

# Coping with Unsustainability



**POLICY GAP 7**  
**Lonmin 2003 – 2012**

The Bench Marks Foundation  
October 2013

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# Acronyms and Abbreviations

AAP	Anglo American Platinum
AIDC	Alternative Information and Development Centre
AMD	Acid Mine Drainage
CAR	Corporate Accountability Reports
CaSO <sub>3</sub>	Calcium Sulphite
CEO	Chief Executive Officer
CoE	Centre of Excellence
CSR	Corporate Social Responsibility
DMR	Department of Mineral Resources
ESSET	Ecumenical Service for Socio – Economic Transformation
GDP	Gross Domestic Product
GLC	Greater Lonmin Community
ICCR	Interfaith Centre on Corporate Responsibility
IMF	International Monetary Fund
LCDT	Lonmin Community Development Trust
LRS	Labour Research Service
MPRDA	Mineral and Petroleum Resources Development Act
NA	Not applicable
NDA	No data available
NGO	Non Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PGM	Platinum Group Metal
Plc	Public limited company
RDO	Rock Drill Operator
RDP	Reconstruction and Development Plan
SACC	South African Council of Churches
SDR	Sustainable Development Report
SLP	Social and Labour Plan
SO <sub>2</sub>	Sulphur dioxide
TCCR	Taskforce on Churches and Corporate Responsibility
US\$	United States Dollars
VAS	Value Added Statement
WPM	Western Platinum Mine

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# The Bench Marks Foundation

Bench Marks Foundation is an independent non-governmental organisation established by the South African Council of Churches (SACC), the Ecumenical Service for Socio–Economic Transformation (ESSET), Industrial Mission of South Africa, CDT Foundation and the Justice and Peace Department of the South African Catholic Bishops Conference.

Its international partners are:

- The Interfaith Centre on Corporate Responsibility (ICCR) – USA.
- The Taskforce on Churches & Corporate Responsibility (TCCR) – Canada.
- The Ecumenical Council for Corporate Responsibility – UK.
- The Christian Centre for Socially Responsible Investment – Australia.

Together with our international partners we share a measurement instrument called the Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance. This is a comprehensive set of social, economic and environmental criteria and business performance indicators drawn from a body of internationally recognised human rights, labour and environmental standards and principles.

The Bench Marks Foundation is mandated by the churches to monitor the investment practices of multinational corporations to ensure that they respect human rights, operate in a way that protects the environment and do not externalise costs, that profit making is not done at the expense of other interest groups and that those most negatively impacted upon are heard, protected and accommodated within the business plans of the corporation.

The Bench Marks Foundation works with research institutions, its joint project called the Bench Marks Centre at the North West University, NGOs and religious and community organisations across the Southern African Development Community. It does evidence based research and strengthens communities to engage on a more level footing with corporations and governments through the Bench Marks Monitoring School. It promotes public awareness through media outlets, websites, blogs and Facebook. It has produced many reports, articles, opinion pieces and written in many academic journals.

Archbishop Desmond Tutu launched the Foundation in 2001 and an office was established in 2003 in Johannesburg. The Rt. Rev Dr Jo Seoka chairs the organisation and is the founding chairperson of the Foundation.

## What are the Bench Marks Aims and Concerns?

Bench Marks aim is to ensure that the operations of big corporations do not in any way undermine community life and destroy the environment and that investment is done in a way that respects the integrity of creation, is just, equitable and promotes human development.

The Bench Marks concern is that private corporations, often with the support of government leaders, make very large profits while communities suffer high levels of inequality and poverty. The Bench Marks Foundation is equally concerned about the destruction of our air, water and soil resources that results from industrial activities such as mining.

# Foreword

Policy Gap 7 is the Bench Marks Foundation's latest study. It focuses on CSR and Mining, but in this case on one specific mining company: Lonmin. In this study we look at Lonmin's reporting of itself over a period of around 10 years in its corporate Social Development Reports.

It seems as if the Corporate Social Responsibility (CSR) discourse is all about reporting in order to be seen to be making progress. However, mining also has a number of disastrous side effects. As much as mining has contributed to developing the South African economy (the city of Johannesburg itself bearing testimony to this) it also has negative economic, social and environmental consequences.

Mining uproots and displaces people, causing social disintegration, along with environmental repercussions for the very same people, with far reaching consequences for the country as a whole. It sacrifices the health of surrounding communities as well as workers. Working often deep underground in sub-human temperatures is not what anyone could consider decent work.

Mining impacts have winners and losers. The winners are shareholders and executive management, the well-to-do. The losers are surrounding communities, whose water, air, health and livelihoods are negatively affected. Workers too suffer from various lung diseases and stressful working conditions. Around some high polluting companies young people fail medical health assessments and can't get employed in the very companies that have caused the problem.

Women are most impacted upon, many of them torn from subsistence farming only to lose their social status and health, ending up forced into sex work.

