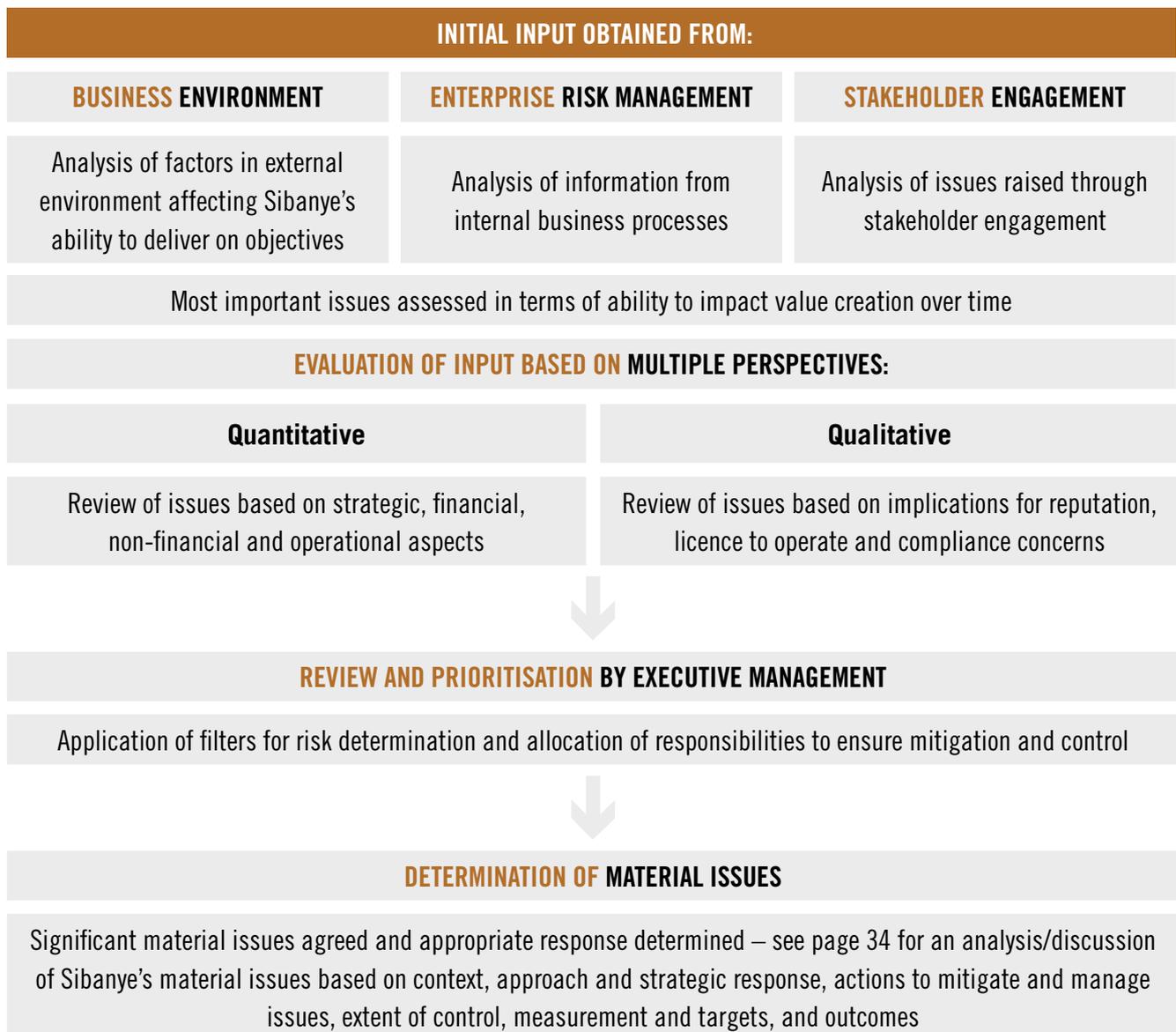


MANAGING MATERIAL ISSUES

Sibanye considers an issue to be material if it substantially affects the Group’s ability to create and sustain value in the short, medium and long term.

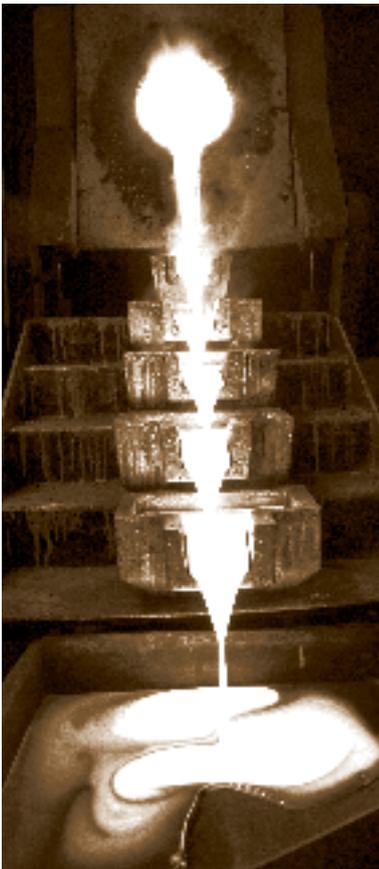
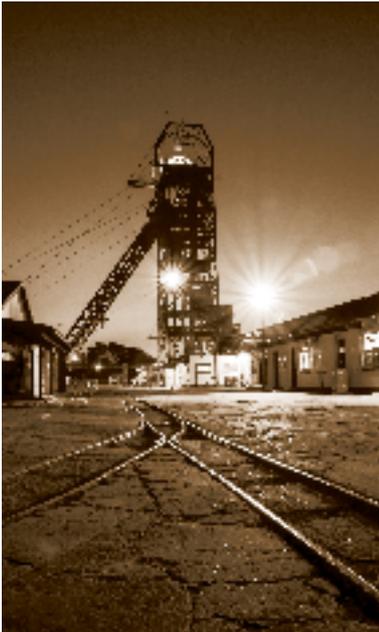
Sibanye gathers information from the external business environment, from internal enterprise risk management (ERM) processes and from engagement with stakeholders, both internal and external, as part of the process used to determine material issues.

