GOLD COMPANIES TABLE WAGE OFFER BASED ON ECONOMIC AND SOCIAL SUSTAINABILITY

Statement issued on behalf of:

AngloGold Ashanti | Harmony | Sibanye
Evander Gold Mine | Village Main Reef

WAGE NEGOTIATIONS FOR THE GOLD INDUSTRY 2015

collectively representing the gold producers who are represented in wage negotiations by the **CHAMBER OF MINES**

Job preservation and profit sharing at the centre of the offer

Johannesburg, 29 June 2015: Gold companies AngloGold Ashanti, Evander Gold Mines, Harmony, Sibanye Gold and Village Main Reef, have tabled an offer to their employees represented by the Association of Mineworkers and Construction Union (AMCU), the National Union of Mineworkers (NUM), Solidarity and UASA, for the five-year period from 1 July 2015 to 30 June 2020. The foundation of the offer is the need to ensure the sustainability of the industry, and consequently, the preservation of jobs and the sharing of any profits made by the companies.

The industry is currently facing significant challenges as a result of falling dollar gold prices, aging infrastructure and depleting ore bodies, rapidly rising costs, electricity-related constraints and disruptions and greater distances to working faces which affect productivity. As a result, company margins are under severe pressure, placing the sustainability of many mines and shafts under threat. The industry understands that employees are also facing many challenges, which have given rise to their wage demands, but also recognise the implications of job losses on employees and communities. While the industry's production has halved to around 168 tons in the past decade, employment levels have declined by around 30% to 119,000 jobs, adding to the already-high levels of unemployment in South Africa.

The economic model

The economic drivers of the gold industry comprise three distinct yet inter-dependent elements for sustainable mining:

- **Inputs outside of our control**, including the US$ gold price, the prevailing rand/dollar exchange rate, national inflation and geological conditions.
- **Inputs and issues substantially outside of our control**, but which we **may be able to influence** through joint action, such as administered prices (fuel, electricity, water, cost of

capital and goods), the regulatory environment, prohibition of work on Sundays in the mining industry in terms of the Mines and Works Act, and commodity-based inflation.
- **Inputs over which we have greater influence**, including the cost of mining in respect of labour, cost of supply chain goods and services, use of stores, absenteeism, wastage, capital investment, work organisation, work stoppages and safety, and others.

The gold companies have developed company-specific economic models which will allow the parties to track the movement of all economic inputs needed to ensure sustainable mining. Through transparent and regular information-sharing, employees, unions and other stakeholders will be able to clearly evaluate the ongoing economic and social performance and sustainability of the companies and the business units, whether these be individual shafts or mines.

Importantly, the model allows for employees to substantially benefit from upside in industry performance. If the profit margin at a business unit level (after all costs have been allocated) falls **below a margin of 6%**, this would trigger an automatic review of the operating unit. A consultation process would then begin to jointly find measures to restore the viability of the business unit and avoid job losses. Should these measures not be successful, voluntary and, if necessary, statutory consultation will begin in respect of job losses.

Direct sharing in the fortunes of the industry

Any improvement in company performance resulting in a profit (after all costs of the business have been allocated) will trigger **automatic sharing in the resulting gains**. This means that between 3% and 5% of profits earned on average over the preceding six months will be equally shared amongst all employees. (At Sibanye Gold and Harmony 5% of profit will be shared with employees, while at AngloGold Ashanti 3.5% of profit will be shared.) The profit share will not be capped and will be in addition to any production or safety allowances or bonuses earned, and paid to employees quarterly in arrears. The profit share will begin from the first rand of profit earned.

The offer

In addition to the gain-share, the offer comprises social and employment guarantees, based on conditions at the time this agreement is concluded. The core components are:

- Guaranteed employment provided that the profit margin at operating unit level (after all costs have been allocated) does not fall below a margin of 6%.
- **Guaranteed annual increases** in basic wages for entry-level underground workers from 1 July each year. The offers range from increases of R450 (7.8%) for Harmony, R625 (11.1%) for Sibanye Gold to R750 (13%) for AngloGold Ashanti. In the case of Miners, Artisans and Officials, the offers range from 4.5% for Harmony, 5% for Sibanye Gold, and 6% for AngloGold Ashanti.
- **Creation of a special purpose vehicle** (SPV) funded by the companies to address **housing and living conditions of employees**, and to ensure that employees and their families have a choice of where and how to live. The SPV would aim to benefit from economies of scale to reduce the cost of housing and speed up delivery. The living-out allowance (LOA) would

continue at its current level until the SPV is able to deliver affordable and desirable outcomes for all employees.

- Significant commitment to **alleviate employee indebtedness** with the objective that no employee should be indebted, in respect of payroll-administered deductions, by more than 25% of net pay. Personal financial management training and reasonable access to on-site debt counselling services will be provided to all employees.
- Measures to ensure that all employees may **retire with dignity**, while at the same time acknowledging the different needs of younger and older employees.
- A review of training expenditure, in consultation with the unions, with a view to ensuring that the maximum educational and skills enhancements are realised from the industry's training budgets. The companies party to these negotiations currently spend some R1.5bn on education and skills development per annum.

Finally, to ensure job retention and operational sustainability, the companies ask unions and employees to commit their support existing and new initiatives to enhance operational efficiency, including the introduction of new forms of work organisation, greater diversity of skill acquisition and flexibility, team work and any other mutually agreed measures that will enhance output, efficiencies and the quality of life of employees.

Negotiations are scheduled to continue for three days, from 29 June 2015 to 1 July 2015.

Should you have any queries, please contact:

Dr Elize Strydom, Chamber of Mines +27(0)11 498 7409 or +27(0)82 773 9553

Charmane Russell and Memory Johnstone, on behalf of the gold producers +27 (0)11 880 3924 or +27 (0)82 372 5816 or charmane@rair.co.za or memory@rair.co.za