When we question these negative impacts we are told to read the sustainability reports of these companies. Reading one in isolation seems impressive. Reading ten and trying to work out what has been achieved requires forensic detective work. Trying to gain a picture of what the corporation, in this case Lonmin, has achieved over 10 years, is painstaking. Targets are set, missed, explained or abandoned. Apologies are made, new targets set. Things are conflated together and then separated off and confusion reigns. When we try to measure what Lonmin has done to provide decent accommodation or what it has actually spent in communities over the years, it is difficult to separate fact from fiction.

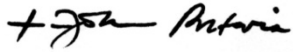
We have long said in the Bench Marks Foundation that we need to go "Beyond Reporting; Beyond Compliance!" to find out what is the truth of CSR. In all our studies we see the huge damage mining is inflicting on people and local communities, whether polluting their water and air or impacting on the general welfare of communities. We also see grand statements by these very same companies on how responsible they are, how they bring jobs to communities, protect the environment and work hand in hand with communities. But all we see as a research and monitoring agency is that things are getting worse.

Why are wages and incomes of workers not part and parcel of sustainable development and CSR reporting? In the North, wages and incomes of workers are part of the CSR paradigm as a living wage provides for social stability and economic development. The mining industry needs to incorporate this into its sustainability reporting and say what it intends doing to rectify this anomaly.

We do not see any measurable improvements, whether creating local jobs, the use of subcontracted labour, decent housing, or responsible environmental actions.

This is a human problem; people are suffering. When companies do not comply, they just have to explain why they messed up. But explaining the failure to comply is not good enough. Tough action needs to be taken to ensure that people are protected, that our water is drinkable, that the air we breathe is healthy, and that externalised costs are covered by the industry and not by communities and local government who do not have the resources. At the heart of mining there are people and communities and the environment which need to be taken into account – not just shareholder profit.

Rt Rev Dr Jo Seoka



*Bench Marks Foundation*

John Capel



*Bench Marks Foundation*

# Executive Summary

## Background

In August 2012, Bench Marks Foundation published the report ***Policy Gap 6: A Review of Platinum Mining in the Bojanala District of the North West Province***. This on-the-spot study revealed the dire social and environmental conditions that prevail in the platinum mining operations of the three biggest platinum companies and in the surrounding communities. Lonmin Plc responded to this critique with an open letter, arguing that the company's own Sustainable Development Reports provide a rebuttal of the report's conclusions.

This study examines Lonmin's social and environmental performance over the period 2003-2012 through a close reading of the company's own Sustainable Development Reports (SDR). The report focuses on a limited number of key areas in a huge quantity of text:

- Use of contract workers
- "Social Capital" reporting
- Housing programs
- Community perception reporting
- Environmental performance

## The Platinum Industry

The platinum mining industry has grown very rapidly in South Africa. Measured as a proportion of the whole mining industry's contribution to GDP, it has increased from 10% to 30% in 15 years. After the 1990s, it experienced an extended period of extreme profitability. Since 2008, profitability has been significantly lower, prompting cuts in Lonmin's Social Labour Plans (SLP) and retrenchment plans at Anglo American Platinum (AAP).

## Contract Workers

Some 30% of the work force in platinum mines is contract labour. In gold mining, by comparison, the contract worker share is between 10% and 15%. Since 2002, 20% to 25% of Lonmin's workforce has been contract workers and the proportion grew to over 30% in response to the 2008-2009 crisis. In the platinum industry there is no accurate reporting of contract worker numbers and their wages. This is in breach of the legislation.

## Wages

The past year shows beyond doubt that the level of mine worker incomes is a crucial factor for social and political sustainability. The wordy SDRs are completely silent on this issue. Rough calculations based on total employment and total labour cost per year reported by Lonmin give an erratic curve, but indicate successful cuts in average pay increases per Lonmin employee between 2009 and 2011, probably as a result of the contract worker strategy.

Lonmin SDRs display value added tables to show the distribution of new income every year to different stakeholders. During the good times for shareholders, 30% of value added accrued to wages. In times when new value production decreased, the wage share increased to 70%. The generally higher and fluctuating wage share at the three big platinum mining companies indicates a stronger position for labour there than in the rest of the platinum industry. The wage share of value added for the whole industry has been stable at a very low 30% since 2002, according to StatsSA.

## Payments to shareholders, the state and Lonmin directors

From 2003 to 2012, US\$ 847 million (about R6 billion) was paid out in dividends to Lonmin shareholders. It included US\$ 31 million in the Marikana year of 2012. No dividends were paid in 2009 or 2010 and the 2012 level of 3% of value added is low compared with pre-crisis levels.

The portion of the value added paid to the state in corporate taxes dropped from over 16% in 2007 to less than 4% in 2010 and just over 2% in 2011. Lonmin is not a leader in the Executive pay race, but it would take an average worker 325 years to earn the value of the CEO's remuneration.

## “Social Capital”

The “social capital” amount reported in the SDRs was less than the amount paid to the Directors until 2010. The directors have numbered between 9 and 12 individuals. The community that is the target of the “social capital” comprises tens of thousands of individuals.