PROCESS TO DETERMINE MATERIAL ISSUES



Business environment:

Analysis of the business environment in which the organisation operates



BUSINESS ENVIRONMENT

THE GOLD PRICE AND THE RAND

Sibanye's revenue is driven by commodity prices and the rand exchange rate relative to the US dollar. The primary commodity price driver in 2015 was the dollar gold price, which has been under pressure since mid-2013 and continued to test lows not seen since 2010. Over the past year, lacklustre physical demand and the liquidation of above-ground stocks, predominantly in the form of exchange traded funds (ETFs), were the primary drivers of the price weakness, with anticipation of a recovery in the US economy rising US interest rates and a strong dollar, perceived as being negative for gold demand.

The sharp decline in the oil price in the latter half of 2015 and weaker-than-expected economic data out of China, coupled with significant political turmoil globally, and negative real interest rates in a number of countries, seem to have restored gold's safe-haven status somewhat and the dollar gold price appears to have stabilised recently.

The lower gold price has resulted in significant restructuring in the global gold industry and the rationalisation of overhead costs, reduced capital expenditure, the sale of non-core assets and restructuring of debt on balance sheets. Restructuring in the gold-mining sector preceded that in the non-gold mining industry with the result that gold producers are significantly better placed to weather the current phase of the commodity cycle. Low prices will continue to constrain growth and the ability to pay dividends to shareholders.

South African gold producers have been protected, to a large extent, from the declining US dollar gold price by the rand, which has depreciated as the US dollar strengthened. A deteriorating outlook for the South African economy, coupled with recent politically related changes in the South African finance ministry, were poorly received by the market and resulted in a significant structural deterioration in the rand/US dollar exchange rate. The weaker rand has translated into a substantial increase in the rand gold price received at year end, and significantly expanding margins for South African gold producers.

The outlook for the dollar gold price remains positive. Increasing global political and economic uncertainty are likely to be supportive, and gold continues to be regarded as an important reserve asset by central banks globally.

SOUTH AFRICAN ECONOMY

The economic outlook for South Africa deteriorated markedly in 2015, partly due to the fall out experienced by all emerging market economies as economic growth in China continued to stall, but was exacerbated by South Africa-specific economic and political issues and concerns.

The increasingly negative outlook for the country's prospects were reflected in the final weeks of 2015, when three rating agencies lowered their assessments of South African sovereign debt to just above junk status, adding to weakness in the currency.

POLICY AND REGULATORY CERTAINTY

Policy and regulatory issues are cited by international investors as being primary concerns and barriers to investment in the South African gold-mining sector. Of most concern is the continued delay in passing the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill into law, and uncertainty around its final contents, particularly as related to compliance with the Department of Trade and Industry (DTI) Codes of Good Practice. During 2015, the previous Minister of Mineral Resources suspended the Bill's passing into law, pending further review. In late 2015, the Department of Mineral Resources (DMR) announced that the mining industry would be exempt from compliance with the DTI codes until the Bill had been finalised.

The DMR's assessment of mining companies' compliance with the Mining Charter, and in particular equity ownership by historically disadvantaged South Africans (HDSAs), has given rise to a difference of opinion between the department and the industry. An independent analysis commissioned by the Chamber of Mines indicates that all Chamber members had met this requirement. However, the DMR's interpretation indicated lower levels of compliance. The discrepancy lies in the interpretation of 'continuing consequences' of BEE transactions concluded since 2004. At issue is those transactions in which the BEE shareholding has not remained at 26% as, given changes in market circumstances, the BEE partner had either sold or departed from the transaction.

The Chamber of Mines has applied to the High Court for a declaratory order that will clarify the empowerment clauses in the Mining Charter and on whether or not the so-called 'once empowered, always empowered' principle applies. The industry remains concerned that, should further equity issues be required to maintain BEE ownership at 26%, there may be further dilution of shareholder value.

MATERIAL ISSUES CONTINUED

These issues, along with the pending alignment of the MPRDA, 2002 (Act No 28 of 2002) and the Mining Charter with those of the BBBEE Act, 2003 (Act No 53 of 2003), and of the DTI codes, continue to create uncertainty and are perceived by investors as an investment risk.

It is hoped that these concerns and many other broader issues will be addressed and settled through the Presidency's Project Phakisa. Towards the end of 2015, Project Phakisa brought the industry, government and other key stakeholders together for discussions to stimulate collaboration on ways to revitalise the South African mining sector and ensure its survival in the long term. It is encouraging that, in these developments, government has displayed an appreciation of the need for a stable, justiciable and clear regulatory environment. The next step in Project Phakisa will involve the implementation and, where required, the modification of agreed plans, as well as monitoring, reporting and evaluation.

ENERGY AVAILABILITY AND COST

The major challenge facing the mining industry and South Africa as a whole is the reliability of supply and cost of electricity. In South Africa, electricity is supplied by Eskom, the state-owned power utility, which has, owing to a backlog of undercapitalisation, poor project delivery and inconsistent maintenance, been unable to reliably supply power to the country since 2007. In addition, Eskom has implemented significant, above-inflation, electricity price increases, which have seen electricity costs, as a proportion of overall costs at Sibanye, rise from 9% in 2007 to about 18% in 2015. Adding to Sibanye's concern about energy costs is the proposed carbon tax that will be particularly damaging for heavy industrial users of coal-fired electricity.

South Africa's power difficulties seem likely to persist for some years and Sibanye is proactively developing ways to reduce its reliance on Eskom power. Currently, a 150MW photovoltaic plant, which is expected to begin first production towards the end of 2017, is being developed on Sibanye property at Driefontein and Kloof (page 66).

LABOUR RELATIONS AND EMPLOYMENT

The South African gold sector has well-established labour relations processes and practices, including its history of collective, centralised bargaining. Industry-wide centralised bargaining takes place under the auspices of the Chamber of Mines, giving rise to an established system of wage and benefits adjustments that are largely the same across all mines.

The 2015 wage negotiations began in June 2015 and were concluded in October 2015 without any industrial action. Agreement on wages and conditions of service was reached with three of the four representative unions and, at Sibanye, the wage agreement was implemented for all employees when it became clear that no agreement could be reached with AMCU, which represented around 42% of employees (see page 48). Category 4-8 employees and B-lower officials will receive an increase of 12% in year 1, 11% in year 2 and 10% in year 3. Miners, artisans and officials will receive an increase of 6% on standard rate of pay in year 1 and 6% or consumer price index (CPI), whichever is greater, in years 2 and 3. Further detail on the wage agreements is available at www.goldwagene negotiations.co.za

An incident of inter-union rivalry did, however, lead to the closure of operations at Beatrix in February 2015 although the matters were rapidly resolved (see page 32).

