar

*Figures in millions unless otherwise stated*

	<b>2018</b>	2017
Net cash from operations	<b>615</b>	826
South Deep BEE dividend	<b>(2)</b>	(1)
Additions to property, plant and equipment	<b>(814)</b>	(834)
Proceeds on disposal of property, plant and equipment	<b>79</b>	23
Environmental trust funds and rehabilitation payments	<b>(8)</b>	(16)
Finance lease payments	<b>(2)</b>	
Cash flow from operating activities less net capital expenditure, environmental payments and finance lease payments	<b>(132)</b>	(2)

AFR-115

**Table of Contents****114 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

Below is a table providing a breakdown of how the cash was utilised by the Group.

United States Dollar

*Figures in millions unless otherwise stated*

	2018	2017
Net cash generated by mines before growth capital	334	441
Damang growth capital	(125)	(115)
South Deep growth capital	(18)	(17)
Net cash generated after growth capital	191	309
Gruyere project capital	(134)	(81)
Gruyere deferred payment and stamp duty		(60)
Salares Norte	(77)	(53)
Other exploration	(5)	(5)
Interest paid by corporate entities <sup>1</sup>	(75)	(72)
Other corporate costs and South Deep BEE dividend	(32)	(40)
Net outflow from operating activities less net capital expenditure and environmental payments	(132)	(2)

<sup>1</sup> Does not agree to interest paid per the cash flow of US\$91 million due to interest paid by the mines reflected under net cash generated by mines before growth capital.

## **LIQUIDITY AND CAPITAL RESOURCES – YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016 CASH RESOURCES**

### **Cash flows from operating activities**

Cash inflows from operating activities decreased by 17% from US\$918 million in 2016 to US\$762 million in 2017. The items comprising these are discussed below.



**CONTINUING OPERATIONS**

Cash inflows from operating activities from continuing operations decreased by 16% from US\$896 million in 2016 to US\$756 million in 2017.

The decrease of US\$140 million was due to:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
Increase in cash generated from operations due to higher revenue	<b>42</b>
Decrease in interest received due to lower cash balances	<b>(2)</b>
Increase in investment in working capital <sup>1</sup>	<b>(67)</b>
Increase in interest paid due to higher borrowings	<b>(9)</b>
Decrease in royalties paid due to lower royalty rates in Ghana	<b>10</b>
Increase in taxes paid	<b>(84)</b>
Increase in dividends paid due to higher normalised earnings and higher dividends paid/advanced to non-controlling interests	<b>(30)</b>
	<b>(140)</b>

<sup>1</sup> *Mainly due to A\$78 million (US\$60 million) payment made in respect of the deferred portion of the purchase price of the Group's 50% share of the Gruyere Gold project.*

Dividends paid increased from US\$41 million in 2016 to US\$71 million in 2017. The dividends paid of US\$71 million in 2017 comprised dividends paid to ordinary shareholders of US\$63 million, dividends paid/advanced to non-controlling interests in Ghana and Peru of US\$6 million and South Deep BEE dividend of US\$2 million.

The dividends paid of US\$41 million in 2016 comprised dividends paid to ordinary shareholders of US\$39 million, non-controlling interests in Peru of US\$1 million and South Deep BEE dividend of US\$1 million.

AFR-116

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **115****DISCONTINUED OPERATIONS**

Cash inflows from discontinued operating activities decreased by 68% from US\$22 million in 2016 to US\$7 million in 2017 mainly due to higher tax paid as well as the three-month shorter period accounted for in 2017.

**Cash flows from investing activities**

Cash outflows from investing activities increased by 5% from US\$868 million in 2016 to US\$909 million in 2017.

The increase of US\$41 million comprises an increase of US\$55 million for continuing operations and a decrease of US\$14 million for discontinued operations. The increase of US\$55 million was due to:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
Increase in additions to property, plant and equipment	<b>(205)</b>
Increase in proceeds on disposal of property, plant and equipment	<b>21</b>
Purchase of Gruyere Gold project assets	<b>197</b>
Increase in purchase of investments	<b>(67)</b>
Decrease in proceeds on disposal of investments	<b>(4)</b>
Proceeds on disposal of Darlot	<b>5</b>
Increase in environmental trust funds and rehabilitation payments	<b>(2)</b>
	<b>(55)</b>

**CONTINUING OPERATIONS**

Cash outflows from investing activities from continuing operations increased by 7% from US\$846 million in 2016 to US\$902 million in 2017. The increase of US\$56 million was due to reasons described below.

**Additions to property, plant and equipment**

Capital expenditure increased by 33% from US\$629 million in 2016 to US\$834 million in 2017.

**United States Dollar**

2017

2016

*Figures in millions unless*

*otherwise stated*

	Sustaining capital	Growth capital	Total capital	Sustaining capital	Growth capital	Total capital
South Deep	66	17	82	70	8	78
<b>South African region</b>	66	17	82	70	8	78
Tarkwa	181		181	168		168
Damang	17	115	132	38		38
<b>Ghanaian region</b>	198	115	313	206		206
Cerro Corona	34		34	43		43
<b>South American region</b>	34		34	43		43
St Ives	156		156	140		140
Agnew/Lawlers	74		74	70		70
Granny Smith	87		87	90		90
<b>Australian region</b>	317		317	300		300
Gruyere		81	81			
Other	3	4	7		1	1
<b>Capital expenditure</b>	617	217	834	620	9	629

Capital expenditure at South Deep in South Africa decreased by 4% from R1,145 million (US\$78 million) in 2016 to R1,099 million (US\$82 million) in 2017. The capital expenditure of R1,099 million (US\$82 million) in 2017 comprised R874 million (US\$66 million) sustaining capital and R225 million (US\$17 million) growth capital. The capital expenditure of R1,145 million (US\$78 million) in 2016 comprised R1,030 million (US\$70 million) sustaining capital and R115 million (US\$8 million) growth capital:

This decrease was due to lower spending on fleet, partially offset by higher expenditure on new mine development infrastructure and refrigeration infrastructure.

AFR-117

**Table of Contents**

**116 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

Capital expenditure at the Ghanaian operations increased by 52% from US\$206 million in 2016 to US\$313 million in 2017:

Tarkwa increased by 8% from US\$168 million to US\$181 million mainly due to the higher spend on mining fleet in 2017. All capital related to sustaining capital; and

Damang increased by 247% from US\$38 million to US\$132 million with the majority spent on waste stripping with the commencement of the reinvestment project. The capital expenditure of US\$132 million in 2017 comprised US\$17 million sustaining capital and US\$115 million growth capital. The capital expenditure of US\$38 million in 2016 comprised US\$38 million sustaining capital and US\$nil million growth capital.

Capital expenditure at Cerro Corona in Peru decreased by 21% from US\$43 million in 2016 to US\$34 million in 2017. All capital related to sustaining capital:

The decrease is due to lower expenditure on construction of the tailings dam and waste storage facilities, as a result of optimising the design and scope of the tailings dam and waste storage facilities as well as the renegotiation of the construction contract in 2017.

Capital expenditure at the Australian operations increased by 3% from A\$403 million (US\$300 million) in 2016 to A\$414 million (US\$317 million) in 2017:

St Ives increased by 9% from A\$188 million (US\$140 million) to A\$204 million (US\$156 million) due to increased expenditure on pre-stripping at the Invincible underground mine. All capital related to sustaining capital;

Agnew/Lawlers increased by 2% from A\$94 million (US\$70 million) to A\$96 million (US\$74 million) due to the crushing facility purchased for A\$5 million (US\$4 million). All capital related to sustaining capital;

Granny Smith decreased by 6% from A\$121 million (US\$90 million) to A\$114 million (US\$87 million). The majority of expenditure related to development and infrastructure at the Wallaby mine, exploration and purchases of mobile equipment. All capital related to sustaining capital; and

Gruyere increased by 9% from A\$nil million (US\$nil million) to A\$106 million (US\$81 million) due to project construction activities. All capital related to growth capital.

**Proceeds on disposal of property, plant and equipment**

Proceeds on the disposal of property, plant and equipment increased by 1,050% from US\$2 million in 2016 to US\$23 million in 2017. In 2017, the US\$23 million related mainly to the proceeds on disposal of fleet in Damang of US\$17 million and the balance related to the sale of various redundant assets. In 2016, the US\$2 million related to the sale of various redundant assets.

### Purchase of Gruyere Gold project assets

On 13 December 2016, Gold Fields purchased 50% of the Gruyere Gold project and entered into a 50:50 unincorporated joint venture with Gold Road Resources Limited ( Gold Road ) for the development and operation of the Gruyere Gold project in Western Australia, which comprises the Gruyere gold deposit as well as additional resources including Central Bore and Attila/Alaric.

Gold Fields acquired a 50% interest in the Gruyere Gold project for a total purchase consideration of A\$350.0 million payable in cash and a 1.5% royalty on Gold Fields' share of production after total mine production exceeds 2 million ounces. The cash consideration is split with A\$250.0 million payable on effective date and A\$100.0 million payable according to an agreed construction cash call schedule. Transaction and stamp duty costs of US\$19 million were incurred.

At 31 December 2016, Gruyere mining assets of US\$276 million (A\$372 million) were capitalised of which US\$197 million (A\$266 million) were cash additions and US\$79 million (A\$106 million) were non-cash additions.

The US\$197 million (A\$266 million) cash additions comprise the initial cash consideration of A\$250 million payable, as well as additional development costs. The US\$79 million (A\$106 million) non-cash additions comprise the initial A\$100 million payable, as well as stamp duties payable. Of the initial A\$100 million payable, A\$7 million was paid in 2016, A\$78 million in 2017 and A\$15 million remains outstanding at 31 December 2017.

### Purchase of investments

Investment purchases increased by 515% from US\$13 million in 2016 to US\$80 million in 2017.

The purchase of investments of US\$80 million in 2017 comprised:

*Figures in millions unless otherwise stated*

Red 5 Limited  
Cardinal Resources Limited  
Gold Road Resources Limited

United States Dollar
5
20
55
80

AFR-118

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **117**

The purchase of investments of US\$13 million in 2016 comprised:

*Figures in millions unless otherwise stated*

Cardinal Resource Limited

United  
States  
Dollar

13  
13

**Proceeds on disposal of investments**

Proceeds on the disposal of investments decreased from US\$4 million in 2016 to US\$nil in 2017.