In the SDRs, Lonmin commits to an average spend of 1% of pre-tax profits on “Social Capital”. But the total figures for “social capital” in the SDRs, which make up this 1% or more, are almost double those for the full range of community projects. The company uses the much lower figures when responding to critics after Marikana, seemingly distinguishing “Social Capital” reporting from what actually benefits the communities.

Between 2003 and 2007 most of the “social capital” amount went to the Lonmin Community Trust Fund, which was then rapidly closed down. The SDRs for the years from 2003 to 2007 report that between 3 and 6 US\$ million was spent on “Social Capital” every year. But later SDRs reporting back to 2006 say that the data is not “available” or “applicable” in relation to “local economic development projects” and “approved SLP projects” for 2006 and 2007.

## Houses

The SDRs contain many commitments on the provision of houses. Between 2003 and 2012, Lonmin gave support to two RDP projects. In addition, Lonmin repeatedly gives five year plans for its own housing projects. A commitment made in 2006 to build 6,000 houses by 2011, by the following year has become 5,500 by 2011, but no houses were built.

Lonmin itself built 1,149 houses in 1999 and has built no houses to completion since then. This fact surfaces in the 2012 SDR. In the strident response to Bench Marks Foundation, Lonmin repeats the 1,149 figure without this qualifying detail.

Lonmin wants to sell houses to the employees, but the employees cannot or don't want to buy them. Commitments under the Mining Charter have not been met. The 2012 SDR renews the commitment to build 5,500 "low density" houses by 2014. The 1,149 houses from 1999 are now suddenly taken into account. By this means Lonmin has silently cut the commitment made in 2007 and 2008 to build 5,500 new houses.

## Hostels

Lonmin makes an early general commitment in 1999, repeated in the 2004 SDR, to "eliminate the single sex hostel living". In 2006, the company commits to "convert" all hostels to family or bachelor "units" by 2011. This commitment, and obligation, is not met. It is repeated again in 2012, to be met by 2014.

Between 2003 and 2010, the original number of hostels to convert is stated as 114. In 2012 that original number is changed to 128, or to 146 depending on the document. There is no explanation. Lonmin has completed 79 hostel conversions according to the SDRs. In 2012, however, the number given is 97. But both numbers fit with 49 hostels left to convert by September 2012, depending on whether the original number was 128 or 146.

The aim of the hostel conversions is to "address the housing shortage", says a preface to one SDR. But according to well-placed sources every 8 beds provided by the old hostels only convert into between 2 and 3 beds in the new housing "units". The hostel conversions trigger growth of the informal settlements. Beside the confusing numbers given in the SDRs, the hostel conversion process is unsustainable and defunct.

## What the community thinks

Lonmin's critique of the 2012 Bench Marks Foundation report alleged, amongst other things, that it was guilty of confusing what the communities think about their environment with accounting for the actual conditions. Yet from 2004 to 2008 Lonmin seems to understand that both objective measurement and subjective experience are important. However from 2009, Lonmin abandons its survey of so called "community perception". This appears to happen when no more improvements can be registered in the surveys.

## Dust

The 2004 SDR commits the company to meet “air quality permit requirements”. Yet the SDRs all contain admissions of exceeding the limits set by the permit. A new Air Quality Act changed the measurement in 2005 to one that was less onerous. It contained different limits for residential and industrial areas. Lonmin has exceeded both residential and industrial dust pollution limits every year up to 2012. On average, the SDRs report 90% compliance with the permit. No sanctions are reported.

## Sulphur dioxide

The situation with sulphur dioxide is a tale of Lonmin exceeding permitted limits, of those limits being increased without explanation and of Lonmin then again exceeding the increased limits. In 2003 Lonmin emitted more than eight and a half times the limit of 4.8 tonnes per day. This report has not investigated for how long this had been going on. In 2004 and 2005 Lonmin was probably in breach of the 4.8 tonne limit. In 2006, the company was compliant because of the first of the unexplained increases in the legal limit from 4.8 to 8.3 tonnes per day. In each of the following 3 years, Lonmin was in breach of the new limit. In 2011 the limit is increased again to 17.9 tonnes (more than 3 times the original limit) and Lonmin seems to have got the increases under control. By 2012 the emissions have decreased to just above the previous, lower limit of 8.3 tonnes.

## From air pollution to water pollution

Every year “unplanned discharges” into rivers have occurred. This is not permitted. The SDRs report new measures implemented or planned to prevent this. Lonmin has since 2004 used a scrubbing plant to reduce the sulphur dioxide emissions. But “the capture of SO<sub>2</sub> has resulted in the generation of calcium sulphite as a waste product”. Provisional dams for this waste product have started to leak.

The more effective Lonmin is in combatting its sulphur dioxide emissions in the air, the more calcium sulphide the mining project produces on the ground. An option of conversion of the sludge into gypsum for cement production awaits the company’s assessment as to its profitability.

