

MANAGING OUR MATERIAL RISKS



MESSAGE FROM THE CEO

“Understanding our risks and ensuring we have appropriate measures in place to mitigate and manage these risks, which enable us to take decisive action to realise opportunities in pursuit of our strategy, is vital for us to continue delivering sustainable value.”

Neal Froneman – Chief Executive Officer

The management of our material risks entails identifying those variables, both in our external operating environment and within the company, and understanding how they might impact Sibanye-Stillwater’s ability to deliver on our strategy and achieve our strategic objectives.

Action plans are then developed and steps taken to mitigate and manage the risks identified. Simultaneously, this process enables us to identify potential opportunities for which action plans are developed and implemented, to enable Sibanye-Stillwater to fully benefit from them.



SUMMARY OF TOP 10 MATERIAL RISKS

For the 2017 year, the company identified and monitored the following top 10 material risks for the Group. As a result of recent acquisitions, which have diversified the Group geographically and in terms of the commodities produced (and hence revenue sources), there has been a significant shift in the material risks facing the company. Diversification has reduced the potential impact of some risks which were previously considered material, but by increasing its global reach and commodity mix, additional complexities have been introduced. Further detail on each risk and mitigation measures can be found on page 39.

Ranking	Description	Comparison with risks 2016
1	Failure to optimally integrate regional acquisitions and ensure ongoing operational delivery on targets	Incorporates the following risks from 2016: Delivery on operational plans (1) Operating cost management (6)
2	Ability to access, service and repay debt due to external and internal factors which may impact on cash flow	Incorporates the following risks from 2016: Delivery on operational plans (1) Operating cost management (6) Optimising business case efficiencies for acquisitions (3) Functional infrastructure (10)
3	Adverse regulatory changes and socio-political instability	Incorporates the following risks from 2016: Macro-economic trend management (7) Political stability (8) Labour relations (9)
4	Further deterioration in South African rating and potential adverse impact on valuations and cost of financing	New risk*
5	Cost and impact of ensuring governance, regulatory, legal and accounting compliance across multiple regions and additional requirements of multi-commodity production	New risk*
6	Maintaining and obtaining operating licences and other permits in uncertain political and regulatory environments	Incorporates the following risk from 2016: Regulatory compliance and commitments relating to the MPRDA, Mining Charter and SLPS (5)
7	Safety, health and environmental incidents	Incorporates the following risk from 2016: Health and safety compliance (2)
8	Unrealistic expectations for business to uplift communities in South Africa	New risk*
9	Under-delivery on operational targets owing to external factors	Incorporates the following risk from 2016: Combatting/addressing product theft and illegal mining (4)
10	Maintaining positive relations with employees and creating alignment with business strategy and goals	New risk*

* New risks due to changing business environment

MANAGING OUR MATERIAL RISKS CONTINUED

ENTERPRISE RISK MANAGEMENT

During 2017, Sibanye-Stillwater embarked on a process to update our risk management framework to take into account the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the updated ISO 31000:2018 – risk management framework, and the King IV Report on Corporate Governance for South Africa, 2016 (King IV). The updated risk management framework was adopted in September 2017. In aligning with King IV, risk management has been integrated with and linked directly to our strategy and our ability to achieve our strategic objectives. Our risk management process has also been expanded to consider opportunities as well as risks.

Risk management is a continuous, proactive and dynamic process designed to identify, understand, manage and communicate those risks and opportunities that may have an impact on Sibanye-Stillwater's achieving its strategic business objectives. The group-wide risk assessment process was enhanced to ensure that our strategic objectives are included at all levels of risk determination, to ensure congruency across the company.

An annual independent review of Sibanye-Stillwater's updated enterprise risk management framework, practices and systems and their effectiveness was conducted by an external assurance provider, PwC during 2017. The review confirmed that our risk management framework is compliant with King IV, ISO 31000 and COSO.

In line with its duties and responsibilities, the Board of Directors monitored, reviewed, provided feedback on and approved the components – the related framework, practices and systems – and the process of enterprise risk management.

As part of its ongoing monitoring of risk management, the Board deliberated on and agreed acceptable appetite and risk tolerance levels for key performance areas. Our risk appetite refers to the amount of risk we are willing to take to achieve our strategic objectives and takes into account revenue growth, earnings sustainability, environmental impact, employee well-being, health, safety, the environment, human resources, business plan delivery, licence to operate, ethics and governance.