ENTERPRISE RISK MANAGEMENT

Risk management is a continuous, proactive and dynamic process designed to identify, understand, manage and communicate risks that may have a negative impact on Sibanye's ability to achieve its business objectives.

Sibanye's risk-management process is established and well-considered. Risk-management policies, practices and management systems are reviewed annually by the Board's Risk Committee, and approved by the Board. Policies, practices and systems are embodied in Sibanye's ERM Framework, which is aligned with the King III codes and International Organization for Standardization (ISO) 31000 standards, and entrenched at the operations.

BOARD RESPONSIBILITY

The Board is satisfied that governance, risk management and compliance, internal control and compliance with the Sarbanes-Oxley Act (SOX) of 2002 as well as internal audit processes operated effectively for the period under review. Business activities have been managed within the approved risk-tolerance and risk-appetite levels. Primary controls have been implemented and further mitigating action has been taken to improve primary controls.



Enterprise risk management:

An overview of Sibanye's risk-management approach, governance structures and top ERM risks

ENERGY AVAILABILITY AND COST

The Board is ultimately accountable for risk management and is ably assisted by the Risk Committee.

See the Corporate governance section on page 70 for our risk reporting structures.



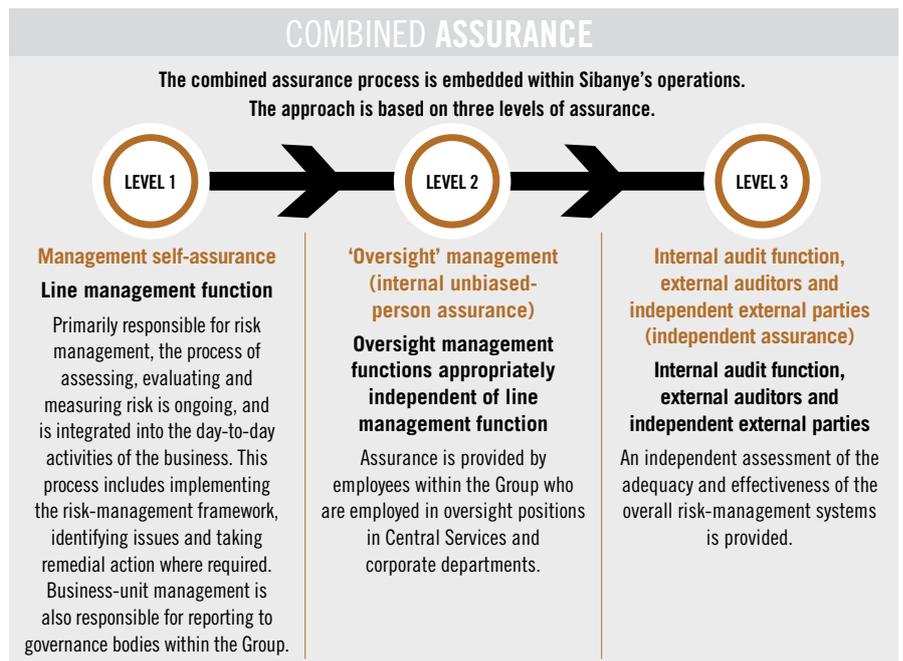
Stakeholder engagement:

An analysis that provides a view of our relationships with key stakeholders and their concerns

RISK MANAGEMENT

The risk-management process is a systematic application of management policies, procedures and practices in communicating, consulting and establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk. Risk-management documents include the Risk Policy, Plan and Charter, which sets out the requirements for effective oversight of risks, including the identification, assessment, evaluation, treatment and reporting of risks. The risk-management process is embodied in Sibanye's Risk Management Framework, which is used for implementation. Sibanye's ERM process combines operational and strategic risk processes.

During the period under review, Sibanye conducted an independent risk-management effectiveness assessment and maturity review. The results showed some significant progress towards full maturity and support the introduction of the advanced measurement approach Sibanye has adopted.



STAKEHOLDER ENGAGEMENT

The outcomes of stakeholder engagement – the concerns of our primary stakeholders (see page 32) – are important determinants of Sibanye's material issues and hence inform decisions taken to control risk and identify opportunities for the business.

Sibanye is committed to proactive, open and constructive stakeholder engagement, which informs participative decision-making. Our stakeholder engagement aims to:

- strategically inculcate a culture of effective engagement within the organisation
- develop and implement formal and informal systems of communication for the benefit of the Group and stakeholders
- ensure regular engagement and response to issues material to stakeholders
- accurately understand the influence of business activities on stakeholders and the potential impact stakeholders may have on the business, whether positive or negative, to enhance the engagement process
- ensure engagement is conducted in a timely, accurate and relevant manner
- continuously monitor, review and improve engagement activities.

As a responsible corporate citizen, Sibanye fosters and maintains constructive engagement with all stakeholders in order to deliver on our vision to create superior value for all stakeholders, to maintain our licence to operate, and ultimately for the long-term success and sustainability of the business.

The Board's performance and interaction with stakeholders is guided by the South African Constitution, including the Bill of Rights, and management is tasked with the development, and implementation of corporate citizenship policies and programmes for relevant stakeholders.

Sibanye expects employees and communities to appreciate the importance that a profitable and sustainable business holds for them and the other stakeholders who rely on the mining industry.

REFLECTING ON STAKEHOLDERS

INVESTORS AND MARKET ANALYSTS

Excluding Gold One, which represents a consortium of Chinese investors who have acquired a strategic 20% stake in the Group, Sibanye's investors are primarily geographically diverse institutional investors, located predominantly in the US and South Africa. Engagement is regular and structured with quarterly operational updates, and more detailed six-monthly operational and financial reviews, which enable investors to engage directly with management via live webcast or conference calls. Senior management also undertakes regular global roadshows to interact directly with current and prospective investors. Shareholders expect management to deliver on operational forecasts and the communicated corporate strategy. Adherence to the highest standards of corporate governance are expected. Shareholder investment strategies and tenures differ, making it difficult to target and cater to specific investor groups. A consistent and transparent strategy is crucial to building investor confidence.

Sibanye is widely covered by sell-side analysts who provide investment research and advice to existing and prospective institutional investors. Sell-side analysts tend to do relatively detailed and in-depth analyses of relevant sectors and companies, including peer-group comparisons and benchmarking. Sibanye is comprehensively covered by local and international sell-side analysts from smaller brokers to global, bulge bracket banks. At least nine analysts produce independent research on the Group at any given time.