## Conclusion

Lonmin Plc has won awards for its environmental and socio-economic performance. The company says it is “best in class” in sustainability. But it is running an unsustainable project. If Lonmin is “best in class”, platinum mining in South Africa is not environmentally, socially or politically sustainable. On occasion, the SDRs report that the mining license might be in danger. This report concludes that, judging from the SDRs 2003-2012, that danger is very unlikely to materialise. No sanctions of any kind have ever been meted out against Lonmin.





# 1

## Introduction

This report aims to shed some light on the revolt that has shaken the mining industry in South Africa since 2012 and still hasn't subsided. In January 2012, over 17,000 workers embarked on a six week strike at Impala Platinum Mine in Rustenburg. This was followed by a strike at Aquarius Platinum. In both of these strikes several workers were killed by security guards of the companies. Then, on 16th August, 34 striking employees of the British owned platinum mining company, Lonmin Plc, were shot dead by the police. At least 78 other workers were wounded. From the end of August a wave of strikes spread to platinum, gold and coal mines. The workers demanded drastic wage increases and they still do.

### 1.1 Lonmin

Lonmin is the world's third largest producer of so called Platinum Group Metals (PGMs). Although it is a British company, "99.9% [of the employees] reside in SA".<sup>1</sup> It has not been known as an especially negligent or ruthless mining employer. In fact the company has argued that it acts in a *more* socially and environmentally responsible manner than other mining companies.<sup>2</sup> In a strident response to the critical Public Eye People's Award nomination<sup>3</sup> in 2013, after the Marikana massacre, Lonmin commended itself for having a "best in class safety record in the country".<sup>4</sup> This means, for example, that whilst in the 2011 financial year 12 workers were killed at work in Anglo American Platinum (AAP) and 7 at Impala, 6 were killed at Lonmin (although this is double the 3 killed every year during the four preceding years).<sup>5</sup>

Lonmin's "sustainability" performance (if this expression is appropriate) has been acknowledged by the business community several times.

"We are pleased to announce that as a part of Nedbank Green Mining Awards, our sustainable development efforts were widely recognised. We were winners of both the environmental and the socioeconomic categories, as well as runners up in both categories".<sup>6</sup>

Bench Marks Foundation decided to conduct this study because it wanted to highlight how one of the "better" companies performs when it comes to sustainable development. In a 2010 corporate reporting competition, Lonmin was awarded "The Lang Communications award for Most Improved Narrative" by the Strategic Planning Society. And it is Lonmin's "narrative" that this study critically examines: Lonmin's own story as it appears in the so called "Sustainable Development Reports" (SDRs).

## 1.2 Methodology and focus

In their SDRs the large mining companies try to show controlling authorities, shareholders and the interested English reading public that their profit-maximising operations are not only good for investors and supporting businesses, but also for the employees, the surrounding communities and South Africa's general development.

We have conducted a close reading of Lonmin's texts from 2003 to 2012, chronologically following how Lonmin reports about half a dozen social and environmental themes through the years. We followed key words like "housing" and "house" through the electronic SDR documents. We compared the data reported and the "stories" told over 10 years of reports. The methodology tries to follow the "structured data analysis" and "witness hermeneutics" developed by Arne Trankell.<sup>7</sup> We go back and forth through a substantial collection of data and statements about past events to separate fact from fiction. In the process we try to establish causal links between real events. We also draw upon a strand of historical research called *genealogy* and focus on the use of language by those in power and how they control – or try to control – "Truth".<sup>8</sup>

So it is through the SDRs that we assess the sustainability of Lonmin's operations.<sup>9</sup> We rely mainly on Lonmin's own reporting and data, adding occasional other sources where necessary. We do not hold Lonmin to account against the complicated and changing legislative framework itself. We encounter that framework through what Lonmin says about it, as would an interested lay person. We hold the company to account against its own promises and stated goals, and against regulations and laws as Lonmin itself cites them. So it may well be the case that the company is in breach of the law and the Mining Charter on more counts than appear from its own reports.

## 1.3 Key discussions and findings

Lonmin fails to live up to its own sustainability goals. If it is true that it performs better or much better than most of its mining company peers, which we have no reason to question, its failure indicates that South African mining in general is not sustainable. What does this mean?

Nature, for her part, has been very patient with the South African mining industry. It took a long time before she started to hit back with phenomena like Acid Mine Drainage (AMD). Can an industrial project or a whole industry also become socially unbearable and therefore politically unsustainable? What happened at Marikana, as well as the continued social and labour unrest in the mining industry, all seem to indicate that a socially and environmentally unsustainable project can indeed become politically unsustainable. People affected by the operations or running them on the ground – and under it – cannot go on living as they do any longer. They revolt.