The proceeds on disposal of investments of US\$4 million in 2016 comprised:

*Figures in millions unless otherwise stated*

Sale of shares in Sibanye Gold Limited

Sale of shares in Tocqueville Bullion Reserve Limited

United  
States  
Dollar

2  
2  
4

**Proceeds on disposal of Darlot**

Gold Fields sold the Darlot mine in Western Australia, through a wholly owned subsidiary, to ASX-listed Red 5 Limited ( Red 5 ) for a total consideration of A\$18.5 million, comprising A\$12 million in cash and 130 million Red 5 shares. The cash component was made up of an upfront amount of A\$7 million (US\$5 million) which could be converted into participation in a Red 5 rights issue and A\$5 million deferred for up to 24 months. The deferred

consideration may be taken as additional shares in Red 5 or as cash at Gold Fields election. The gain on disposal of Darlot was A\$31 million (US\$24 million).

The sale of Darlot was completed on 2 October 2017. Gold Fields received the relevant cash consideration of US\$5 million and converted it into participation in a rights issue, as well as the issue of the Red 5 shares as part of the consideration. Gold Fields participated in a rights issue by Red 5 and received 117 million additional shares valued at A\$6 million (US\$5 million). Gold Fields has a 19.9% shareholding in Red 5 with a market value of A\$15 million (US\$11 million).

### **Environmental trust funds and rehabilitation payments**

The environmental trust fund and rehabilitation payments increased by 13% from US\$15 million in 2016 to US\$17 million in 2017.

During 2017, Gold Fields paid US\$3 million into its South Deep mine environmental trust fund and US\$6 million into its Tarkwa mine environmental trust fund and spent US\$8 million on ongoing rehabilitation at the international operations, resulting in a total cash outflow of US\$17 million for the year.

During 2016, Gold Fields paid US\$2 million into its South Deep mine environmental trust fund and US\$6 million into its Tarkwa mine environmental trust fund and spent US\$7 million on ongoing rehabilitation at the international operations, resulting in a total cash outflow of US\$15 million for the year.

### **DISCONTINUED OPERATIONS**

Cash outflows from discontinued operating activities decreased by 68% from US\$22 million in 2016 to US\$7 million in 2017 due to three-months shorter period accounted for in 2017.

### **Cash flow from operating activities less net capital expenditure and environmental payments**

This is a measure that management uses to measure the cash generated by the core business. Cash flow from operating activities less net capital expenditure and environmental payments is defined as net cash from operations adjusted for South Deep BEE dividend, additions to property, plant and equipment, proceeds on disposal of property, plant and equipment and environmental trust funds and rehabilitation payments per the statement of cash flows.

The cash outflow of US\$2 million in 2017 compared with an inflow of US\$294 million in 2016. The main reasons for the decrease was that net cash from operations decreased from US\$937 million in 2016 to US\$826 million in 2017 due to higher taxes paid and higher investment in working capital. Included in the working capital investment was the Gruyere deferred payment of US\$60 million. Additions to property, plant and equipment increased from US\$629 million in 2016 to US\$834 million in 2017 due to an increase in growth capital, being growth capital at Damang of US\$115 million (2016: US\$nil), the growth capital at South Deep of US\$17 million (2016: US\$8 million) and Gruyere project capital of US\$81 million (2016: US\$nil).

**Table of Contents****118 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

Below is a table reconciling the cash flow from operating activities less net capital expenditure and environmental payments to the statement of cash flows.

**United States Dollar**

*Figures in millions unless otherwise stated*

	2017	2016
Net cash from operations	826	937
South Deep BEE dividend	(1)	(1)
Additions to property, plant and equipment	(834)	(629)
Proceeds on disposal of property, plant and equipment	23	2
Environmental trust funds and rehabilitation payments	(16)	(15)
Cash flow from operating activities less net capital expenditure and environmental payments	(2)	294

Below is a table providing a breakdown of how the cash (utilised in)/generated by the Group.

**United States Dollar**

*Figures in millions unless otherwise stated*

	2017	2016
Net cash generated by mines before growth capital	441	452
Damang growth capital	(115)	
South Deep growth capital	(17)	(8)
Net cash generated after growth capital	309	444
Gruyere project capital	(81)	
Gruyere deferred payment	(60)	
Salares Norte	(53)	(39)
Other exploration	(5)	(8)
Interest paid	(72)	(69)



Other corporate costs and South Deep BEE dividend	(40)	(34)
Net (outflow)/inflow from operating activities less net capital expenditure and environmental payments	(2)	294
<b>Cash flows from financing activities</b>		

Cash inflows from financing activities increased by 127% from US\$37 million in 2016 to US\$84 million in 2017. The items comprising these numbers are discussed below.

## **CONTINUING OPERATIONS**

Cash inflows from financing activities from continuing operations increased by 127% from US\$37 million in 2016 to US\$84 million in 2017. The increase of US\$47 million was due to the reasons below.

### **Share issue**

During 2016, Gold Fields completed a US\$152 million (R2.3 billion) accelerated equity raising by way of a private placement to institutional investors. A total number of 38,857,913 new Gold Fields shares were placed at a price of R59.50 per share which represented a 6% discount to the 30-day volume weighted average traded price, for the period 17 March 2016 and a 0.7% discount to the 50-day moving average.

The net proceeds from the placement were used to finance the buy-back of the notes.

AFR-120

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **119****Loans raised**

Loans raised decreased by 40% from US\$1,299 million in 2016 to US\$780 million in 2017.

The US\$780 million loans raised in 2017 comprised:

*Figures in millions unless otherwise stated*

	<b>United States Dollar</b>
US\$150 million revolving senior secured credit facility – new	<b>84</b>
US\$100 million revolving senior secured credit facility <sup>2</sup>	<b>45</b>
A\$500 million syndicated revolving credit facility <sup>3</sup>	<b>237</b>
US\$1,290 million term loan and revolving credit facilities	<b>73</b>
R1,500 million Nedbank revolving credit facility	<b>79</b>
Short-term Rand uncommitted credit facilities	<b>262</b>
	<b>780</b>

**Credit facilities financing and refinancing**

<sup>1</sup> On 19 September 2017, Gold Fields La Cima S.A. entered into a US\$150 million revolving senior secured credit facility with Banco de Crédito del Perú and Scotiabank Perú S.A.A. which became available on 20 September 2017. The purpose of this facility was (i) to refinance the US\$200 million revolving senior secured credit facility; (ii) to finance the working capital requirements of the borrower; and (iii) for the general corporate purposes of the borrower. The final maturity date of this facility is three years from the date of the agreement, namely 19 September 2020.

<sup>2</sup> On 12 June 2017, Gold Fields Ghana Limited and Abooso Goldfields Limited entered into a US\$100 million senior secured revolving credit facility with the Standard Bank of South Africa Limited (acting through its Isle of Man branch) which became available on 17 July 2017. The purpose of this facility was (i) to refinance the outstanding balance of US\$45 million under the US\$70 million senior secured revolving credit facility (which matured on 17 July 2017); (ii) to finance working capital requirements; (iii) for general corporate purposes; and (iv) for capital

expenditure purposes of each borrower. The final maturity date of this facility is three years from the financial close date, namely 17 July 2020.

<sup>3</sup> On 24 May 2017, Gruyere Holdings entered into a A\$500 million revolving credit facility which became available on 13 June 2017 with a syndicate of international banks and financial institutions. The purpose of this facility is to finance capital expenditure in respect of the Gruyere Gold project and to fund general working capital requirements. The final maturity date of this facility is three years from the agreement date, namely 13 June 2020.

The US\$1,299 million loans raised in 2016 comprised:

Figures in millions unless otherwise stated

	United States Dollar
US\$150 million revolving senior secured credit facility	40
US\$1,510 million term loan and revolving credit facilities	174
US\$1,290 million term loan and revolving credit facilities <sup>1</sup>	708
R1,500 million Nedbank revolving credit facility	21
Short-term Rand uncommitted credit facilities	356
	<b>1,299</b>

#### Credit facilities financing and refinancing

<sup>1</sup> Gold Fields successfully refinanced its US\$1,440 million credit facilities due in November 2017. The new facilities amount to US\$1,290 million and comprise three tranches:

US\$380 million: three-year term loan maturing in June 2019 margin 250 basis points ( bps ) over LIBOR;

US\$360 million: three-year revolving credit facility ( RCF ) also maturing in June 2019 (with an option to extend to up to five years) margin 220bps over LIBOR; and

US\$550 million: five-year revolving credit facility maturing in June 2021 margin 245bps over LIBOR.

The new facilities were concluded with a syndicate of 15 banks. On average, the interest rate on the new facilities is similar to the interest rate on the existing facilities. A total of US\$645 million was drawn down from the new facilities on 13 June 2016 to repay the Group's existing US\$ facilities, with US\$645 million remaining unutilised. The refinancing is a key milestone in Gold Fields' balance sheet management and increases the maturity of its core debt, with the first maturity now only in June 2019 (previously November 2017).

#### Loans repaid

Loans repaid decreased by 51% from US\$1,413 million in 2016 to US\$696 million in 2017.

The US\$696 million loans repaid in 2017 comprised:

Figures in millions unless otherwise stated

	United States Dollar
US\$150 million revolving senior secured credit facility	82
US\$70 million revolving senior secured credit facility	45

US\$1,290 million term loan and revolving credit facility  
Short-term Rand uncommitted credit facilities

**352**  
**217**  
**696**

AFR-121

**Table of Contents**

**120 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis  
of the financial statements (continued)

The US\$1,413 million loans repaid in 2016 comprised:

*Figures in millions unless otherwise stated*

	United States Dollar
US\$1 billion notes issue <sup>1</sup>	130
US\$1,510 million term loan and revolving credit facility	898
US\$1,290 million term loan and revolving credit facility	49
R1,500 million Nedbank revolving credit facility	21
Short-term Rand uncommitted credit facilities	315
	<b>1,413</b>

<sup>1</sup> **Bond buy-back**

*On 19 February 2016, Gold Fields announced an offer to purchase US\$200 million of the US\$1 billion notes outstanding. Gold Fields accepted the purchase of an aggregate principal amount of notes equal to US\$148 million at the purchase price of US\$880 per US\$1,000 in principal amount of notes. A profit of US\$18 million was recognised on the buy-back of the notes.*

**Net cash (utilised)/generated**

As a result of the above, net cash utilised of US\$62 million in 2017 compared to net cash generated of US\$87 million in 2016.

Cash and cash equivalents decreased from US\$527 million at 31 December 2016 to US\$479 million at 31 December 2017.