SUPPLIERS AND CONTRACTORS

Sibanye has categorised its suppliers and contractors into three groups: strategic, tactical and local. Strategic suppliers provide services and products that could have a high impact on Sibanye's operations, such as reagents and underground support. Without their inputs, production would be seriously hampered. Engagement with them is interactive and contracted to minimise any potential risk to production. Continuous innovation would enhance solutions and drive down costs. A highly interactive partnership ensures that Sibanye's ability to produce is enhanced.

Tactical suppliers provide Sibanye with the bulk of the day-to-day goods and services required for production. Engagement with these suppliers takes place at an operational level and any issues are managed through the supply chain, which is bound by the Group's procurement policy. The quality and cost of goods and services are managed through tenders and the ordering process.

Local suppliers are small, medium and micro enterprises (SMMEs) within communities around Sibanye's operations. Engagement is highly active as the Group needs to develop and grow these suppliers to enable them to support local economic development (LED) and job creation. The skills and experience of local suppliers need to be developed and enhanced to ensure good-quality and sustainable supply of goods and services. These stakeholders expect to play an active and sizeable role in Sibanye's supply chain.

CHAMBER OF MINES AND INDUSTRY PEERS

Sibanye engages regularly with its peers in the gold, platinum, coal and bulk minerals segments. Collaborative engagement, involving non-competitive issues of common interest, is more prevalent in the gold sector with information and other lessons, particularly sharing health and safety management and community engagement, and collaboration is actively pursued where it can be more effective. The Group also co-operates in strategic industry interventions with potential for synergies. Co-operation is based on agreed mechanisms for and mature rules of engagement. Among gold-mining companies, particularly, co-operation to promote achievement of common goals is strong.

The Chamber of Mines, which plays an important role in expediting peer engagement and in lobbying national government on behalf of the industry, protects the collective interests of mining companies and promotes a positive image of the mining sector as being progressive, transformed and effective, in consultation with other national stakeholders. Chamber membership is voluntary and most major South African mining companies are members.

The Chamber provides a platform, through company representation on collective committee structures, to discuss matters of strategic importance to the mining industry and to provide a mandate to the Chamber. Experts within the Chamber provide leadership in strategic thinking on a broad range of policy domains. Established communication channels are in place to secure strong alignment between the Chamber and its members.

EMPLOYEES AND ORGANISED LABOUR

Sibanye employs 46,269 people with a diverse set of skills, and various educational and cultural backgrounds. They provide services ranging from core mining to processing and support services. Engagement varies, based on the nature of the issue and level of employee. Engagement with management is generally constructive.

Allied to engagement with employees is engagement with organised labour, which includes unions representing certain employee categories, principally those involved in core mining and processing. The unions with whom Sibanye engages are AMCU, the National Union of Mineworkers (NUM), the United Association of South Africa (UASA) and Solidarity. The nature of this engagement is formal. Wage negotiations, conducted collectively for the gold producers under the auspices of the Chamber of Mines, are the most visible subject in union engagement. Inter-union rivalry and its effects are a major concern. Sibanye's engagement and interaction with the unions is generally respectful and constructive.

Since listing, Sibanye has made significant effort to re-establish direct lines of communication with its employees. Given the close contact and consistent communication, there has been a shift from an adversarial to a more collaborative approach, albeit with some level of scepticism. Sustainable employment, higher wages and benefits are the main tangible employee expectations. However, they also expect a relationship based on values. Union relationships tend to be more complex with a clear political influence affecting relations. The quality of the relationship with employees is evident in greater participation in Group programmes, feedback and the degree of workplace disruptions.

COMMUNITY AND CONSULTATIVE FORUMS

Communities in the vicinity of and affected by Sibanye's operations, together with those in the Southern African Development Community (SADC) labour-sending areas, are an important stakeholder grouping. Engagement is undertaken with formal and informal representatives through community and consultative forums as well as civic groups, non-governmental organisations (NGOs), and other special-interest groups. These forums, which are often multi-stakeholder in nature, comprise local community leaders and representatives as well as local government officials. They address issues of mutual concern, such as employment and LED, especially business development and access to supply chain opportunities. The forums have introduced greater degrees of transparency and openness between Sibanye and communities. Ongoing, structured engagement facilitates positive dialogue to identify and address the negative impacts of mining on communities. The chief focus is to identify, discuss and resolve issues affecting communities.

REGULATOR, NATIONAL, PROVINCIAL AND LOCAL GOVERNMENT

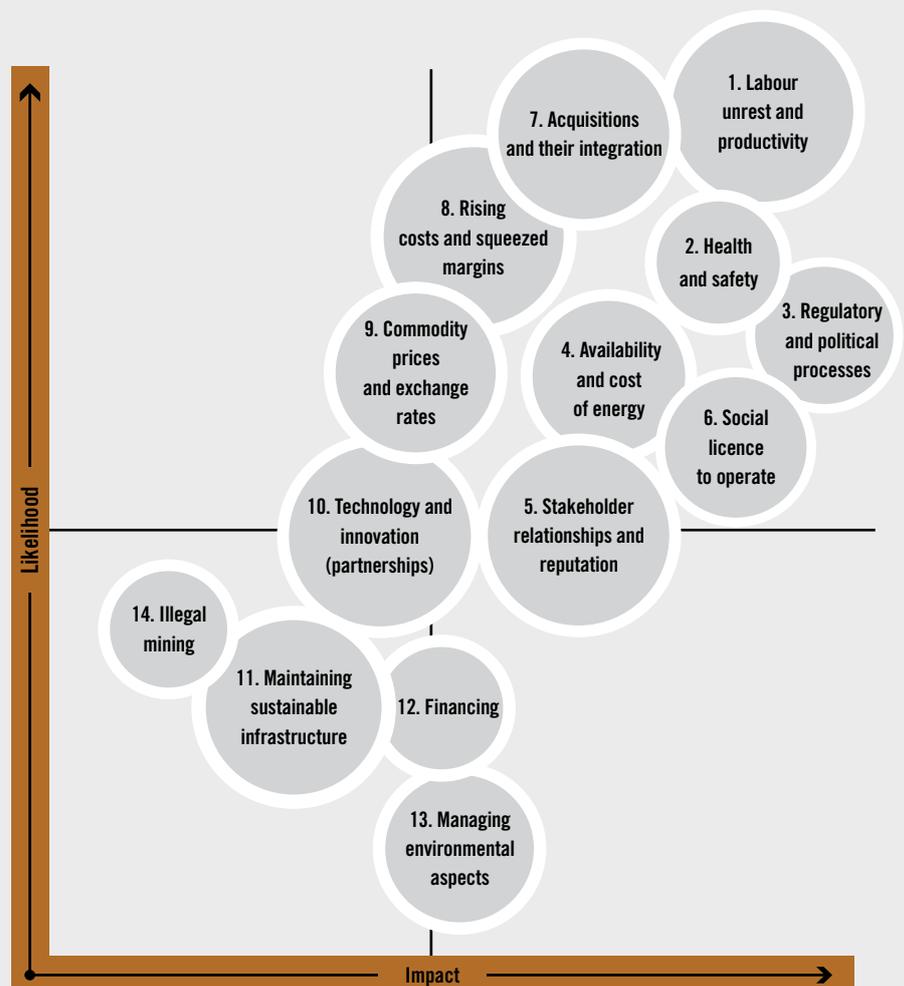
Sibanye engages with all levels of government and various government departments but principally with office bearers based in the Gauteng and Free State, as well as (following the Burnstone acquisition) the Mpumalanga regional offices of the DMR regarding safety and mining rights. Other departments with which Sibanye engages include environmental affairs, water and sanitation, labour, health and education, among others.