But what is unsustainable for mineworkers and their communities is not necessarily unsustainable for the controlling authorities. It is not clear what a mining company in South Africa must do to lose its mining license for failure to comply with laws and regulations. A tentative conclusion is that a mining operation can go on for as long as the company in charge of it displays public awareness of its failures, negotiates new agreements with the authorities, expresses respect for the laws and promises to correct failures in the coming years. This is what the corporate "narrative" in the Sustainable Development Reports seeks to do in order to negotiate the political terrain.

With Nature, however, no negotiated deals are possible.

## 1.4 Scope and Organisation of the Report

Lonmin's SDRs cover a wide range of social and environmental problems that are connected to the excavation and processing of PGM ore in South Africa. The reports comprise a vast amount of material. We focus on a limited number of key issues. **Section Two** focuses on the use of contract workers to reduce labour costs. **Section Three** covers the problem of providing decent housing for mineworkers and their families. **Section Four** looks at Lonmin's reporting on "community perception" of its operations and environmental issues such as dust pollution and sulphur dioxide emissions.

To put the reading of Lonmin's SDRs into the context of contemporary economic history, we start with a very short overview of how platinum mining in South Africa has risen in importance since the 1990s. The notion of "profitability" is central in 2013 when debating threats of retrenchments. In Lonmin's reports "profitability" also affects social projects, leading to the company's official scaling down of the housing projects when declining sales and returns on investment set in from 2008.

# 2

## Workers and Profits

### 2.1 The rise of platinum mining and the “profit crisis”

The phenomenal growth of the platinum mining industry in South Africa from the 1990s – and the decline of gold mining – has been comprehensively described by Gavin Caps.<sup>10</sup> In the 15 years from 1996 to 2011, platinum mining’s share of the value added by the whole mining industry to South Africa’s Gross Domestic Product (GDP) rose from less than 10% to 30%. Gold mining today, on the other hand, accounts for only 10% of what all Mining and Quarrying in South Africa adds to GDP.<sup>11</sup>

Starting from the 2000s, the industry has been extremely profitable. Recently, strikes have of course inflicted losses. But under normal (non-strike) conditions the industry is still profitable, despite a corporate narrative to the contrary in company press statements.<sup>12</sup>

### 2.2 Anglo American Platinum

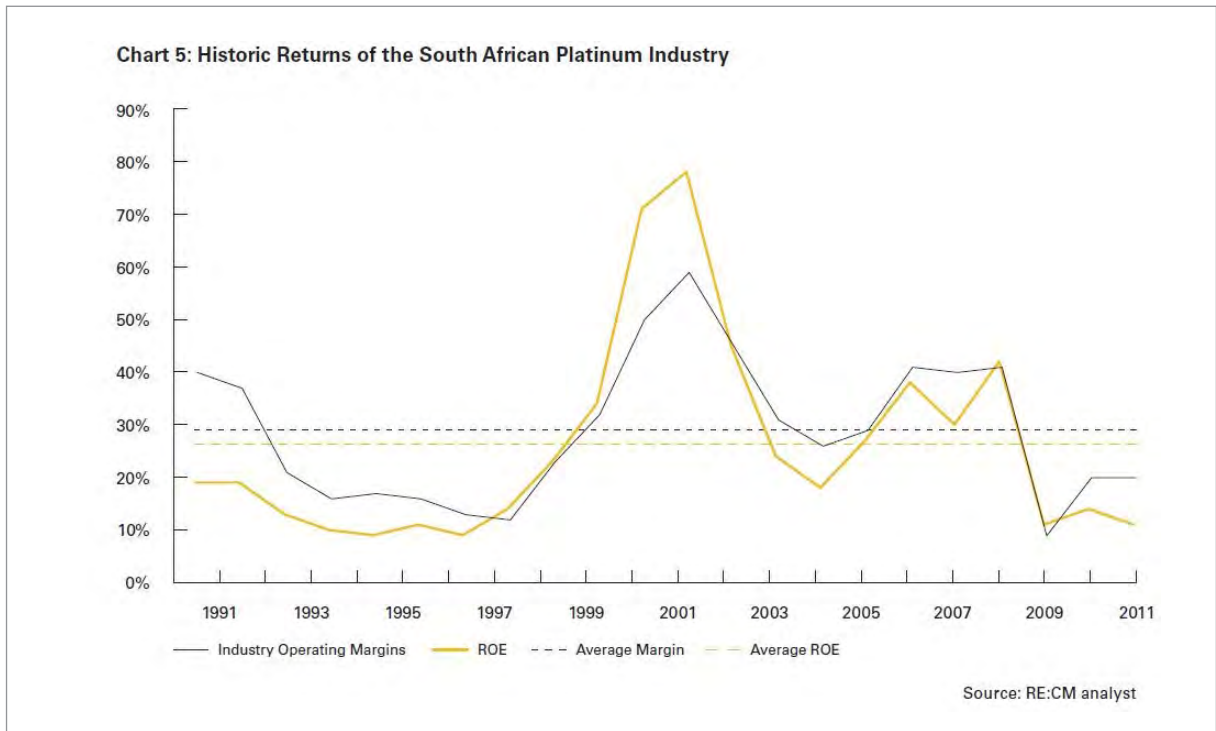
In January 2013, AAP threatened to retrench 14,000 employees and mothball the Khuseleka and Khomanani mines in Rustenburg. This figure was reduced to 6,000 at the beginning of May 2013 and has now been reduced again. This is not about closing down mines which are losing money.<sup>13</sup> It is about restoring profitability in the face of the global decline in demand for PGMs, of which 54% was used for autocatalysts in 2007.<sup>14</sup>

