

## 2.2 Risk management

Effective and integrated risk management sits at the heart of true business sustainability. Gold Fields has a well-established Enterprise Risk Management (ERM) process, which not only covers our 'traditional' operational and business risks, but also our environmental, social, health and safety risks.

The overriding purpose of the ERM process is to help Gold Fields become more resilient in the global business environment and achieve its strategic objectives – to grow Gold Fields, to optimise its operations and to secure its future. It also supports our efforts to achieve the highest levels of corporate governance, as well as full compliance with the risk management requirements of South Africa's King III Code.

The ERM process is comprised of two integrated and well-aligned components: operational risk management and strategic risk management (see Figure 2.8). It is aligned with the ISO 31000 international standard on risk management.

During the year, our international operations were surveyed by the IMIU (International Mining Industry Underwriters) and our South African mines by Zurich Risk Engineers, part of Zurich Re. Both agencies noted continued improvement in risk management at these operations and all of the mines are placed in the top quartile of the approximate 400 mines assessed.

Gold Fields has operated for 11 years without making a property claim into the insurance market.

Additional content online  
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During 2011, the ERM process at Gold Fields was reviewed by PricewaterhouseCoopers, which found that:

- The ERM process is fully compliant with the risk management requirements of King III
- All the key principles of the ISO 31000 risk management guidelines have been adopted
- Gold Fields has established a mature risk management process that is leading many of the approaches in the non-financial sector

Figure 2.8: Enterprise Risk Management process – definition

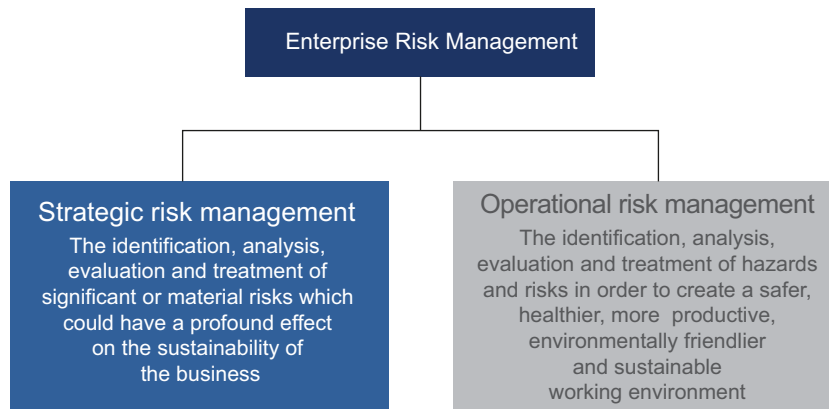


Figure 2.9: Risk management review process



Figure 2.10: Risk, strategy and performance (within the tolerance levels set by the Board)

Risk Area	Aspirations	Tolerance level	Targets	2010	2011
<b>Optimise our assets</b>					
Safety	Zero Harm	Zero Harm	FIFR – Zero	0.11	0.12
			SIFR – 25% less <sup>1</sup>	2.22	2.64
			LTIFR – 25% less <sup>1</sup>	4.39 <sup>2</sup>	4.69
			MTIFR – 25% less <sup>1</sup>	7.16 <sup>2</sup>	5.68
Health	Zero Harm	Zero Harm	2013 MHSC milestones for Silicosis & NIHL	On track	On track
Environment	Zero Harm	Zero Level 4 and 5 incidents	Zero	Zero	Zero
Gold Delivery	5Moz by 2015	95% compliance	3.5Moz	3.5	3.5
	NCE 25%		NCE 15% - 20%	16%	25%
<b>Securing our future</b>					
Human Resources	Pipeline of scarce and critical skills	60% – successor cover ratio for top 250 employees	60%	50%	70%
Licence to operate	Global leader in sustainable gold mining	Full compliance with all legal and community commitments	Full compliance	100%	100%
Ethics and Corporate Governance	Full compliance – SOX and substantial compliance to King III	No material / significant failures	No material / significant failures	Nil	Nil
<b>Growing Gold Fields</b>					
Capital Projects	Project delivered on time / budget	7% - 10% overrun	South Deep, Chucapaca, FSE, APP, Yanfolila	On track	On track
Mergers & Acquisitions	Proper assessment of risk and returns commensurate with the risk	IRR <sup>3</sup> 5% – Near-mine IRR 10% – Greenfields	As per IRR	On track	On track
Exploration	Appropriate balance between geological potential & political risk	Leaning towards greater geological potential in high risk areas	As per GBAR <sup>4</sup>	On track	On track

■ Targets achieved    
■ Improved on previous year    
■ Targets not achieved

<sup>1</sup> South Africa only – other regions are subject to a 20% reduction target for SIFR, LTIFR and MTIFR

<sup>3</sup> Internal Rate of Return

<sup>2</sup> Restatement – LTIFR previously reported as 4.38 and MTIFR previously reported as 7.09. Please see p4 for explanation

<sup>4</sup> Global Business Area Rating system

## Risk review process

The multi-stage strategic risk management process starts with quarterly strategic risk management assessments at each of our mines and service divisions. In addition, all sites regularly conduct operational risk assessments compliant with standards set by Simrac (Safety in Mines Research Advisory Committee) in South Africa and the AU/NZ Standard 4360 in Australasia. Key strategic risks are identified and analysed, and mitigating actions are put in place (or reviewed if already in place). The regions' top risks are forwarded to the regional executive committees, which review the risk register and decide on appropriate mitigating actions.

The Group's top strategic risks are then reviewed by the Gold Fields Executive Committee (ExCo) on a biannual basis. Mitigation strategies are developed on the basis of this review, which are presented at the Audit Committee's dedicated risk meetings and reviewed after six months.

The Board and company management are responsible for risk governance and management. Nonetheless, the integral involvement of all line managers in the process is essential to ensure the effectiveness of the system.

## Risk management assurance

Our Risk Management Charter provides for four levels of ERM process assurance: (1) Financial Internal Controllers review mitigating strategies on a regular basis to ensure they are being implemented. These reviews must be captured in the Cura risk management software system; (2) Internal Audit conducts an annual review on the effectiveness of the risk management process; (3) Internal Audit provides assurance to the Board that the risk management plan is integrated into the daily business activities of Gold Fields; (4) Internal Audit conducts an annual review of the mitigating strategies of the top risks in the risk registers to ensure they are being implemented.