**STATEMENT OF FINANCIAL POSITION**

## Borrowings

Total debt (short and long term) increased from US\$1,782 million at 31 December 2017 to US\$2,012 million at 31 December 2018. Net debt (total debt less cash and cash equivalents) increased from US\$1,303 million at 31 December 2017 to US\$1,612 million as a result of higher debt and lower cash balances.

The Group monitors capital using the ratio of net debt to adjusted EBITDA. Adjusted EBITDA is defined as profit or loss for the year adjusted for interest, taxation, amortisation and depreciation and certain other costs. The definition of adjusted EBITDA is as defined in the US\$1,290 million term loan and revolving credit facilities agreement. Net debt is defined as total borrowings less cash and cash equivalents. The Group's long-term target is a ratio of net debt to adjusted EBITDA of one times or lower. The bank covenants on external borrowings require a net debt to adjusted EBITDA ratio of 2.5 or below and the ratio is measured based on amounts in United States Dollar. Net debt to adjusted EBITDA at 31 December 2018 was 1.45 (2017: 1.03). Refer to note 39.

## Provisions

Long-term provisions decreased from US\$321 million at 31 December 2017 to US\$320 million in 2018 and included the following.

### United States Dollar

*Figures in millions unless otherwise stated*

	2018	2017
Provision for environmental rehabilitation costs	290	282
Silicosis settlement costs	25	32
Other provisions	5	8
<b>Total long-term provisions</b>	<b>320</b>	321
<b>Provision for environmental rehabilitation costs</b>		

The amount provided for environmental rehabilitation costs increased from US\$282 million at 31 December 2017 to US\$290 million at 31 December 2018. The increase is largely due to the increase of the gross environmental rehabilitation costs at South Deep, St Ives, Granny Smith, Gruyere and Cerro Corona, partially offset by higher discount rates in Ghana and exchange rate movements. This provision represents the present value of closure, rehabilitation and other environmental obligations up to 31 December 2018. This provision is updated annually to take account of inflation, the time value of money and any new environmental obligations incurred.

AFR-122

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **121**

The inflation and range of discount rates applied in 2018 and 2017 for each region are shown in the table below:

	South Africa	Ghana	Australia	Peru	Chile
<b>Inflation rates</b>					
<b>2018</b>	<b>5.5%</b>	<b>2.2%</b>	<b>2.5%</b>	<b>2.2%</b>	<b>2.2%</b>
2017	5.5%	2.2%	2.5%	2.2%	
<b>Discount rates</b>					
<b>2018</b>	<b>10.0%</b>	<b>10.3%</b>	<b>2.3</b>	<b>2.5%</b>	<b>4.2%</b>
2017	9.8%	9.2	9.3%	2.6	2.9%

The interest charge remained flat at US\$12 million.

Adjustments for new disturbances and changes in environmental legislation during 2018 and 2017, after applying the above inflation and discount rates were:

	United States Dollar	
	2018	2017
<i>Figures in millions unless otherwise stated</i>		
Ghana	(9)	
Australia	22	(3)
Peru	10	(2)
<b>Total</b>	<b>23</b>	<b>(5)</b>

The South African and Ghanaian operations contribute to a dedicated environmental trust fund and a dedicated bank account, respectively, to provide financing for final closure and rehabilitation costs. The amount invested in the fund is shown as a non-current asset in the financial statements and increased from US\$56 million at 31 December 2017 to

US\$61 million at 31 December 2018. The increase is mainly as a result of contributions amounting to US\$8 million and interest income of US\$1 million. The South African and Ghanaian operations are required to contribute annually to the trust fund over the remaining lives of the mines, to ensure that sufficient funds are available to discharge commitments for future rehabilitation costs.

### **Silicosis settlement costs provision**

The principal health risks associated with Gold Fields' mining operations in South Africa arise from occupational exposure to silica dust, noise, heat and certain hazardous chemicals. The most significant occupational diseases affecting Gold Fields' workforce include lung diseases (such as silicosis, tuberculosis, a combination of the two and chronic obstructive airways disease ( COAD )) as well as noise-induced hearing loss ( NIHL ).

A consolidated application was brought against several South African mining companies, including Gold Fields, for certification of a class action on behalf of current or former mineworkers (and their dependants) who have allegedly contracted silicosis and/or tuberculosis while working for one or more of the mining companies listed in the application.

The Occupational Lung Disease Working Group was formed in fiscal 2014 to address issues relating to compensation and medical care for occupational lung disease in the South African gold mining industry.

The Working Group, made up of African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Gold Fields, Harmony and Sibanye-Stillwater, had extensive engagements with a wide range of stakeholders since its formation, including government, organised labour, other mining companies and the legal representatives of claimants who have filed legal actions against the companies.

The members of the Working Group are among respondent companies in a number of legal proceedings related to occupational lung disease, including the class action referred to above. The Working Group is, however, of the view that achieving a comprehensive settlement, which is both fair to past, present and future employees and sustainable for the sector, is preferable to protracted litigation.

This matter was previously disclosed as a contingent liability as the amount could not be estimated reliably. As a result of the ongoing work of the Working Group and engagements with affected stakeholders since 31 December 2016, it has now become possible for Gold Fields to reliably estimate its share in the estimated cost in relation to the Working Group of a possible settlement of the class action claims and related costs. As a result, Gold Fields has provided an amount of US\$25 million (R368 million) (2017: US\$32 million (R402 million)) for this obligation in the statement of financial position at 31 December 2018. The nominal amount of this provision is US\$35 million (R507 million) (2017: US\$41 million (R509 million)).

The assumptions that were made in the determination of the provision include silicosis prevalence rates, estimated settlement per claimant, benefit take-up rates and disease progression rates. A discount rate of 8.24% was used, based on government bonds with similar terms to the anticipated settlement costs.

AFR-123



**Table of Contents**

**122 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

The ultimate outcome of these matters remains uncertain, with a possible failure to reach a settlement or to obtain the requisite court approval for a potential settlement. The provision is consequently subject to adjustment in the future, depending on the progress of the Working Group discussions, stakeholder engagements and the ongoing legal proceedings. Refer note 35 for further details.

**Other long-term provisions**

Other long-term provisions decreased from US\$8 million at 31 December 2017 to US\$5 million at 31 December 2018 and include the South Deep dividend of US\$5 million (2017: US\$7 million) and other provisions of US\$nil (2017: US\$1 million).

**Credit facilities**

At 31 December 2018, the Group had unutilised committed banking facilities available under the following facilities, details of which are discussed in note 24:

- US\$707 million available under the US\$1,290 million term loan and revolving credit facilities;
- US\$67 million available under the US\$150 million revolving senior secured credit facility;
- US\$55 million available under the US\$100 million senior secured revolving credit facility;
- A\$50 million (US\$35 million) under the A\$500 million syndicated revolving credit facility;
- R1,500 million (US\$103 million) available under the R1,500 million Nedbank revolving credit facility; and
- R300 million (US\$21 million) available under the R500 million Standard Bank revolving credit facility.

Substantial contractual arrangements for uncommitted borrowing facilities are maintained with several banking counterparties to meet the Group's normal contingency funding requirements.

As of the date of this report, the Group was not in default under the terms of any of its outstanding credit facilities.

**US\$1 billion notes issue**

In addition, the Company holds US\$148.0 million principal amount of the US\$1 billion notes issue (the notes), which it repurchased in 2016 and which can be resold (in whole or in part) subject to market conditions. There is no guarantee, however, that the notes can be resold at a price satisfactory to the Company or at all. In accordance with the

terms and conditions of the notes, any such resale would need to take place outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933.

### Contractual obligations and commitments as at 31 December 2018

United States Dollar

Figures in millions unless otherwise stated

#### Borrowings

Notes issue

Capital

Interest

US\$150 million revolving senior secured credit facility

Capital

Interest

US\$1,290 million term loan and revolving credit facilities

Capital

Interest

US\$100 million senior secured revolving credit facility

Capital

Interest

A\$500 million syndicated revolving credit facility

Capital

Interest

R500 million Standard Bank revolving credit facility

Capital

Interest

R500 million Absa revolving credit facility

Capital

Interest

Short-term Rand credit facilities

Capital

Interest

#### Other obligations

Finance lease liability

Environmental obligations<sup>1</sup>

Trade and other payables

Gold, copper and foreign exchange derivatives

South Deep dividend

**Total contractual obligations**

	Payments due by period			
	Total	Within one year	Between one and five years	
Capital	852.4		852.4	
Interest	74.0	41.6	32.4	
US\$150 million revolving senior secured credit facility				
Capital	83.5		83.5	
Interest	5.4	3.1	2.3	
US\$1,290 million term loan and revolving credit facilities				
Capital	583.0		583.0	
Interest	48.0	27.0	21.0	
US\$100 million senior secured revolving credit facility				
Capital	45.0		45.0	
Interest	7.2	2.5	4.7	
A\$500 million syndicated revolving credit facility				
Capital	316.5		316.5	
Interest	33.2	13.8	19.4	
R500 million Standard Bank revolving credit facility				
Capital	13.7		13.7	
Interest	1.7	1.3	0.4	
R500 million Absa revolving credit facility				
Capital	34.2		34.2	
Interest	4.1	3.3	0.8	
Short-term Rand credit facilities				
Capital	86.3	86.3		
Interest	7.0	7.0		
Other obligations				
Finance lease liability	111.5	11.6	41.5	58.4
Environmental obligations <sup>1</sup>	399.9	13.0	33.7	353.2
Trade and other payables	393.1	393.1		
Gold, copper and foreign exchange derivatives	22.6	22.6		
South Deep dividend	9.6	1.4	4.1	4.1
<b>Total contractual obligations</b>	<b>3,131.9</b>	<b>627.6</b>	<b>2,088.6</b>	<b>415.7</b>

<sup>1</sup> *Gold Fields makes full provision for all environmental obligations based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Management believes that the provisions made for environmental obligations are adequate to cover the expected volume of such obligations.*

AFR-124

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **123**

## United States Dollar

**Amounts of commitments expiring by period***Figures in millions unless otherwise stated***Commitments**Guarantees<sup>1</sup>

Capital expenditure

Operating lease obligations

**Total commitments**

	<b>Total</b>	<b>Within one year</b>	<b>Between one and five years</b>	<b>After five years</b>
Guarantees <sup>1</sup>				
Capital expenditure	<b>50.0</b>	<b>50.0</b>		
Operating lease obligations	<b>657.4</b>	<b>76.7</b>	<b>256.5</b>	<b>324.2</b>
<b>Total commitments</b>	<b>707.4</b>	<b>126.7</b>	<b>256.5</b>	<b>324.2</b>

<sup>1</sup> Guarantees consist of numerous obligations. Guarantees consisting of US\$207.6 million committed to guarantee Gold Fields' environmental and other obligations with respect to its South African, Peruvian, Ghanaian and Australian operations are fully provided for under the provision for environmental rehabilitation and certain lease liabilities and are not included in the amount above.