The June 2012 Interim Report from AAP, issued before the strike wave, describes unequivocally the positive operating contribution of both Khuseleka and Khomanani to AAP’s balance sheet, as well as increases in refined PGM per worker of more than 20% at both mines. According to AAP’s own report, the productivity increase at the two mines doubles the average productivity increase of all its mines.<sup>15</sup> The 2012 Annual report estimates their life span to be at least another 20 years.

### 2.3 Profitability and shareholder value

In corporate discourse “unprofitable” doesn’t mean loss making. It means making less profit than the company can make elsewhere. This logic is salient today in platinum mining, which saw soaring platinum prices after 2000, the spectacular fall in prices in 2008, and much lower global demand for the commodity today.<sup>16</sup> After 2008, returns on investment in platinum mining are very poor, but only when compared to before (see Figure 1 below).

Figure 1: Anglo American Platinum, Impala and Lonmin operating margins and Return on Investment



Source: Diagram in Whitburn (2012)

The average operating margin for the three biggest platinum producers (AAP, Implats and Lonmin) taken together has been close to 30% over twenty years. Paul Whitburn estimates that the “long-term cost of equity” in South Africa, is 14%.<sup>17</sup> This “cost” reflects what shareholders demand back in annual returns on shares they hold in South African companies, and it is a world leading rate of return. South African non-financial firms are “highly profitable”, commented the IMF in its 2012 Article 4 Report on South Africa. With about 12-13% “return on assets”, South Africa comes third among 19 developing countries.<sup>18</sup>

However, platinum mining is not up to that mark today. David Holland and Brian Kantor use yet another measure to show a steep decline in profits.<sup>19</sup> They even play with the prospect of nationalisation, because of a poor 3 to 4 year outlook from a shareholder point of view.<sup>20</sup> This is an interesting thought. From the point of view of society, and compared to the costs (to society) of mass retrenchments, an industry that pays for wear and tear of its infrastructure as well as wages to 135,000 permanent workers (and 63,000 “contractors”)<sup>21</sup> is not loss making. It makes a net contribution of value to the economy, in the short term and in the long term. But the shareholders see a decline of return on equity<sup>22</sup> to 10% or lower, with no hope of recovery. They see employees who are no longer prepared to wait for any trickle down effects of high growth, and who are militantly organised to increase wages at the expense of profits. For the majority shareholder this spells crisis.

Faced with this situation, investors look around for other investment possibilities, sell their shares and send the company share price plummeting. This undermines the total value and creditworthiness of the enterprise. It can make it harder to borrow money. It can trigger clauses in loan contracts, forcing a company to pay higher interest rates on company bonds and other loans. It eventually pushes the wagon closer to the brink of insolvency or take-over.

When laws regulating capital flows are lifted, investors start to act with the whole world in their sights. In Lonmin’s case, this short term profit-maximising logic has been in play since 2008. When its profits started to decline, Lonmin saw a continuous steep fall in the company’s value on the stock market, from about R79bn in September 2007 to R17bn in August 2012. That is a 78% fall in market value.<sup>23</sup>