Engagement with the national offices is on an as-and-when-needed basis. Engagement is ongoing and generally robust yet constructive. Inconsistencies in the application of regulatory requirements and individuals' preferences can be problematic, and engagement at local level is frequently included in the community and consultative forums in which local government is represented.

Other regulators with whom Sibanye engages are the National Nuclear Regulator and National Energy Regulator of South Africa as well as the JSE, the NYSE and US SEC regarding its stock-exchange listings.

SIBANYE'S MATERIAL ISSUES

Sibanye establishes its material issues through an examination of its business environment, its ERM process, its internal and external stakeholder-engagement process, and the context of those issues that it considers to be material to the business. The establishment of its material issues and strategic responses to them helps Sibanye ensure the sustainability of the business.



TOP 14 MATERIAL ISSUES

CONTEXT	SIBANYE'S VIEW	STRATEGIC RESPONSE AND ACTION
1. Labour unrest and productivity		
<p>Industrial unrest and union rivalry have featured in the South African mining industry for some time. This undermines Sibanye's operational efficiency and performance, and negatively affects financial performance. Labour unrest can result in work stoppages. Demand for higher wages results in increased costs often without a corresponding increase in productivity.</p>	<p>Sibanye is concerned that strikes in the major mining companies could damage the South African economy, and hold back growth and employment. This remains a threat to the Group's operations in light of the implementation of the wage agreement without full acceptance during the negotiations. Union rivalry may further fuel the situation.</p> <p>Sibanye recognises and respects employees' rights, including the right to work safely, to develop and contribute, and to associate. Harmonious relations are top of mind.</p> <p>Sibanye understands its history and the union-membership landscape so it has been essential to create and sustain an engagement platform where all represented and recognised unions are allowed equal rights to engage with employees and management. Information is shared and discussed using agreed joint leadership and future forums when rights and obligations are consistently applied.</p> <p>Sibanye's vision is to create superior value for all its stakeholders, and this has resulted in processes to modernise employee engagement within and outside the workplace.</p> <p>Employees understand the positive impact that the operating model has had on extending life of mine (LoM) and thus creating employment opportunities. However, this could be jeopardised by union rivalry, which does not consider the stability of the business as a top priority.</p>	<p>Since inception, post the 2012 unbundling of Sibanye from Gold Fields, the Group proactively tried to win the hearts and minds of employees with the (People at Sibanye) strategy. This integrated approach deals with key employee-related aspects and focuses on implementing integrated solutions.</p> <p>Elements of the People at Sibanye strategy include:</p> <ul style="list-style-type: none"> • selling Group houses and facilitating affordable housing aligned to home-ownership allowances paid to employees • indebtedness programmes focused on moving beyond consolidating debt to personal balance sheet growth and financial wellbeing • career development • personal wellbeing • community development • integration <p>These initiatives are backed by unfiltered dialogue between employees and line managers, supported by frequent factual communication from the desk of the Chief Executive Officer (CEO). Recent employee survey findings have clearly indicated that employees prefer management communication and engagement to gather information as the union-rivalry phase has created a measure of confusion and distrust.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Develop a productive, skilled and engaged workforce (page 46) • Sustain – Social upliftment and community development (page 55)
2. Health and safety		
<p>Underground mining exposes miners to, among others, heat, dust, noise and injury from fall of ground. Consequently, the industry is subject to stringent health and safety laws and regulations. In addition, the industry is experiencing the negative effects of pandemics, such as HIV/Aids, along with accidents, accident investigations and stoppages, which adversely affect productivity and costs. Furthermore, investors do not want to invest in companies that do not manage their safety and health matters effectively.</p>	<p>Sibanye believes that the safety and health of employees are essential for an engaged, productive workforce and that healthy employees work safely.</p> <p>In striving for zero harm at its operations, Sibanye aims to eliminate the potential for accidents and injury, and to minimise hazards inherent in the working environment in a practical manner.</p> <p>Sibanye has extensive systems of control in place to minimise health and safety risks. About 80% rely on employees taking ownership – from the CEO to line management, supervisors and mineworkers. Sibanye's integrated safety and health strategy includes adherence to operational standards and responsibility, engineering-out risk initiatives, fall-of-ground initiatives and action plans, improvement of employee wellbeing, application of appropriate technologies, and effective education and training.</p>	<p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Develop a productive, skilled and engaged workforce (page 46) • Sustain – Health and safety focus (page 52) • Grow – Modernisation and technological innovation (page 67)
3. Regulatory and political processes		
<p>The South African mining environment is governed by legislation to redress some of the social and economic imbalances of the past. The mineral rights are subject to legislation in terms of the MPRDA, the Mining Charter and SLPs. Policy changes, particularly related to the MPRDA and the Mining Charter, create a framework for the transformation of the mining industry but increase the risk of non-compliance and handicap Sibanye's ability to deliver value.</p> <p>It is important to maintain sound relations with the regulator, the DMR, particularly upholding licence conditions. This includes directives, instructions, suspension or cancellation of mining rights.</p> <p>The political environment is outside of Sibanye's control but any negatives can be improved by the quality of stakeholder relations.</p>	<p>The threat of policy changes, including amendments to the MPRDA and legislative concerns, such as the outcome of the interpretation of BEE ownership, increases uncertainty and deters investment required for growth and sustainability.</p> <p>Policy uncertainty is making South African business reluctant to invest in the country and adding to the difficulty of attracting investors.</p> <p>As 2015 preceded an election year, the DMR was under increasing pressure, particularly from local government officials, to compel mining companies to comply with Mining Charter requirements and SLP commitments. Operations have had to bear the brunt of these demands in the form of stringent compliance inspections. Sibanye made an effort to maintain relations with the regulator to ensure that a neutral platform prevails for issues to be raised before sanctions are considered.</p>	<p>In view of the pending local elections in 2016, Sibanye has made an effort to engage with executive mayors in district and local municipalities, particularly in the Free State. This was important to understand the socio-political dynamics on the ground and potential risks for our operations. Executive mayors and councillors were kept in the loop about developments at Sibanye and realistic assessment of projects that can be funded. This engagement is expected to gain momentum in early 2016.</p> <p>At industry level, differences between the interpretation of the 'once empowered, always empowered' principle saw the Chamber of Mines approaching the courts to seek a 'declaratory order' on the issue. The matter is still pending. Sibanye has yet to engage the new Minister following Cabinet changes made by the President.</p> <p>The recent promulgation of the BBBEE Amendment Act, 2013 (Act No 46 of 2013) has resulted in the introduction of a 'trumping' provision (the Act will trump other laws) in relation to legislation on transformation. The current Mining Charter now needs to be aligned with the BBBEE Amendment Act before it is published. We have been part of the consultation process and will continue to influence the process to ensure that the requirements can be achieved.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Sustain – Social upliftment and community development (page 55) • Sustain – Transformation (page 62) • Grow – Secure alternative energy sources (page 66)