DETERMINING OUR MATERIAL RISKS AND OPPORTUNITIES

Sibanye-Stillwater considers a risk and/or an opportunity to be material if it substantially affects the group's ability to create and sustain value in the short, medium and long term. The process to identify the material risks and opportunities facing Sibanye-Stillwater is three-pronged and involves understanding and taking into account:

- Our external operating environment
- Internal factors that may adversely affect business performance
- Stakeholder attitudes, concerns and expectations (see Stakeholder engagement)

Due understanding and consideration of these factors allows management to identify the most relevant issues which may impact the Group's ability to achieve its strategic and business objectives and create value for all our stakeholders over time. Management evaluates the likelihood and potential impact of material issues occurring, from multiple perspectives, including strategic, financial and operational viewpoints. This results in the most material issues being prioritised and appropriate response plans being developed.

DETERMINING OUR MATERIAL RISKS



OUR OPERATING ENVIRONMENT – EXTERNAL AND INTERNAL

NEW OPERATING CONTEXT

Our operating context has changed significantly over the past few years. Sibanye-Stillwater now operates across geographical regions and produces a more diverse commodities mix, which have had an impact on our risks and opportunities.

Sibanye-Stillwater's diversification into the PGM sector, and establishing a significant operational presence in the United States, has already delivered clear benefits in 2017. While maintaining the Group's gold exposure, which provides a solid underpin, the Group enjoyed the counter-balancing effect of exposure to both platinum and palladium as market price trends for the two metals diverged. The South African mining industry is currently facing severe margin pressure due to the strong rand, and Sibanye-Stillwater's US PGM operations provide welcome diversification away from the strong rand and positive exposure to the elevated palladium price.

Our view on the outlook for the precious metals we produce is covered in the Chairman's perspective earlier in this report, along with the possible impacts of the recent political shift in South Africa, on the economy, the local mining industry and the Group. The strategic and operational benefits of recent and pending acquisitions is covered in more detail in the CEO's review, with relevant financial aspects discussed in the CFO's report.

Operational and executive management, the Risk Committee and the Board continually identify, prioritise and monitor all risks and materials issues throughout the year. As a result of the significantly different external and internal context in which the Group now operates, a specific strategic review of risks and opportunities was conducted in the last quarter of 2017 to take into account Sibanye-Stillwater's new organisational structure and positioning, and evaluate how the company's risk profile had evolved.

The strategic review identified the following adjustments, emerging risks and opportunities:

- The change in our operating footprint has secured geographic diversification as well as increased exposure to PGM markets, and to palladium in particular. This has reduced the risks related to regional concentration of assets and single commodity and currency exposure. Sibanye-Stillwater now has a natural hedge against exchange rate fluctuations and is exposed to a wider basket of commodity prices than previously. This provides greater certainty in relation to operational cash flow generation.
- The US region represents a relatively low risk environment from most perspectives, with environmental management and associated commitments to local communities representing the most critical focus area. Environmental permitting is the primary risk to the realisation of further mining brownfields growth opportunities at the US PGM operations, although the Stillwater operations have previously secured permits that provide for steady production and ramp up over a life in excess of 30 years.

- While recent political changes in South Africa have resulted in substantial strengthening of the South African rand, which is placing short-term pressure on margins from the SA region's operations, the risks related to any adverse implications for business effectiveness due to unfavourable regulation and policy as well as disruption due to social unrest are potentially much reduced. An improved policy and regulatory environment improves, have positive implications for industry investment and growth, which will bring benefits to all stakeholders in the long term. The spectre of sustained rand strength, does however necessitate revision of operating plans and consideration of alternative mechanisms for managing debt, including from forward commodity sales and streaming, pipeline inventory financing, reductions in working capital and disposals of non-core assets.
- The announced transaction with DRDGOOLD provides Sibanye-Stillwater with immediate realisation of value and a lower risk exposure to the value potential of the surface tailings resources on the West Rand, as well as the broader scope of DRDGOOLD operations.
- The proposed transaction to acquire Lonmin may provide Sibanye-Stillwater with lower cost processing options and other synergies and enhanced direct access to global PGM metal markets, which will contribute modestly to reducing the company's commodity price risk exposure. The risk relating to potential changes in the inherent value of Lonmin prior to the acquisition taking place is adequately catered for by the requirement for a positive vote by Sibanye-Stillwater shareholders shortly prior to consummation of the transaction. This includes whatever outcomes may be reached around the allegations of non-compliance with social and labour plans (SLPs). While the Lonmin transaction will increase Sibanye-Stillwater's exposure to communities in the Rustenburg district, a more substantial presence, coupled with effective methodologies for community engagement, are considered adequate to manage this risk effectively to the benefit of all stakeholders.

STAKEHOLDER ENGAGEMENT AND RISK MITIGATION

Effective and ongoing stakeholder engagement is essential for the Group to identify potentially material issues and risks and manage stakeholder expectations. Positive, transparent stakeholder engagement is a two-way process. It enables Sibanye-Stillwater to better manage and mitigate our risks and issues, by reducing their impact and likelihood. Similarly, it also enables us to take advantage of opportunities when these present themselves.