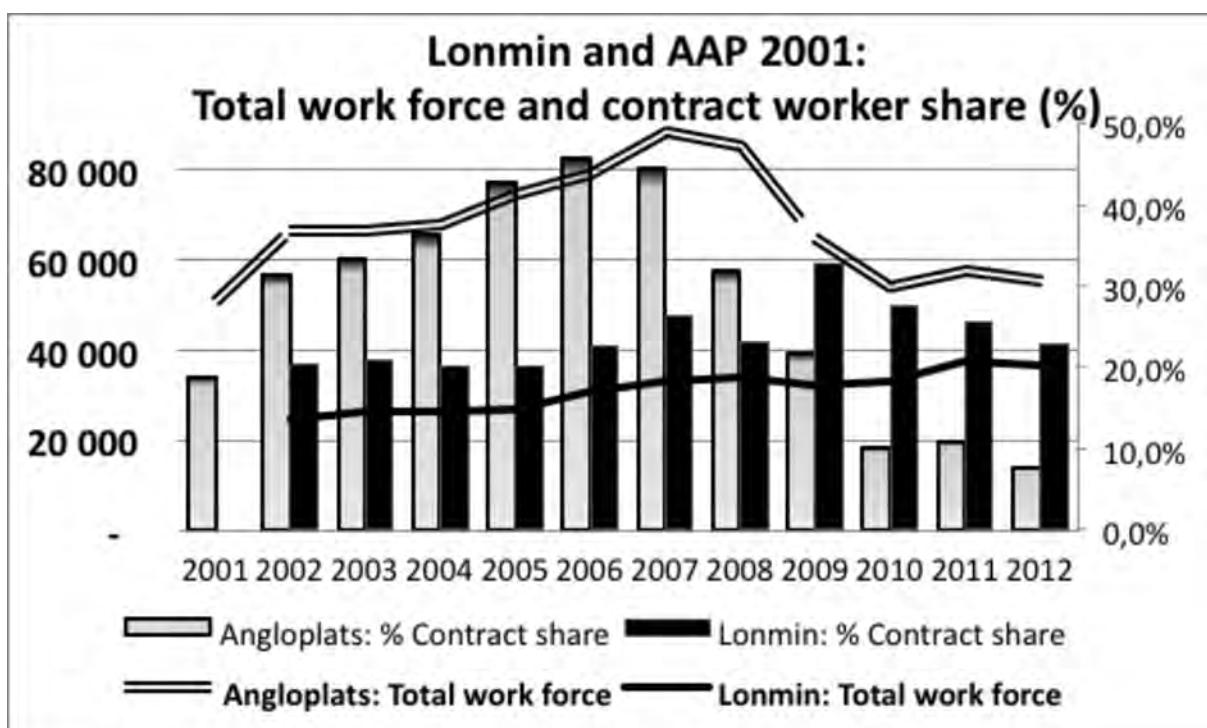
## 2.4 The use of contract workers and two responses to the crisis

### 2.4.1 AAP cuts contract workers

The giant AAP reacted to the global crisis that started in 2008 with massive retrenchments. In 2007 the company had a workforce of 88,300 in South Africa; in 2012 the number had fallen to 51,000. All types of employment contracts are included in these numbers, but most of AAP’s retrenchments since 2008 have hit contract labour.

From 2008 to 2009, AAP retrenched more than 7,000 of its “own” or “established” employees.<sup>24</sup> However, the retrenchment of contract workers started one year earlier. The number of contract workers fell by 12,000 between 2007 and 2008. 39,000 contract workers in 2007 declined to a little more than 4,000 in 2012 (see Figure 2 below).<sup>25</sup>

Figure 2: Employment at AAP and Lonmin compared



Source: AAP and Lonmin Sustainable Development Reports.

## 2.4.2 Lonmin's approach

Lonmin reacted differently to the crisis. Save for cutting the total workforce by a net total of 1,600 employees between 2008 and 2009, workforce numbers have constantly been rising during the whole period 2002-2012 (see Figure 2 above).

Partly, this seems to be a result of holding back on mechanisation (with consequences for the work load and risks in the shafts). This approach was announced to the press in July 2012.<sup>26</sup> Judging from Lonmin's employment statistics, it could however be that a low mechanisation strategy has been in place for a longer period.

Whilst at AAP the proportion of contract workers in the total workforce has consistently fallen, from almost half in 2006 and 2007 to 8% in 2012,<sup>27</sup> at Lonmin between a quarter and a fifth of the workforce is contract labour, and has been at least since 2002.<sup>28</sup>

Lonmin obviously took an optimistic view of the crisis of 2008-2009. Indeed, the 2009 SDR is entitled "Preparing for recovery...". However, by 2012 the media was filled with reports about the indebted Lonmin and the fall in its share price.<sup>29</sup> The crisis at the end of 2012 and the rumours in the media that the company needed a "refill" of capital from shareholders are beyond the scope of this study.

## 2.4.3 The confusion in Lonmin's contract work reporting

Lonmin's CEO Ian Farmer declared in the 2009 SDR: "In 2009, we completed a major restructuring programme, which led to around 7,000 full-time employees and contractors leaving the business".<sup>30</sup> Yet this doesn't fit with the report on permanent staff turnover and the report on total employment in the same SDR.

Instead, a detailed table and the accompanying text give "a net labour loss of 4,121" for permanent staff.<sup>31</sup> In fact, the decline in total labour force between 2008 and 2009 at Lonmin was only 1,605 workers after taking into account the growing use of contract workers, although this conclusion depends on how much of this growing use is an effect of more accurate reporting. We are informed that the number of part time and full time contract workers of various kinds was under-reported before 2009.<sup>32</sup>