**Working capital**

Following its going concern assessment performed, which takes into account the 2019 operational plan, net debt position and unutilised loan facilities, management believes that Gold Fields' working capital resources, by way of internal sources and banking facilities, are sufficient to fund Gold Fields' currently foreseeable future business requirements.

**Off-balance sheet items**

At 31 December 2018, Gold Fields had no material off-balance sheet items except for as disclosed under operating lease obligations, guarantees and capital commitments.

**INFORMATION COMMUNICATION AND TECHNOLOGY ( ICT )**

ICT at Gold Fields is a strategic partner to the business. The focus of ICT is to ensure that technology remains relevant and protected in enabling the business in executing the business strategy and operational plans.

For 2018, ICT focused on:

- Implementing the ICT digital strategy to enable the foundational elements of the digital mine of the future;
- Adopting and embedding a suitable cyber security posture, including the achievement of the ISO 27001 Information Security Management Standard certification;
- Maintaining ICT governance and achieving operational targets;
- Maintaining sound financial management, and sustaining cost savings;
- Ensuring key systems and infrastructure availability; and
- Managing the delivery of strategic projects.

Gold Fields' vision to be the global leader in sustainable gold mining requires the adaptability to respond to the rapidly changing technology environment. This is achieved through ensuring the foundational elements of the mine of the future are in place across the various operations. Following the establishment of the Innovation and Technology vision and the Gold Fields digital program, ICT conducted various assessments and engagements across the Group to develop the ICT digital strategy.

Following the recent release of the 17 CFR Parts 229 and 249 from the Securities and Exchange Commission, dealing with Public Company Cyber Security Disclosures, one of the key initiatives in 2018 was the implementation of a suitable cyber security posture. Gold Fields' Group ICT evaluated the Group's existing information management system and determined that the ISO 27001 certification would provide the necessary assurance to Gold Fields.

Group ICT enabled the ISO 27001 certification for the following areas:

- IT infrastructure and operations;
- Information security;
- Business applications;
- Project and vendor management; and
- Governance risk and compliance.

The formal receipt of the ISO 27001 Information Security Management System certification was achieved for the following regions:

- Corporate office;
- South Deep mine;
- Ghana Regional Office;
- Australia Regional Office; and
- Peru Regional Office.

AFR-125

**Table of Contents**

**124 The Gold Fields** Annual Financial Report including Governance Report 2018

Management's discussion and analysis

of the financial statements (continued)

The certification for each of the remaining mines is planned for 2019.

Further, to strengthen the Group's cyber security posture, the implementation of an intelligent cyber threat detection and monitoring solution across all operations was completed.

Gold Fields ICT operating and delivery model which is based on industry best practice was enhanced to position ICT to effectively deliver on the digital strategy. This operating model enables ICT to focus on business imperatives and business support, while the non-core services are outsourced. The operating model enhancements and delivery against key strategic targets for 2018 mitigated key technology risks and exposed technology opportunities to enable the rapid deployment of digital technologies.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Gold Fields' management is responsible for establishing and maintaining adequate internal control over financial reporting. The Securities Exchange Act of 1934 defines internal control over financial reporting in Rule 13a-15(f) and 15d-15(f) as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Gold Fields management assessed the effectiveness of its internal control over financial reporting as of 31 December 2018. In making this assessment, Gold Fields management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission. Based upon its assessment, Gold Fields management concluded that, as of 31 December 2018, its internal control over financial reporting is effective based upon those criteria.

## **TREND AND OUTLOOK**

Attributable equivalent gold production for the Group for 2019 is expected to be between 2.13 million ounces and 2.18 million ounces. AISC is expected to be between US\$980 per ounce and US\$995 per ounce. AIC is planned to be between US\$1,075 per ounce and US\$1,095 per ounce. These expectations assume exchange rates of R/US\$:13.80 and A\$/US\$:0.75.

Capital expenditure for the Group is planned at US\$633 million. Sustaining capital expenditure for the Group is planned at US\$490 million and growth capital expenditure is planned at US\$143 million. The US\$143 million growth capital expenditure comprises US\$69 million for Damang and A\$99 million (US\$74 million) for Gruyere. Expenditure on Salares Norte is expected to be US\$57 million in 2019. The capital expenditure above excludes the Group's share of Asanko's total expenditure of US\$25 million for 2019.

The above is subject to safety performance which limits the impact of safety-related stoppages and the forward-looking statement.

### **Paul Schmidt**

*Chief Financial Officer*

25 March 2019

AFR-126

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **125**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of Gold Fields Limited

**Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting**

We have audited the accompanying consolidated statements of financial position of Gold Fields Limited and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated income statements and statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing in Item 15 of the Company's 2018 Annual Report on Form 20-F. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of



material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

AFR-127

**Table of Contents**

**126 The Gold Fields** Annual Financial Report including Governance Report 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM continued

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG Inc.

We have served as the Company's auditor since 2010.

Johannesburg, South Africa

March 29, 2019

AFR-128

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **127****Accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of new and revised standards and interpretations.

Gold Fields Limited (the Company or Gold Fields) is a company domiciled in South Africa. The registration number of the Company is 1968/004880/06. The address of the Company is 150 Helen Road, Sandton, Johannesburg. The consolidated financial statements of the Company as at 31 December 2018 and 2017 and for each of the years in the three-year period ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) as well as the Group's share of the assets, liabilities, income and expenses of its joint operations and the Group's interest in associates and its joint ventures. The Group is primarily involved in gold mining.

**1. BASIS OF PREPARATION**

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the requirements of the South African Companies Act. This is the first set of the Group's financial statements in which IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and the early adoption of the amendment to IAS 28 *Investments in Associates and Joint Ventures* have been applied. Changes to significant accounting policies are described in note 41 of the consolidated financial statements.

As required by the United States Securities and Exchange Commission, the financial statements include the consolidated statements of financial position as at 31 December 2018 and 2017, and the consolidated income statements and statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2018, 2017 and 2016 and the related notes.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2019.

**Standards, interpretations and amendments to published standards effective for the year ended 31 December 2018 or early adopted by the Group**

During the financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the Group:

Standard(s)	Amendment(s)	Interpretation(s)	Salient features of the changes
<b>IFRS 2</b>	<i>Share-based Payments</i>		<p>The amendments cover three accounting areas:</p> <ul style="list-style-type: none"> <li>Measurement of cash-settled share-based payments;</li> <li>Classification of share-based payments settled net of tax withholdings; and</li> <li>Accounting for a modification of a share-based payment from cash-settled to equity-settled.</li> </ul> <p>The amendment does not have a material impact on the Group.</p>
		<b>IFRS 9</b> <i>Financial Instruments</i>	<p>This IFRS sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments. The Group have adopted IFRS 9 on 1 January 2018.</p>

AFR-129

**Table of Contents****128 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

Standard(s)	Amendment(s)	Interpretation(s)	Salient features of the changes
<b>IFRS 15</b> <i>Revenue</i>		<i>from Contracts with Customers</i>	<p>This IFRS introduces a new revenue recognition model for contracts with customers and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 also includes extensive new disclosure requirements; and</p> <p>The Group have adopted IFRS 15 on 1 January 2018.</p>
<b>IAS 28</b> <i>Investments in Associates and Joint Ventures (early adopted)</i>		<i>Investments in Associates and Joint Ventures (early adopted)</i>	<p>The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that forms part of the net investment in the associate or joint venture but to which the equity method is not applied;</p> <p>The implementation of this amendment has a direct impact on the accounting treatment of the redeemable preference shares that form part of the Group's net investment in Asanko Gold Ghana Limited; and</p> <p>The amendments apply for annual periods beginning on or after 1 January 2019. The Group has early adopted the standard as permitted by IAS 28.</p>

**Standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that apply to the Group's accounting periods beginning on 1 January 2019 or later periods, but have not been early adopted by the Group.

The standards, amendments and interpretations that are relevant to the Group are:

Standard(s)	Amendment(s)	Interpretation(s)	Salient features of the changes
<b>IFRS 16</b>	<i>Leases</i>		<p>This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ( lessee ) and the supplier ( lessor );</p> <p>IFRS 16 replaces the previous leases Standard, IAS 17 <i>Leases</i>, and related Interpretations;</p> <p>IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. No significant changes have been included for lessors (the Group is not a lessor);</p> <p>The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements which is described in more detail below; and</p> <p>The actual impact of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first consolidated financial statements that include the date of initial application of IFRS 16.</p>

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **129**

Standard(s) Amendment(s) Interpretation(s)	Salient features of the changes
	<p data-bbox="569 1104 1023 1136"><b>Lease in which the Group is a lessee</b></p> <p data-bbox="569 1173 1390 1276">Management has compiled a list of all potential leases across the Group and reviewed all related contracts in order to identify and account for all leases in terms of IFRS 16 across the Group;</p> <p data-bbox="569 1314 1426 1381">The Group will recognise right-of-use assets and lease liabilities for its operating leases for the following material contracts:</p> <p data-bbox="569 1455 687 1486"><b>Australia</b></p> <ul data-bbox="593 1488 1034 1661" style="list-style-type: none"> <li>Power Purchase Agreements (PPAs);</li> <li>Rental of gas pipelines;</li> <li>Ore haulage and site services;</li> <li>Mining equipment hire; and</li> <li>Property rentals.</li> </ul> <p data-bbox="569 1734 655 1766"><b>Ghana</b></p> <ul data-bbox="593 1768 1083 1835" style="list-style-type: none"> <li>Power Purchase Agreements (PPAs); and</li> <li>Transportation contracts.</li> </ul> <p data-bbox="569 1908 732 1940"><b>South Africa</b></p>

Equipment hire.

**Peru**

Property rentals; and  
Equipment hire.

**Corporate and other**

Property rentals; and  
Equipment hire.