Constructive, meaningful relationships with stakeholders are vital to retaining our social and legal licence to operate.

A comprehensive communications strategy is in place to oversee stakeholder engagement and manage expectations. As a responsible corporate citizen, Sibanye-Stillwater fosters and maintains constructive engagement with all stakeholders in order to deliver on our vision and strategy, to maintain our licences to operate, and ultimately for our long-term success and sustainability.

MANAGING OUR MATERIAL RISKS CONTINUED

STAKEHOLDERS AND RELATED CONCERNS

Stakeholders	Focus of engagement
Investors, market analysts and providers of capital	<ul style="list-style-type: none"> • Operating and financial performance • Delivery on strategic objectives • Managing and guiding shareholder expectations and forecasts • Engagement with rating agencies and bond investors <p>Related risks: (1), (2), (3), (4), (6) and (7)</p>
Employees and organised labour	<ul style="list-style-type: none"> • People@Sibanye-Stillwater initiative – refer to <i>Superior value for the workforce</i> for further detail • Safety and health • Operating, financial safety and environmental targets • Motivate participation in optimisation of processes and systems • Training and development, and skills retention • Wage negotiations • Labour relations environment • Indebtedness <p>Related risks: (1), (3) (5), (6), (7), (8) and (10)</p>
Communities and consultative forums	<ul style="list-style-type: none"> • Community expectations • Employment opportunities • Local procurement and enterprise development and related opportunities • Local economic development • Environmental impacts of mining • Illegal mining • Legacy health concerns <p>Related risks: (3), (4), (5), (6), (7), (8) and (10)</p>
Regulators and government – national, provincial and local	<ul style="list-style-type: none"> • Close collaboration with local municipalities and other community structures is an important aspect of socio-economic development project planning and implementation • Employee safety and health • Section 54 safety-related stoppages • Environmental compliance • Mining licences, particularly regulatory compliance with SLP commitments and Mining Charter targets, including procurement, transformation, mine community development, housing and living conditions • Legacy health issues (silicosis and the mining industry's Working Group on Occupational Lung Disease OLD) <p>Related risks: (3), (5), (6) and (7)</p>
Suppliers and contractors (business partners)	<ul style="list-style-type: none"> • Cost management and improving productivity • Mining licence commitments in terms of preferential procurement and Mining Charter targets, especially as related to the development and growth of SMMEs and skills enhancement <p>Related risks: (1), (2), (5) and (6)</p>
Chamber of Mines and peers	<ul style="list-style-type: none"> • Issues of major concern to the industry as a whole, for example, the discussions and negotiations around the release of the reviewed Mining Charter in mid-2017 and other legislation pending such as the proposed carbon tax and amendments to the financial provisions of the National Environment Act, 107 of 1998 (NEMA) • Safety and health, and in particular silicosis and OLD • Industry-wide labour relations • Wage negotiations • Illegal mining and theft, as an industry-wide issue <p>Related risks: (1), (3), (4), (5), (6), (7), (8) and (9)</p>

TOP 10 RISKS AND RELATED MITIGATING ACTIONS IN 2017

RANKING METHODOLOGY

The top 10 risks have been ranked on their residual risk, based on exposure levels after controls have been applied

		Description	Mitigating action	Residual risk rating	Risk tolerance	Source of risk
1	Failure to optimally integrate regional acquisitions and ensure ongoing operational delivery on targets	The geographic expansion of the Group with the acquisition of the US operations could impact the ongoing delivery on regional business, operational and growth targets. Management capacity and focus was a primary concern	<ul style="list-style-type: none"> Organisational structure changed from commodity focus to regional focus Capacity added where appropriate in the regions Strategic and operational planning processes implemented Frequent and regular reviews of strategic and operational plans 	Medium	<ul style="list-style-type: none"> Achievement of targets for business and operational plans 	INTERNAL
2	Ability to access, service and repay debt due to external and internal factors which may impact on cash flow	Servicing and reducing debt is a primary focus of the Group. This may be affected by poor operational delivery due to internal factors or due to external disruptions. The ability to service debt is also affected by fluctuations in external revenue drivers such as currencies and commodity prices	<ul style="list-style-type: none"> Frequent and regular reviews and tracking of operational performance Cash and balance sheet management including mechanisms for accelerating revenue such as commodity sales, reductions in working capital and disposals of non-core assets Revenue management through currency and commodity hedging Appropriate capital structure/management Financial risk mitigation measures 	Medium	<ul style="list-style-type: none"> Achievement of targets for business and operational plans Achieving planned deleveraging trajectory 	EXTERNAL AND INTERNAL