4. Availability and cost of energy

National supply of electricity has been constrained due to the shortage of available generating capacity at Eskom. This has resulted in regular load curtailment, especially during the first half of 2015, which interrupted certain production activities, mainly in the milling and processing of low-grade surface sources.

Eskom has been successful in reducing the extent of load curtailment, albeit through extensive use of expensive generating plant, which increases the upwards cost pressure on Eskom tariffs. Electricity tariffs have escalated substantially above general inflation for several years, resulting in electricity costs increasing from 9% of operating costs in 2007 to over 20% in 2015.

While Eskom expects minimal load curtailment in 2016, risks of load curtailment, with associated impact on production operations, are expected to remain appreciable for the next five years.

Despite the operations reducing energy consumption by 2% to 3% per annum since initiatives to improve energy efficiency and reduce energy wastage were implemented, electricity costs have increased to about 18% of operating costs.

Escalation of electricity tariffs is expected to continue well above general inflation for Eskom's tariffs to remain cost-reflective, as included in the national electricity regulation framework. This escalation will contribute significantly to above-inflation increases in mining costs, which will erode margins and raise pay limits, thereby potentially sterilising Mineral Resources.

Electricity tariff escalation is partially offset through continuous effort to reduce electrical-energy consumption through efficiency improvement and reduction in wasted energy with a view to continuing to secure a reduction in energy consumption of 2% to 3% per annum.

In addition, strategies for complying with load-curtailment obligations are being enhanced to lessen the impact on revenue-generating activities. The above-inflation electricity cost escalation that cannot be offset is accommodated in the pay limit calculations that are the basis of declaring Mineral Reserves and annual operational planning.

For the longer term, Sibanye has developed an alternative electricity programme that focuses on establishing private electricity-generating capacity that will provide energy security and cost-competitiveness. In addition to assessing various opportunities to generate baseload electricity supply with an independent power producer (IPP), a 150MW photovoltaic project is currently in permitting phase with a target date for first generation of electricity towards the end of 2017.

For further information, refer to:

- Optimise – **Optimise and integrate operations** (page 40)
- Sustain – **Manage environmental impact** (page 58)
- Grow – **Secure alternative energy sources** (page 66)

5. Stakeholder relationships and reputation

Sibanye's reputation is determined and defined by stakeholders' perceptions of the Group, particularly communities in the vicinity of the mining operations. Sibanye recognises that its long-term success is based on establishing and maintaining sound and respectful relationships of trust with a wide range of internal and external stakeholders.

Sibanye recognises that there are enormous challenges and developmental needs among some members of its communities, and recognises its own limitations in terms of what it can do.

Sibanye's engagement efforts are guided and underpinned by its CARE philosophy and vision. This enables it to immediately hear and validate its stakeholders' concerns while respectfully affirming the Group's position.

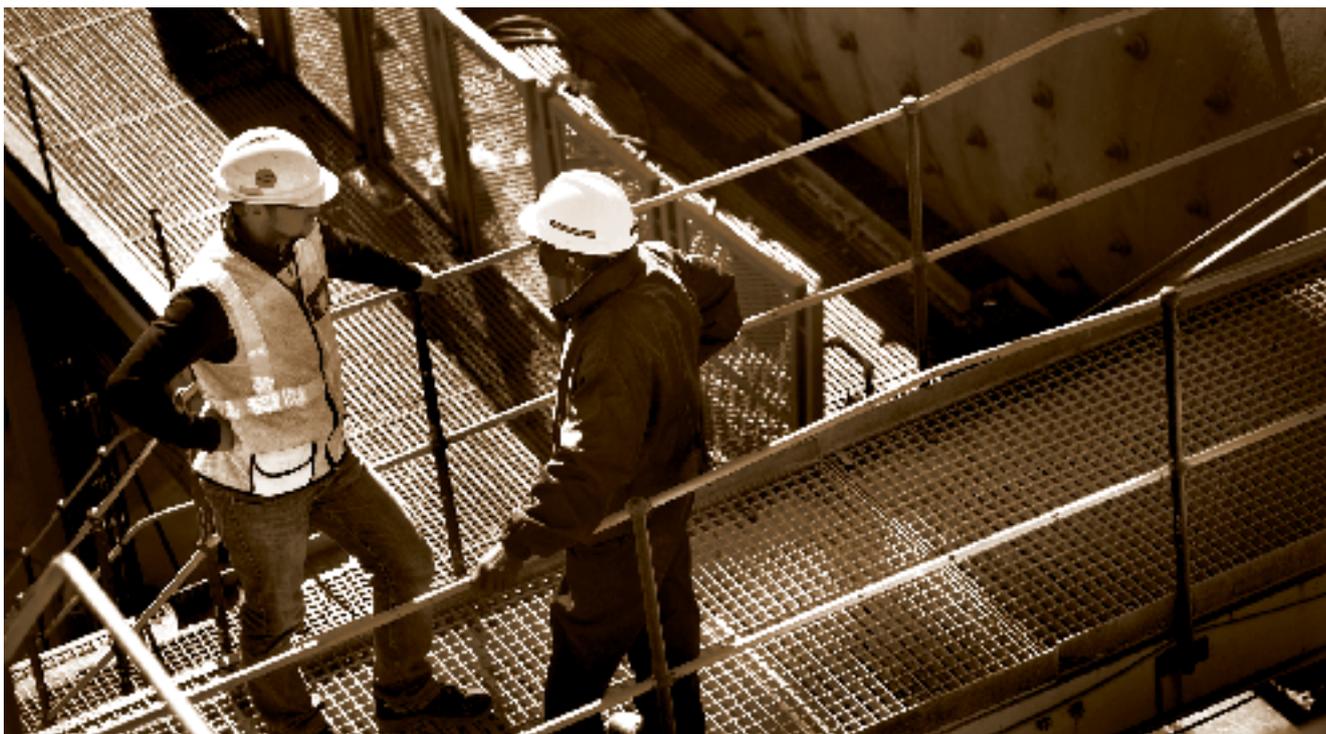
Through sound stakeholder engagement, the Group is able to make a lasting and meaningful contribution to human development while ensuring that its reputation and business remain intact.