The nature of expenses related to these leases will now change because the Group will recognise an amortisation and depreciation charge for the right-of-use assets and finance expense in respect of the lease liabilities once the standard is implemented;

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised;

Based on the information currently available, the Group estimates that it will recognise right-of-use assets and additional lease liabilities between US\$190.0 million and US\$230.0 million at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with loan covenant requirements;

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information;

The Group will elect to recognise the right-of-use assets at an amount equal to the lease liability at 1 January 2019; and

The Group plans to apply the following practical expedients for IFRS 16:

Leases for which the underlying asset is of low value; and

Short term leases.



**Table of Contents**

**130 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

Standard(s) Amendment(s) Interpretation(s)	Salient features of the changes
<p><b>IFRIC 23</b> <i>Uncertainty over Income Tax Treatments</i></p>	<p>This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities;</p> <p>IFRIC 23 specifically clarifies how to incorporate this uncertainty into the measurement of tax as reported in the consolidated financial statements;</p> <p>IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected; and</p> <p>The interpretation will not have a material impact on the Group.</p>
<p><i>Various</i> <b>IFRS</b> (2015/2017 Cycle)</p>	<p>The annual improvements project is a collection of amendments to various IFRS standards and is the result of conclusions reached by the IASB on proposals made at its annual improvement project; and</p> <p>The interpretation will not have a material impact on the Group.</p>

**IFRS 3** *Business Combinations*

These amendments make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs;

Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments will not have a material impact on the Group.

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework;

The revised definition of material is:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Board has also removed the definition of material *omissions or misstatements* from *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*; and

The amendments will not have a material impact on the Group.

**IAS 1** *Presentation of Financial Statements and*

**IAS 8** *Accounting Policies, Changes in Accounting Estimates and Errors*

AFR-132

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **131**

Standard(s)	Amendment(s)	Interpretation(s)	Salient features of the changes
<b>IFRS 17</b> <i>Insurance Contracts</i>			<p>IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ( general model ) for the recognition and measurement of liabilities arising from insurance contracts;</p> <p>In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:</p> <ul style="list-style-type: none"> <li>Reinsurance contracts held;</li> <li>Direct participating contracts; and</li> <li>Investment contracts with discretionary participation features.</li> </ul> <p>Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or other comprehensive income;</p> <p>The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity s financial statements; and</p> <p>The Group is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future consolidated financial statements.</p>

*\* Effective date refers to annual period beginning on or after said date.*

### **Significant accounting judgements and estimates**

Use of estimates: The preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to the following:

- Mineral reserves and resources estimates (this forms the basis of future cash flow estimates used for impairment assessments and units-of-production depreciation and amortisation calculations);
- Carrying value of property, plant and equipment and goodwill;
- Production start date;
- Estimates of recoverable gold and other materials in heap leach and stockpiles, gold in process and product inventories including write-downs of inventory to net realisable value;
- Provision for environmental rehabilitation costs;
- Provision for silicosis settlement costs;
- Income taxes;
- Share-based payments;
- The fair value and accounting treatment of financial instruments;
- Contingencies; and
- Asanko Gold acquisition.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

AFR-133

**Table of Contents**

**132 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

**Mineral reserves and resources estimates**

Mineral reserves are estimates of the amount of product, inclusive of diluting materials and allowances for losses, which can be economically and legally extracted from the Group's properties, as determined by life-of-mine schedules or pre-feasibility studies.

Mineral resources are estimates, based on specific geological evidence and knowledge, including sampling, of the amount of product in situ, for which there is a reasonable prospect for eventual legal and economic extraction.

In order to calculate the reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, capital expenditure, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and grade of the mineral reserves and resources is based on exploration and sampling information gathered through appropriate techniques (primarily diamond drilling, reverse circulation drilling, air-core and sonic drilling), surface three-dimensional reflection seismics, ore body faces modelling, structural modelling, geological mapping, detailed ore zone wireframes and geostatistical estimation. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group is required to determine and report on the mineral reserves and resources in accordance with the South African Mineral Resource Committee (SAMREC) code on an annual basis.

Estimates of mineral reserves and resources may change from year to year due to the change in economic, regulatory, infrastructural or social assumptions used to estimate ore reserves and resources, and due to additional geological data becoming available.

Changes in reported proved and probable reserves may affect the Group's financial results and position in a number of ways, including the following:

The recoverable amount used in the impairment calculations may be affected due to changes in estimated cash flows or timing thereof;

Amortisation and depreciation charges to profit or loss may change as these are calculated on the units-of-production method, or where the useful economic lives of assets change;

Provision for environmental rehabilitation costs may change where changes in ore reserves affect expectations about the timing or cost of these activities; and

The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Changes in reported measured and indicated resources may affect the Group's financial results and position in a number of ways, including the following:

The recoverable amount used in the impairment calculations may be affected due to changes in estimated market value of resources exclusive of reserves; and

Amortisation and depreciation charges for the mineral rights asset at the Australian operations may change as a result of the change in the portion of mineral rights asset being transferred from the non-depreciable component to the depreciable component.

### **Carrying value of property, plant and equipment and goodwill**

All mining assets are amortised using the units-of-production method where the mine operating plan calls for production from proved and probable mineral reserves.

Mobile and other equipment are depreciated over the shorter of the estimated useful life of the asset or the estimate of mine life based on proved and probable mineral reserves.

The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved and probable mineral reserves. This would generally result from the extent that there are significant changes in any of the factors or assumptions used in estimating mineral reserves. These factors could include:

Changes in proved and probable mineral reserves;

Differences between actual commodity prices and commodity price assumptions;

Unforeseen operational issues at mine sites;

Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign currency exchange rates; and

Changes in mineral reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine.

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **133**

The Group reviews and tests the carrying value of long-lived assets annually or when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values. In addition, goodwill is tested for impairment on an annual basis. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of recoverable amounts of each group of assets. The recoverable amounts of cash-generating units ( CGU ) and individual assets have been determined based on the higher of value-in-use and fair value less cost of disposal ( FVLCOD ) calculations. Expected future cash flows used to determine the value in use or FVLCOD of property, plant and equipment and goodwill are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as the gold and copper prices, discount rates, foreign currency exchange rates, resource valuations (determined based on comparable market transactions), estimates of costs to produce reserves and future capital expenditure.

An individual operating mine does not have an indefinite life because of the finite life of its reserves. The allocation of goodwill to an individual mine will result in an eventual goodwill impairment due to the wasting nature of the mine. In accordance with the provisions of IAS 36 *Impairment of Assets*, the Group performs its annual impairment review of goodwill at each financial year-end.

The Group generally used FVLCOD to determine the recoverable amount of each CGU.

Significant assumptions used in the Group's impairment assessments (FVLCOD calculations) include:

	<b>2018</b>	2017
US\$ gold price per ounce year 1	<b>US\$1,200</b>	US\$1,200
US\$ gold price per ounce year 2 onwards	<b>US\$1,300</b>	US\$1,300
Rand gold price per kilogram year 1	<b>R525,000</b>	R525,000
Rand gold price per kilogram year 2 onwards	<b>R550,000</b>	R525,000
A\$ gold price per ounce year 1	<b>A\$1,600</b>	A\$1,600
A\$ gold price per ounce year 2 onwards	<b>A\$1,700</b>	A\$1,700
US\$ copper price per tonne year 1	<b>US\$5,951</b>	US\$5,512
US\$ copper price per tonne year 2 onwards	<b>US\$6,612</b>	US\$6,171

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Resource value per ounce (used to calculate the value beyond proved and probable reserves)		
South Africa (with infrastructure)	<b>US\$17</b>	US\$17
Ghana (with infrastructure)	<b>US\$44</b>	US\$41
Peru (with infrastructure)	<b>US\$70</b>	US\$41
Australia (2018: with infrastructure, 2017: without infrastructure)	<b>US\$28</b>	US\$293
Discount rates		
South Africa nominal	<b>13.5%</b>	13.5%
Ghana real	<b>9.5%</b>	9.7%
Peru real	<b>4.9%</b>	4.8%
Australia real	<b>3.4%</b>	3.8%
Inflation rate South Africa	<b>5.5%</b>	5.5%
Life-of-mine		
South Deep	<b>75 years</b>	78 years
Tarkwa	<b>14 years</b>	14 years
Damang	<b>7 years</b>	8 years
Cerro Corona	<b>12 years</b>	13 years
St Ives	<b>7 years</b>	5 years
Agnew/Lawlers	<b>4 years</b>	4 years
Granny Smith	<b>12 years</b>	11 years
Gruyere	<b>12 years</b>	13 years
Long-term exchange rates		
US\$/ZAR year 1	<b>13.61</b>	13.61
US\$/ZAR year 2 onwards	<b>13.16</b>	13.16
A\$/US\$ year 1	<b>0.75</b>	0.75
A\$/US\$ year 2 onwards	<b>0.76</b>	0.76

<sup>1</sup> Due to the availability of unredeemed capital for tax purposes over several years into the life of the South Deep mine, nominal cash flows are used for South Africa. In order to determine nominal cash flows in South Africa, costs are inflated by the current South African inflation rate. Cash flows for all other operations are in real terms and as a result are not inflated.

<sup>2</sup> The US\$293 per ounce is reflective of higher resource prices in the 2017 population used.

The FVLCOD calculations are very sensitive to the gold price assumptions and an increase or decrease in the gold price could materially change the FVLCOD.

Should there be a significant decrease in the gold or copper price, the Group would take actions to assess the implications on the life-of-mine plans, including the determination of reserves and resources and the appropriate cost structure for the CGUs.



**Table of Contents**

**134 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

The carrying amount of property, plant and equipment at 31 December 2018 was US\$4,259.2 million (2017: US\$4,892.9 million). The carrying value of goodwill at 31 December 2018 was US\$nil (2017: US\$76.6 million).

An impairment of US\$481.5 million (2017: US\$277.8 million and 2016: US\$nil) was recognised in respect of the South Deep CGU for the year ended 31 December 2018. US\$71.7 million (2017: US\$277.8 million and 2016: US\$nil) of the total impairment was firstly allocated against goodwill and the remainder of US\$409.8 million (2017: US\$nil and 2016: US\$nil) against other assets.

**Production start date**

The Group assesses the stage of each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production stage. Some of the criteria would include, but are not limited to the following:

- The level of capital expenditure compared to the construction cost estimates;
- Ability to produce metal in saleable form (within specifications); and
- Ability to sustain commercial levels of production of metal.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalisable costs related to mining asset additions or improvements, underground mine development, deferred stripping activities or ore reserve development.