MANAGING OUR MATERIAL RISKS CONTINUED

TOP 10 RISKS AND RELATED MITIGATING ACTIONS IN 2017 CONTINUED

		Description	Mitigating action	Residual risk rating	Risk tolerance	Source of risk
3	Adverse regulatory changes and socio-political instability	Adverse changes in the South African regulatory environment, political instability and social instability could disrupt operations and affect investor confidence	<ul style="list-style-type: none"> Regular and transparent stakeholder engagement Legal challenge through Chamber of Mines to potential adverse legislation Comprehensive detailed training and monitoring of compliance with laws and regulations 	Medium	<ul style="list-style-type: none"> Compliance with key laws and with the legal and social requirements for the SLPs and Mining Charter targets Repeal of Mining Charter 3 	EXTERNAL
4	Further deterioration in South African rating and potential adverse impact on valuations and cost of financing	South African rating downgrades negatively impacting on cost of financing and adding to discount applied to South African companies by the market. Lower share price rating negatively impacts on growth	<ul style="list-style-type: none"> Conservative debt management Regular interaction with investment banks on market conditions Regular shareholder interaction and engagement 	Medium	<ul style="list-style-type: none"> Achievement of targets for business and operational plans 	INTERNAL AND EXTERNAL
5	Cost and impact of ensuring governance, regulatory, legal and accounting compliance across multiple regions and additional requirements of multi-commodity production	Our changed geographical landscape has resulted in exposure to different legislative, governance and compliance requirements. Rapid regulatory changes in countries where we operate can affect operating costs	<ul style="list-style-type: none"> Comprehensive detailed training on and monitoring of compliance with laws and regulations Regular engagement with regulators and national authorities Cost containment 	Medium	<ul style="list-style-type: none"> Compliance with key laws and with the legal and social requirements for the SLPs and Mining Charter targets Achievement of business and operational plans 	EXTERNAL
6	Maintaining and obtaining operating licences and other permits in uncertain political and regulatory environments	Our legal and social licences to operate may be impacted by policy and regulatory changes. In the South Africa region, these licences for our operations are exposed to the uncertainty around the Mining Charter	<ul style="list-style-type: none"> Comprehensive detailed training on and monitoring of compliance with laws and regulations Regular engagement with regulators and national authorities 	Medium	<ul style="list-style-type: none"> Compliance with key laws, and with the legal and social requirements for SLPs and Mining Charter targets 	EXTERNAL

TOP 10 RISKS AND RELATED MITIGATING ACTIONS IN 2017 CONTINUED

		Description	Mitigating action	Residual risk rating	Risk tolerance	Source of risk
7	Safety, health and environmental incidents	Mining operations can affect the safety and health of employees. In addition, mining activity can adversely impact the natural environment	<ul style="list-style-type: none"> • A robust safety strategy and policies aligned with our overall strategy are in place • Ongoing monitoring of compliance with these policies • Ongoing stringent environmental monitoring and compliance • Health and safety auditing to ensure compliance 	Medium	<ul style="list-style-type: none"> • Improved safety statistics compared to prior periods and better than industry norms • Low tolerance for activities that may have a significant adverse effect on the natural environment 	INTERNAL
8	Unrealistic expectations for business to uplift communities in South Africa	Social instability and increased unemployment could result in community activism in the areas where we operate	<ul style="list-style-type: none"> • Effective implementation and management of stakeholder engagement strategy • Strengthen partnerships with stakeholders to assist with better delivery on Sibanye-Stillwater's commitments 	Medium	<ul style="list-style-type: none"> • Compliance with key laws, and with the legal and social requirements for SLPs and Mining Charter targets 	EXTERNAL
9	Under-delivery on operational targets owing to external factors	External factors including cyber-attacks, natural disasters, theft of product and assets, community unrests that could affect the achievement of business and operational targets	<ul style="list-style-type: none"> • Stakeholder engagement strategy in place • Early detection warning systems to minimise disruptions • Business continuity plans in place to minimise business and system disruptions • Insurance cover 	Medium	<ul style="list-style-type: none"> • Achievement of targets for business and operational plans • Compliance with key laws and with the legal and social requirements for SLPs and Mining Charter targets 	EXTERNAL
10	Maintaining positive relations with employees and creating alignment with business strategy and goals	<p>Employees not aligned with company vision and values may result in poor productivity, a high employee turnover ratio and the lack of motivation.</p> <p>In extreme cases employee dissatisfaction can result in strikes, sabotage of operations and an increase in fraud and illegal mining</p>	<ul style="list-style-type: none"> • The People@Sibanye initiative is aimed at promoting a people-centric culture • Ongoing employee engagement and feedback • Talent pool identification and development 	Medium	<ul style="list-style-type: none"> • Employee capacity cover ratio applied for scarce and critical skills in place 	INTERNAL

* Action plans have been compiled for all risks should tolerance levels be exceeded. Such instances are reported to the Risk Committee, which monitors all aspects of our risks