While building and maintaining good relations with stakeholders does not guarantee avoidance of social unrest, this positions Sibanye well to navigate issues that arise within its communities from time to time.

Sibanye engages proactively and speedily to avoid the reputational impact that could result from non-responsiveness. It endeavours to form meaningful partnerships with other businesses in its areas of operation in order to pool its resources for greater impact. Collaboration bodes well for all parties and keeps local municipalities in the loop as key stakeholders.

For further information, refer to:

- Sustain – **Social upliftment and community development** (page 55)
- Sustain – **Manage environmental impact** (page 58)
- Sustain – **Transformation** (page 62)



MATERIAL ISSUES CONTINUED

TOP 14 MATERIAL ISSUES continued

CONTEXT	SIBANYE'S VIEW	STRATEGIC RESPONSE AND ACTION
6. Social licence to operate		
<p>Sibanye's social licence to operate is the vehicle that drives government's transformation agenda in that it revolves around the level of satisfaction within communities adjacent to the operations. At the heart of this agenda is the Mining Charter.</p>	<p>While the Mining Charter expired at the end of 2014, this does not mean that there is no need to continue with the transformation effort. Work currently underway on the new Mining Charter seems to indicate that there will be a renewed sense of urgency in the next few years.</p>	<p>At a minimum, Sibanye will continue to engage with its stakeholders, deliver on its socio-economic development initiatives, share value with all stakeholders, and submit and implement its SLPs.</p> <p>The Group has continued to engage with the DMR to ensure that it remains proactive and compliant with regard to the maintenance of mining rights for all the operations. The Corporate Affairs department plays a critical role in the Chamber of Mines Charter Reference Group developing industry proposals on the new Mining Charter and alignment with the new DTI codes and the BBBEE Amendment Act.</p> <p>Sibanye has established relations with structures representing communities in order to streamline processes relating to employment and procurement opportunities in the Free State. The same approach is being tested before rolling out in the Gauteng area. The current partnership, which includes the Matjhabeng Local Municipality, is underpinned by a memorandum of understanding (MoU).</p> <p>Sibanye has begun engaging with traditional leaders and municipal councillors in rural labour-sending areas as well as representatives of the governments of Lesotho, Botswana and Mozambique. As these stakeholders have potential influence over more than 67% of Sibanye employees, it was important to ensure that they were apprised of Sibanye and how the CARE approach is implemented. Corporate Affairs has been instrumental in providing guidance and support to the mining operations to ensure that adequate compliance levels are achieved. This includes scanning the internal and external environments for potential and other risks, and identifying and implementing mitigation strategies.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Sustain – Social upliftment and community development (page 55) • Sustain – Manage environmental impact (page 58) • Sustain – Transformation (page 62)
7. Acquisitions and their integration		
<p>Timely and efficient integration of Sibanye's inorganic acquisitions into the operating model and supply chain will be essential to deliver on the business strategy.</p>	<p>The proposed acquisitions of Anglo American Platinum's Rustenburg Operations and Aquarius will require significant management focus to align them with the Sibanye operating model. The lessons learnt from the integration of the Cooke Operations and Burnstone will be taken into account.</p>	<p>Sibanye will integrate the acquisitions based on sound project-management principles and, where applicable, external parties may be contracted to assist with post-acquisition integration and stakeholder communication.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40) • Grow – Acquisitions and funding model (page 69)
8. Rising costs and squeezed margins		
<p>Increasing costs – of power and labour in particular – affect operating margins, inhibit cash flow and profitability, and consequently Sibanye's ability to pay dividends.</p> <p>As a result of escalating cost of electricity, wages and other costs, and other input price increases, the mining sector is losing out on opportunities to sustain current jobs or create more jobs. Rising costs and squeezed margins are contributing factors to slowing economic growth and the unemployment rate increasing from 25.0% to 25.5% in 2015.</p>	<p>From Sibanye's point of view, these are the critical implications of rising costs:</p> <ul style="list-style-type: none"> • increased pay limit (break-even grade) • reduction in Mineral Reserves and LoM • possible early closure of shafts • impairment • labour tension due to downsizing • reduced cash generation impacting the dividend 	<p>Dealing with rising costs is an ongoing initiative, which includes:</p> <ul style="list-style-type: none"> • conservative commodity and exchange-rate assumptions for planning • business restructuring • cost management and control • mining-grade management • strategic procurement initiatives • short interval reviews • stakeholder management (for example, with Eskom) <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40) • Sustain – Project development and capital allocation (page 49) • Grow – Secure alternative energy sources (page 66) • Grow – Modernisation and technological innovation (page 67)
9. Commodity prices and exchange rates		
<p>The revenue Sibanye earns is determined largely by the prices received for gold sold and, to a lesser extent, for uranium. Both these prices, over which Sibanye has no influence, are set on global markets in terms of US dollars.</p> <p>As Sibanye is domiciled and operates in South Africa, dollar receipts for product sold must be converted to South African rand, and the amount received in rands is thus a function of the rand/US dollar exchange rate. Ultimately, rand revenue is then a function of the gold price in dollars and the local exchange rate. As the dollar gold price has continued to weaken over the past three years so too has the rand/US dollar exchange rate, which has helped to counter declines in the dollar price of gold in terms of rand revenue earned.</p>	<p>Volatility in the gold price and the rand/US dollar exchange rate in recent years has resulted in financial uncertainty in terms of revenue generated, cash flows and profitability.</p> <p>Furthermore, the rand/US dollar exchange rate also has an impact on costs incurred, chiefly in rand. A weakening rand contributes to higher rand revenue, to lower costs in terms of US dollars and to increased operating margins. The opposite is also true: a stronger rand implies reduced rand revenue, higher costs in terms of dollars and decreased operating margins. It is therefore vital that the business is managed to counter the effects of this volatility.</p>	<p>To counter the effects of market volatility, Sibanye has devised an operating model that, to increase margins, is based on:</p> <ul style="list-style-type: none"> • optimising capital expenditure • reducing costs and pay limits • optimising LoM plans <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40) • Sustain – Project development and capital allocation (page 49) • Grow – Acquisitions and funding model (page 69)