**Stockpiles, gold in process and product inventories**

Costs that are incurred in or benefit the productive process are accumulated as stockpiles, gold in process, ore on leach pads and product inventories. Net realisable value tests are performed on a monthly basis for short-term stockpiles, gold in process and product inventories and at least annually for long-term stockpiles and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. If any inventories are expected to be realised in the long term, estimated future sales prices are used for valuation purposes.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor the recoverability levels. As a result, the metallurgical balancing process is constantly monitored and engineering estimates are refined based on actual results over time.

Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to net realisable value are accounted for on a prospective basis.

The carrying amount of total gold-in-process and stockpiles (non-current and current) at 31 December 2018 was US\$325.0 million (2017: US\$305.4 million).

### **Provision for environmental rehabilitation costs**

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for the provision of environmental rehabilitation costs in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life-of-mine estimates and discount rates could affect the carrying amount of this provision.

Refer note 25.1 of the consolidated financial statements for details of key assumptions used to estimate the provision.

The carrying amounts of the provision for environmental rehabilitation costs at 31 December 2018 was US\$289.6 million (2017: US\$281.5 million).

### **Provision for silicosis settlement costs**

The Group has an obligation in respect of a possible settlement of the silicosis class action claims and related costs. The Group recognises management's best estimate for the provision of silicosis settlement costs.

The ultimate outcome of the class action remains uncertain, with a possible failure to reach a settlement or to obtain the requisite court approval for a potential settlement. The provision is consequently subject to adjustment in the future, depending on the progress of the Working Group discussions, stakeholder engagements and the ongoing legal proceedings. Refer notes 25.2 and 35 of the consolidated financial statements for further details.

The carrying amount of the provision for silicosis settlement costs at 31 December 2018 was US\$25.1 million (2017: US\$31.9 million).

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **135****Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the liability for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and deferred tax in the period in which such determination is made.

The Group recognises the future tax benefits related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Carrying values at 31 December 2018:

Deferred taxation liability: US\$454.9 million (2017: US\$453.9 million)

Deferred taxation asset: US\$269.5 million (2017: US\$72.0 million)

Taxation payable: US\$5.2 million (2017: US\$77.5 million)

Refer note 9 for details of unrecognised deferred tax assets.

**Share-based payments**

The Group issues equity-settled share-based payments to executive directors, certain officers and employees. The fair value of these instruments is measured at grant date, using the Black-Scholes and Monte Carlo simulation valuation models, which require assumptions regarding the estimated term of the option, share price volatility and expected dividend yield. While Gold Fields management believes that these assumptions are appropriate, the use of different assumptions could have a material impact on the fair value of the option granted and the related recognition of the

share-based payments expense in the consolidated income statement. Gold Fields' options have characteristics significantly different from those of traded options and therefore fair values may also differ.

The income statement charge from continuing operations for the year ended 31 December 2018 was US\$37.5 million (2017: US\$26.8 million and 2016: US\$14.0 million).

## **Financial instruments**

### *Derivative financial instruments*

The estimated fair value of financial instruments is determined at discrete points in time, based on the relevant market information. The fair value is calculated with reference to market rates using industry valuation techniques and appropriate models. The carrying values of derivative financial instruments included in trade and other receivables at 31 December 2018 was US\$8.3 million (2017: US\$25.0 million) and included in trade and other payables US\$22.6 million (2017: US\$3.3 million).

### *Asanko redeemable preference shares*

Significant judgement is required in estimating life-of-mine cash flows used in determining the expected timing of the cash flows for the repayment of the redeemable preference shares.

In order to estimate the life-of-mine model used in the valuation, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, capital expenditure, transport costs, commodity demand, commodity prices and exchange rates. Refer note 17 for key assumptions used.

The life-of-mine cash flows are very sensitive to the gold price assumptions and an increase or decrease in the gold price could materially change the valuations.

The fair value of the Asanko redeemable preference shares at 31 December 2018 was US\$132.9 million (2017: US\$nil).

## **Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Such contingencies include, but are not limited to environmental obligations, litigation, regulatory proceedings, tax matters and losses resulting from other events and developments.

When a loss is considered probable and reasonably estimable, a liability is recorded based on the best estimate of the ultimate loss. The likelihood of a loss with respect to a contingency can be difficult to predict and determining a meaningful estimate of the loss or a range of losses may not always be practicable based on the information available at the time and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. It is not uncommon for such matters to be resolved over many years, during which time

**Table of Contents**

**136 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

relevant developments and new information is continuously evaluated to determine both the likelihood of any potential loss and whether it is possible to reasonably estimate a range of possible losses. When a loss is probable but a reasonable estimate cannot be made, disclosure is provided.

Refer note 35 for details on contingent liabilities.

**Asanko Gold acquisition**

*Recognition and measurement*

Gold Fields and Asanko have joint control as each party has equal representation on the management committee that governs the relevant activities of the arrangement. The Asanko transaction is structured as a separate vehicle and the Group has a residual interest in the net assets of Asanko. Accordingly, the Group has classified its interest in Asanko as a joint venture.

*Equity accounted investee and redeemable preference shares valuation*

Significant judgement is required in estimating life-of-mine cash flows used in determining the net fair value of the investee's identifiable assets and liabilities on acquisition and the expected timing of the cash flows for the repayment of the redeemable preference shares. The life-of-mine cash flows were based on the life-of-mine model of the Asanko Gold Mine as at acquisition date.

In order to estimate the life-of-mine model used in the valuation, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, capital expenditure, transport costs, commodity demand, commodity prices and exchange rates. Refer note 15 for key assumptions used.

The life-of-mine cash flows are very sensitive to the gold price, the discount rate and the change in life-of-mine assumptions and an increase or decrease in the gold price, discount rate and life-of-mine could materially change the valuations.

*Fair value measured on a provisional basis*

The fair value of identifiable net assets acquired has been performed on a provisional basis, pending completion of review and sign off of the life-of-mine model, including the Reserves and Resources, by the Group Competent Person. Any changes to the acquisition life-of-mine model and/or Reserves and Resources could result in a material change to the cash flows used to determine the fair value of the identifiable net assets acquired.

If new information is obtained, within one year from the date of acquisition, about facts and circumstances that existed at the date of acquisition about the life-of-mine and adjustments are required to be made to the provisional fair values of the identifiable net assets, or if any additional provisions that existed at the date of acquisition are identified, then the accounting for the acquisition will be revised.

## **2. CONSOLIDATION**

### **2.1 Business combinations**

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred, other than those associated with the issue of debt or equity securities. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent changes in equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

If a transaction does not meet the definition of a business under IFRS, the transaction is recorded as an asset acquisition. Accordingly, the identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition-related costs are included in the consideration paid and capitalised. Any contingent consideration payable that is dependent on the purchaser's future activity is not included in the consideration paid until the activity requiring the payment is performed. Any resulting future amounts payable are recognised in profit or loss when incurred. No goodwill and no deferred tax asset or liability arising from the assets acquired and liabilities assumed are recognised upon the acquisition of assets.

### **2.2 Subsidiaries**

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases.

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **137**

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.3 Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**2.4 Equity accounted investees**

The Group's interests in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and the other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Results of associates and joint ventures are equity accounted using the results of their most recent audited financial statements. Any losses from associates or joint ventures are brought to account in the consolidated financial statements until the interest in such associates or joint ventures is written down to zero. Thereafter, losses are accounted for only insofar as the Group is committed to providing financial support to such associates or joint ventures.

The carrying value of an investment in associate and joint ventures represents the cost of the investment, including goodwill, a share of the post-acquisition retained earnings and losses, any other movements in reserves and any

accumulated impairment losses. The Group applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This has a direct impact on the Group's accounting treatment for the Asanko Gold Ghana Limited (Asanko) acquisition where the redeemable preference shares that form part of the consideration for the Group's investment into Asanko have been measured in accordance with the requirements of IFRS 9 (refer to note 15). This specific amendment to IAS 28 applies for annual periods beginning on or after 1 January 2019; however, the Group has early adopted the standard as permitted by IAS 28. The carrying value is assessed annually for existence of indicators of impairment and if such exist, the carrying amount is compared to the recoverable amount, being the higher of value in use or fair value less cost of disposal. If an impairment in value has occurred, it is recognised in profit or loss in the period in which the impairment arose.

## **2.5 Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the use of assets and obligations for the liabilities of the arrangement. The Group accounts for activities under joint operations by recognising in relation to the joint operation, the assets it controls and the liabilities it incurs, the expenses it incurs and the revenue from the sale or use of its share of the joint operations output.

## **3. FOREIGN CURRENCIES**

### **3.1 Functional and presentation currency**

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US Dollar, which is the Group's presentation currency. The functional currency of the parent company is South African Rand.

### **3.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

### **3.3 Foreign operations**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities are translated at the exchange rate ruling at the reporting date (ZAR/US\$: 14.63; US\$/A\$: 0.70 (2017: ZAR/US\$: 12.58; US\$/A\$: 0.77)). Equity items are translated at historical rates. The income and expenses are translated at the average exchange rate for the year (ZAR/US\$: 13.20; US\$/A\$: 0.75 (2017: ZAR/US\$: 13.33; US\$/A\$: 0.77 and 2016: ZAR/US\$: 14.70; US\$/A\$: 0.75)), unless this average was not a reasonable approximation of the rates prevailing on the transaction dates, in which case these items were translated at the rate prevailing on the date of the transaction. Exchange differences on translation are accounted for in other comprehensive income (OCI). These differences will be recognised in profit or loss upon realisation of the underlying operation.



AFR-139

**Table of Contents**

**138 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (i.e. the reporting entity's interest in the net assets of that operation), and of borrowings and other currency instruments designated as hedges of such investments, are taken to OCI. When a foreign operation is sold, exchange differences that were recorded in OCI are recognised in profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at each reporting date at the closing rate.

**4. PROPERTY, PLANT AND EQUIPMENT**

**4.1 Mine development and infrastructure**

Mining assets, including mine development and infrastructure costs and mine plant facilities, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Expenditure incurred to evaluate and develop new orebodies, to define mineralisation in existing orebodies and to establish or expand productive capacity, is capitalised until commercial levels of production are achieved, at which times the costs are amortised as set out below.

Development of orebodies includes the development of shaft systems and waste rock removal that allows access to reserves that are economically recoverable in the future. Subsequent to this, costs are capitalised if the criteria for recognition as an asset are met.

**4.2 Borrowing costs**

Borrowing costs incurred in respect of assets requiring a substantial period of time to prepare for their intended future use are capitalised to the date that the assets are substantially completed.

#### **4.3 Mineral and surface rights**

Mineral and surface rights are recorded at cost less accumulated amortisation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the fair value of mineral rights has diminished below cost, an impairment loss is recognised in profit or loss in the year that such determination is made.

#### **4.4 Land**

Land is shown at cost and is not depreciated.

#### **4.5 Other assets**

Non-mining assets are recorded at cost less accumulated depreciation and accumulated impairment losses. These assets include the assets of the mining operations not included in mine development and infrastructure, borrowing costs, mineral and surface rights and land and all the assets of the non-mining operations.

#### **4.6 Amortisation and depreciation of mining assets**

Amortisation and depreciation is determined to give a fair and systematic charge to profit or loss taking into account the nature of a particular ore body and the method of mining that ore body. To achieve this, the following calculation methods are used:

Mining assets, including mine development and infrastructure costs, mine plant facilities and evaluation costs, are amortised over the life of the mine using the units-of-production method, based on estimated proved and probable ore reserves;

Stripping activity assets are amortised on a units-of-production method, based on the estimated proved and probable ore reserves of the ore body to which the assets relate; and

The mineral rights asset at the Australian operations are divided at the respective operations into a depreciable and a non-depreciable component. The mineral rights asset is initially capitalised to the mineral rights asset as a non-depreciable component.

Subsequently, and on an annual basis, as part of the preparation of the updated reserve and resource statement and preparation of the updated life-of-mine plan, a portion of resources will typically be converted to reserves as a result of ongoing resource definition drilling, resultant geological model updates and subsequent mine planning. Based on this conversion of resources to reserves a portion of the historic cost is allocated from the non-depreciable component of the mineral rights asset to the depreciable component of the mineral rights asset. Therefore, the category of non-depreciable mineral rights asset is expected to reduce and will eventually be fully allocated within the depreciable component of the mineral rights asset.

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **139**

Each operation typically comprises a number of mines and the depreciable component of the mineral rights asset is therefore allocated on a mine-by-mine basis at the operation and is transferred at this point to mine development and infrastructure and is then amortised over the estimated proved and probable ore reserves of the respective mine on the units-of-production method. The remaining non-depreciable component of the mineral rights asset is not amortised but, in combination with the depreciable component of the mineral rights asset and other assets included in the CGU, is evaluated for impairment when events and changes in circumstances indicate that the carrying amount may not be recoverable.

Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in future from known mineral deposits.

Certain mining plant and equipment included in mine development and infrastructure is depreciated on a straight-line basis over the lesser of their estimated useful lives or life-of-mine.

**4.7 Depreciation of non-mining assets**

Non-mining assets are recorded at cost and depreciated on a straight-line basis over their current expected useful lives to their residual values as follows:

Vehicles	20%
Computers	33.3%
Furniture and equipment	10%

The assets' useful lives, depreciation methods and residual values are reassessed at each reporting date and adjusted if appropriate.

**4.8 Mining exploration**

Expenditure on advances solely for exploration activities is charged against profit or loss until the viability of the mining venture has been proven. Expenditure incurred on exploration 'farm-in' projects is written off until an ownership interest has vested. Exploration expenditure to define mineralisation at existing ore bodies is considered mine development costs and is capitalised until commercial levels of production are achieved.

Exploration activities at certain of the Group's non-South African operations are broken down into defined areas within the mining lease boundaries. These areas are generally defined by structural and geological continuity. Exploration costs in these areas are capitalised to the extent that specific exploration programmes have yielded targets and/or results that warrant further exploration in future years.

#### **4.9 Impairment**

Recoverability of the carrying values of long-term assets or CGUs of the Group are reviewed annually or whenever events or changes in circumstances indicate that such carrying values may not be recoverable. To determine whether a long-term asset or CGU may be impaired, the higher of value in use (defined as the present value of future cash flows expected to be derived from an asset or CGU) or fair value less costs of disposal (defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) is compared to the carrying value of the asset/CGU. Impairment losses are recognised in profit or loss.

A CGU is defined by the Group as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Generally for the Group this represents an individual operating mine, including mines which are part of a larger mine complex. The costs attributable to individual shafts of a mine are impaired if the shaft is closed.

Exploration targets in respect of which costs have been capitalised at certain of the Group's international operations are evaluated on an annual basis to ensure that these targets continue to support capitalisation of the underlying costs. Those that do not are impaired.

When any infrastructure is closed down during the year, any carrying value attributable to that infrastructure is impaired.

#### **4.10 Gain or loss on disposal of property, plant and equipment**

Any gain or loss on disposal of property, plant and equipment (calculated as the net proceeds from disposal less the carrying amount of the item) is recognised in profit or loss.

**Table of Contents**

**140 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

**4.11 Leases**

At the inception of an arrangement, the Group determines whether the arrangement contains a lease. Leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. Leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and are not recognised in the statement of financial position. Operating lease costs are charged against profit or loss on a straight-line basis over the period of the lease.

**4.12 Deferred stripping**

Production stripping costs in a surface mine are capitalised to property, plant and equipment if, and only if, all of the following criteria are met:

- It is probable that the future economic benefit associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

If the above criteria are not met, the stripping costs are recognised directly in profit or loss.

The Group initially measures the stripping activity asset at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore.

After initial recognition, the stripping activity asset is carried at cost less accumulated amortisation and accumulated impairment losses.

**5. GOODWILL**

Goodwill is stated at cost less accumulated impairment losses. Goodwill on acquisition of equity accounted investees is tested for impairment as part of the carrying amount of the investment in associate or joint venture whenever there is any objective evidence that the investment may be impaired. Goodwill on acquisition of a subsidiary is assessed annually or whenever there are impairment indicators to establish whether there is any indication of impairment to

goodwill. A write-down is made if the carrying amount exceeds the recoverable amount. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

## **6. TAXATION**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI other comprehensive income.

Current tax is calculated on taxable income at the applicable statutory rate substantively enacted at the reporting date.

Interest and penalties are accounted for in current tax.

Deferred taxation is provided on temporary differences existing at each reporting date between the tax values of assets and liabilities and their carrying amounts. Substantively enacted tax rates are used to determine future anticipated tax rates which in turn are used in the determination of deferred taxation.

Deferred taxation is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

These temporary differences are expected to result in taxable or deductible amounts in determining taxable profits for future periods when the carrying amount of the asset is recovered or the liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and equity accounted investees except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **141**

Deferred tax assets relating to the carry forward of unutilised tax losses and/or deductible temporary differences are recognised to the extent it is probable that future taxable profit will be available against which the unutilised tax losses and/or deductible temporary differences can be recovered. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Except for Tarkwa and Cerro Corona, no provision is made for any potential taxation liability on the distribution of retained earnings by Group companies as it is probable that the related taxable temporary differences will not reverse in the foreseeable future.

## **7. INVENTORIES**

Inventories are valued at the lower of cost and net realisable value. Gold on hand represents production on hand after the smelting process.

Cost is determined on the following basis:

Gold on hand and gold-in-process is valued using weighted average cost. Cost includes production, amortisation and related administration costs;

Heap leach and stockpile inventories are valued using weighted average cost. Cost includes production, amortisation and related administration costs. The cost of materials on the heap leach and stockpiles from which metals are expected to be recovered in a period longer than 12 months is classified as non-current assets; and

Consumable stores are valued at weighted average cost, after appropriate provision for redundant and slow-moving items.

Net realisable value is determined with reference to relevant market prices or the estimated future sales price of the product if it is expected to be realised in the long term.



## **8. FINANCIAL INSTRUMENTS**

### **8.1 Non-derivative financial instruments**

#### **Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ( FVTPL ), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### **Classification and subsequent measurement**

##### *Financial assets Classification policy from 1 January 2018*

On initial recognition, a financial asset is classified as measured at:

Amortised cost;  
Fair value through other comprehensive income ( FVOCI ); or  
FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held with a business model whose objective is to collect contractual cash flows; and  
Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and  
Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

AFR-143

**Table of Contents****142 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

*Financial assets Subsequent measurement policy from 1 January 2018*

<b>Financial asset category</b>	<b>Description</b>
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets Classification of financial assets: Policy applicable from 1 January 2018*

The following information is considered by the Group in determining the classification of financial assets:

## Edgar Filing: GOLD FIELDS LTD - Form 20-F

The Group's business model for managing financial assets; and  
The contractual cash flow characteristics of the financial assets.

The business model assessment of the financial assets is based on the Group's strategy and rationale for holding the financial assets on a portfolio level. When considering the strategy, the following is considered:

Whether the financial assets are held to collect contractual cash flows;  
Whether the financial assets are held for sale; or  
Whether the financial assets are held for both collecting contractual cash flows and to be sold.

*Financial assets – Assessment of contractual cash flows: Policy applicable from 1 January 2018*

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

*Financial assets – Classification policy before 1 January 2018*

The Group classified its financial assets into one of the following categories:

Loans and receivables;  
Available for sale; and  
At FVTPL, and within this category as:  
held for trading;  
derivative hedging instruments; or  
designated as at FVTPL.

*Financial assets – Subsequent measurement policy before 1 January 2018*

Financial asset category	Description
Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Loans and receivables	Measured at amortised cost using the effective interest method.

Edgar Filing: GOLD FIELDS LTD - Form 20-F

Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the other reserves. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.
-------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

AFR-144

---

**Table of Contents****The Gold Fields** Annual Financial Report including Governance Report 2018 **143****Financial liabilities Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL. If it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**Impairment****Policy applicable from 1 January 2018**

The Group recognises loss allowances for expected credit losses ( ECLs ) on financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Policy applicable before 1 January 2018**

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

**Derecognition of financial instruments**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### **8.1.1 Investments**

Investments comprise listed and unlisted investments which are designated at FVOCI and are accounted for at fair value, with unrealised gains and losses subsequent to initial recognition recognised in OCI and included in other reserves. Profit or loss realised when investments are sold or impaired are never reclassified to profit or loss.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. The fair value of listed investments is based on quoted bid prices.

On disposal or impairment of financial assets classified at FVOCI, cumulative unrealised gains and losses previously recognised in OCI are included in determining the profit or loss on disposal, or the impairment charge relating to, that financial asset, respectively, which is recognised in OCI.

### **8.1.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value and are measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

Bank overdrafts are included within current liabilities in the statement of financial position and within cash and cash equivalents in the statement of cash flows.