CONTEXT	SIBANYE'S VIEW	STRATEGIC RESPONSE AND ACTION
<p>10. Technology and innovation (partnerships)</p> <p>Modernisation of mining processes is a means to improve productivity and the safety of employees in the workplace.</p>	<p>Development of new technology or innovation will have a substantial impact on Sibanye's ability to create value over time. Improved mining methods and cycles will allow extraction of maximum value from assets and resources by lowering cut-off grades, decreasing dilution and increasing production rate. The net result will be higher volumes of better-quality product with substantial reductions in injury-frequency rates, facilitated by reduced employee exposure to danger areas.</p>	<p>In order to develop fit-for-purpose technology, Sibanye has developed partnerships with developers and suppliers as well as MoUs governing information sharing with counterparts in the mining industry.</p> <p>Sibanye established the Safe Technology department in July 2014. It has since facilitated industry-wide due diligence on past, current and future developments with respect to modernising narrow, tabular and steeply dipping ore-body extraction. The process yielded a number of technologies that have been actively pursued, and are in various stages of investigation, development and implementation.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40) • Grow – Secure alternative energy sources (page 66) • Grow – Modernisation and technological innovation (page 67)
<p>11. Maintaining sustainable infrastructure</p> <p>Inadequately maintained infrastructure can result in unplanned breakdowns and stoppages with possible production delays, increased costs and industrial accidents.</p>	<p>Maintaining infrastructure necessitates a planned programme of maintenance and upgrades, which has to be funded by capital expenditure.</p>	<p>Capital expenditure is linked to infrastructure risk assessment. Sibanye keeps a maintenance risk register and conducts regular shaft-infrastructure maintenance management inspections.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40) • Sustain – Project development and capital allocation (page 49) • Grow – Acquisitions and funding model (page 69)
<p>12. Financing</p> <p>Appropriate and required financing can be difficult and often expensive. Efficient, sensible funding of acquisitions and aging infrastructure must be planned and co-ordinated, and optimum levels of debt and funding mechanisms determined.</p>	<p>Sibanye is particularly aware that:</p> <ul style="list-style-type: none"> • lack of finance can cause short-term liquidity constraints during periods of low delivery (extended Christmas and Easter breaks) and during strikes (legal/illegal) • availability and cost of funding can impact internal organic growth and acquisitive growth • the cost of finance can have a severe impact on cash flow and the dividend 	<p>Debt facilities are in place at competitive interest rates:</p> <ul style="list-style-type: none"> • R2.5 billion revolving-credit facility • R1 billion term-loan facility • US\$350 million revolving-credit facility • US\$150 million bridge financing for the Aquarius acquisition • restructuring or refinancing of debt will be considered when appropriate <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Sustain – Project development and capital allocation (page 49) • Grow – Acquisitions and funding model (page 69)
<p>13. Managing environmental aspects</p> <p>By its very nature, mining has an impact on its surrounding environment. The South African mining industry is governed by extensive laws and regulations to regulate its use of natural resources and to protect the environment against adverse impacts caused by its activities.</p>	<p>Sibanye believes it is vital that it acts as a responsible environmental steward. Preventing and minimising the environmental consequences of mining activities will also contribute to positive stakeholder relations and will minimise any reputational damage.</p>	<p>Sibanye must make optimal use of natural resources, especially water and energy, conserve land and comply strictly with environmental legislation.</p> <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Sustain – Manage environmental impact (page 58)
<p>14. Illegal mining</p> <p>Illegal mining impacts Sibanye on the surface and in its underground working areas. These activities are difficult to control, and can disrupt the business and expose it to liability. This negatively impacts employees, production and profitability.</p>	<p>While illegal surface mining holds lesser risks for Sibanye from a reputational, health and safety, and financial perspective, illegal mining in its underground workings is of grave concern. Illegal mining in the underground workings negatively impacts infrastructure, health and safety, equipment, product, production schedules/targets, and people.</p> <p>In some instances, central blasts are tampered with resulting in lost blasts and therefore lost production. In other instances, winches and other equipment are used by illegal miners and this equipment is often damaged, which incurs repair costs or lost time with a negative impact on production.</p> <p>Health and safety may be compromised by illegal miners lighting fires, indiscriminately urinating and defecating, smoking, undermining underground support and spiking water-supply systems. A major consequence of illegal miner-induced anomalies could be statutory stoppage of operations, which results in substantial production and financial loss.</p> <p>Also of concern is employees (including security employees) being coerced, corrupted or compromised to assist the practice of illegal mining.</p>	<p>Illegal mining activities, on the surface and within the underground workings at Sibanye, may be described as manageable. In order to deal with this risk, Sibanye has the following in place:</p> <ul style="list-style-type: none"> • a security roll-out plan to deal with this issue from a preventative, investigative and criminal perspective • a highly trained tactical response team to locate and extricate illegal miners from underground workings • an anonymous reporting platform • a reward system for whistleblowers and employees who apprehend illegal miners • a well-developed internal communication strategy • a focused Illegal Mining Task Team (multi-disciplinary with senior representation) <p>For further information, refer to:</p> <ul style="list-style-type: none"> • Optimise – Optimise and integrate operations (page 40)