**Table of Contents**

**144 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

**8.1.3 Trade receivables**

Trade receivables are carried at amortised cost less ECLs using the Group's business model for managing its financial assets, except for trade receivables from provisional copper and gold concentrate. The trade receivables from provisional copper and gold concentrate sales are carried at fair value through profit or loss and are marked-to-market at the end of each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of revenue.

**8.1.4 Environmental trust funds**

The environmental trust funds consist of term deposits and equity-linked deposits in South Africa, as well as secured cash deposits in Ghana. The term deposits and secured cash deposits are recognised at amortised cost less ECLs using the Group's business model for managing its financial assets. The equity-linked deposits are initially recognised at fair value and subsequently remeasured to their fair value with changes therein recognised in profit or loss.

**8.1.5 Trade payables**

Trade payables are recognised at amortised cost using the effective interest method.

**8.1.6 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, where applicable and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest payable on borrowings is recognised in profit or loss over the term of the borrowings using the effective interest method. Finance expense comprises interest on borrowings and environmental rehabilitation costs offset by interest capitalised on qualifying assets.

Cash flows from interest paid are classified under operating activities in the statement of cash flows.

## **8.2 Derivative financial instruments**

The Group may from time to time establish currency and/or interest rate and/or commodity financial instruments to protect underlying cash flows.

Derivative financial instruments are initially recognised at fair value and subsequently remeasured to their fair value with changes therein recognised in profit or loss.

## **9. PROVISIONS**

Provisions are recognised when the Group has a present legal or constructive obligation resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## **10. PROVISION FOR ENVIRONMENTAL REHABILITATION COSTS**

Long-term provisions for environmental rehabilitation costs are based on the Group's environmental management plans, in compliance with applicable environmental and regulatory requirements.

Rehabilitation work can include facility decommissioning and dismantling, removal or treatment of waste materials, site and land rehabilitation, including compliance with and monitoring of environmental regulations, security and other site-related costs required to perform the rehabilitation work and operations of equipment designed to reduce or eliminate environmental effects.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The unwinding of the obligation is accounted for in profit or loss.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean up at closure.

Changes in estimates are capitalised or reversed against the relevant asset, except where a reduction in the provision is greater than the remaining net book value of the related asset, in which case the value is reduced to nil and the remaining adjustment is recognised in profit or loss. In the case of closed sites, changes in estimates and assumptions are recognised in profit or loss. Estimates are discounted at the pre-tax risk-free rate in the jurisdiction of the obligation.

Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. These increases are accounted for on a net present value basis.



**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **145**

For the South African and Ghanaian operations, annual contributions are made to a dedicated rehabilitation trust fund and dedicated bank account, respectively, to fund the estimated cost of rehabilitation during and at the end of the life-of-mine. The amounts contributed to this trust fund/bank account are included under non-current assets. Interest earned on monies paid to rehabilitation trust fund/bank account is accrued on a time proportion basis and is recorded as interest income.

In respect of the South African, Ghanaian and Peruvian operations, bank and other guarantees are provided for funding of the environmental rehabilitation obligations. Refer to financial instruments accounting policy Environmental trust fund.

**11. EMPLOYEE BENEFITS**

**11.1 Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**11.2 Pension and provident funds**

The Group operates a defined contribution retirement plan and contributes to a number of industry-based defined contribution retirement plans. The retirement plans are funded by payments from employees and Group companies.

Contributions to defined contribution funds are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

**11.3 Share-based payments**

The Group operates a number of equity-settled compensation plans. The fair value of the equity-settled instruments is measured by reference to the fair value of the equity instrument granted, which in turn is determined using the Black-Scholes and Monte Carlo simulation models on the date of grant.

Fair value is based on market prices of the equity-settled instruments granted, if available, taking into account the terms and conditions upon which those equity-settled instruments were granted. Fair value of equity-settled instruments granted is estimated using appropriate valuation models and appropriate assumptions at grant date. Non-market vesting conditions (service period prior to vesting) are not taken into account when estimating the fair value of the equity-settled instruments at grant date. Market conditions are taken into account in determining the fair value at grant date.

The fair value of the equity-settled instruments is recognised as an employee benefit expense over the vesting period based on the Group's estimate of the number of instruments that will eventually vest, with a corresponding increase in equity. Vesting assumptions for non-market conditions are reviewed at each reporting date to ensure they reflect current expectations.

Where the terms of an equity-settled award are modified, the originally determined expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the participant as measured at the date of the modification.

#### **11.4 Long-term incentive plan**

The Group operates a long-term incentive plan.

The Group's net obligation in respect of the long-term incentive plan is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is estimated using appropriate assumptions and is discounted to determine its present value at each reporting date. Remeasurements are recognised in profit or loss in the period in which they arise.

#### **11.5 Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of the date the Group can no longer withdraw the offer of those benefits or the date the Group recognises costs for a restructuring. Benefits falling due more than 12 months after the reporting date are discounted to present value.

AFR-147

**Table of Contents**

**146 The Gold Fields** Annual Financial Report including Governance Report 2018

Accounting policies (continued)

**12. STATED CAPITAL**

**12.1 Ordinary share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**12.2 Repurchase and reissue of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are deducted from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

**13. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Group applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in note 41 and in the basis of preparation above.

**Revenue recognition under IFRS 15 (applicable from 1 January 2018)**

The Group recognises revenue when control over its gold, copper and silver is transferred to the customer. The price is determined by market forces. Revenue is measured based on the consideration specified in a contract with the customer.

**Revenue recognition under IAS 18 (applicable before 1 January 2018)**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue arising from gold, copper and silver sales is recognised when the significant risks and rewards of ownership pass to the buyer.

**Nature and timing of satisfaction of performance obligations**

Customers obtain control of gold, copper and silver on the settlement date and therefore there are no payment terms except for copper and gold concentrate sales in Peru. Copper and gold concentrate revenue is calculated, net of refining and treatment charges, on a best estimate basis on shipment date, using forward metal prices to the estimated final pricing date, adjusted for the specific terms of the agreements. Variations between the price recorded at the shipment date and the actual final price received are caused by changes in prevailing copper and gold prices. Changes in the fair value as a result of changes in forward metal prices are classified as provisional price adjustments and included as a component of revenue.

#### **14. INVESTMENT INCOME**

Investment income comprises interest income on funds invested and dividend income from listed and unlisted investments.

Investment income is recognised to the extent that it is probable that economic benefits will flow to the Group and the amount of investment income can be reliably measured. Investment income is stated at the fair value of the consideration received or receivable.

##### **14.1 Dividend income**

Dividends are recognised in profit or loss when the right to receive payment is established.

##### **14.2 Interest income**

Interest income is recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

Cash flows from dividends and interest received are classified under operating activities in the statement of cash flows.

AFR-148

**Table of Contents**

**The Gold Fields** Annual Financial Report including Governance Report 2018 **147**

**15. DIVIDENDS DECLARED**

Dividends and the related taxation thereon are recognised only when such dividends are declared.

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends paid. The Group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends paid. Amounts withheld are not recognised as part of the Group's tax charge but rather as part of the dividend paid recognised directly in equity.

Cash flows from dividends paid are classified under operating activities in the statement of cash flows.

**16. EARNINGS PER SHARE**

The Group presents basic and diluted earnings per share. Basic earnings per share is calculated based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is determined by adjusting the profit attributable to ordinary shareholders, if applicable, and the weighted average number of ordinary shares in issue for ordinary shares that may be issued in the future.

**17. NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets (or disposal groups) comprising assets and liabilities, are classified as held for sale if it is highly probable they will be recovered primarily through sale rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale or distribution, property, plant and equipment is no longer amortised or depreciated.

**18. DISCONTINUED OPERATIONS**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

Represents a separate major line of business or geographic area of operations;

Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or

Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative income statement and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative period.

## **19. SEGMENTAL REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and is based on individual mining operations. The Chief Operating Decision-Maker ( CODM ), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

## **20. HEADLINE EARNINGS**

Headline earnings is an additional earnings number that is permitted by IAS 33 Earnings per Share ( IAS 33 ) as set out in SAICA Circular 4/2018 (Circular). The starting point is earnings as determined in IAS 33, excluding separately identifiable remeasurements net of related tax (both current and deferred) and related non-controlling interest, other than remeasurements specifically included in headline earnings. A remeasurement is an amount recognised in profit or loss relating to any change (whether realised or unrealised) in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability. Included remeasurement items are included in section C of the circular.

AFR-149

**Table of Contents****148 The Gold Fields** Annual Financial Report including Governance Report 2018

Consolidated income statement

for the year ended 31 December

United States Dollar

*Figures in millions unless otherwise stated*

	Notes	<b>2018</b>	2017	2016
<b>CONTINUING OPERATIONS</b>				
Revenue	1	<b>2,577.8</b>	2,761.8	2,666.4
Cost of sales	2	<b>(2,043.0)</b>	(2,105.1)	(2,001.2)
Investment income	3	<b>7.8</b>	5.6	8.3
Finance expense	4	<b>(88.0)</b>	(81.3)	(78.1)
Gain on financial instruments		<b>21.0</b>	34.4	14.4
Foreign exchange gain/(loss)		<b>6.4</b>	(3.5)	(6.4)
Other costs, net		<b>(44.8)</b>	(19.0)	(16.8)
Share-based payments	5	<b>(37.5)</b>	(26.8)	(14.0)
Long-term incentive plan	26	<b>(1.1)</b>	(5.0)	(10.5)
Exploration expense		<b>(104.2)</b>	(109.8)	(86.1)
Share of results of equity accounted investees, net of taxation	16.1	<b>(13.1)</b>	(1.3)	(2.3)
Restructuring costs		<b>(113.9)</b>	(9.2)	(11.7)
Silicosis settlement costs	25.2	<b>4.5</b>	(30.2)	
Gain on acquisition of Asanko	15	<b>51.8</b>		
Impairment, net of reversal of impairment of investments and assets	6	<b>(520.3)</b>	(200.2)	(76.5)
Profit on disposal of investments				2.3
(Loss)/profit on disposal of assets		<b>(51.6)</b>	4.0	48.0
<b>(Loss)/profit before royalties and taxation</b>	7	<b>(348.2)</b>	214.4	435.8
Royalties	8	<b>(62.5)</b>	(62.0)	(78.4)
<b>(Loss)/profit before taxation</b>		<b>(410.7)</b>	152.4	357.4
Mining and income taxation	9	<b>65.9</b>	(173.2)	(189.5)
<b>(Loss)/profit from continuing operations</b>				