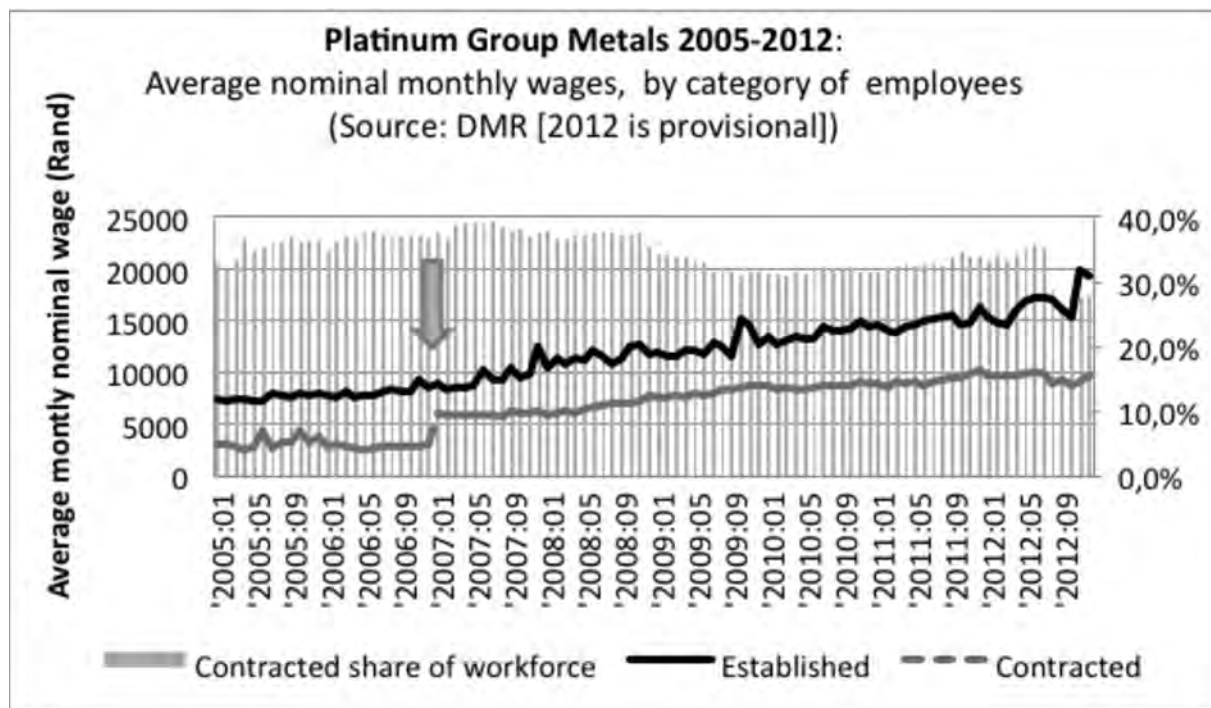
## 2.4.4 The confusion in general contract work reporting

It is relevant to make a general comment here. There is a break in 2006/2007 in the statistics on contract employment and wages within platinum mining (see Figure 3 below). From 2007 the Department of Mineral Resources (DMR) managed to get reports from more companies about the number of contract labourers hired and their wages. But wage levels for contractors are still guesstimates, made either by the staff or by the companies themselves. The bigger the company, the less accurate is their contract labour data, especially when it comes to the reported wage bill. Larger companies use hundreds of subcontractor firms. They are obliged by law to report accurately about their employee numbers and wages, but so far they have not. At the time of writing, DMR has given them time to rectify this and is negotiating target dates with the mines for the reporting of accurate labour data.<sup>33</sup>



This means that the contractor data in Figure 3 below must be treated with great caution.

Figure 3: PGM 2005-2012 Average nominal monthly wages by category of employees



Source: Department of Mineral Resources.<sup>34</sup> According to DMR, the average earnings of a contract worker in 2011 were about 60% of an established worker’s in PGM mining. Contract worker data is in general uncertain and all data for 2012 is preliminary. A break in the contract worker wage data is marked with an arrow.

The failure to take into account or comment on retrenchment or increased hiring of contract workers also leads to other anomalies. The 2009 SDR from Lonmin identifies a jump in staff turnover rate from 7% to 23% compared to the previous year. That is a very high figure. Yet the number still doesn’t include the hiring and firing of contract workers.<sup>35</sup>

### 2.4.5 Platinum industry wages

According to DMR, the average wage in platinum mining rose about 11% per year for established workers in nominal terms (i.e. inflation not taken into account) between 2005 and 2012.<sup>36</sup> DMR’s preliminary data for 2012 show a 13.7% rise in the permanent worker average wage in platinum mining in November and December, compared to June and July. If we compare the average for the last two months of the year with the average from January to June, the increase is 26%.<sup>37</sup> The averages include high and very high wages for supervisors and the like. How much of this wage increase applied to Rock Drill Operators (RDOs) and workers in lower pay grades is not clear.

In the Quarterly Labour Force Statistics, Stats SA reports a R5,800 median wage for the whole mining sector up until 2011. The data is not available for the different mining subsectors.<sup>38</sup> The contract worker average wage in platinum remained just below R10,000 in 2012 – i.e. it was stagnant – and about 20,000 contract workers lost their work during the strike period. The contract worker share, in platinum, fell from 35% to 28%. The drop started in August 2012.



## 2.4.6 Gold industry wages

By contrast, the contract worker share in gold mining has for a long time been 12 and 13% of the workforce, according to DMR. The mine revolt spread to the gold mines. But the preliminary statistics show no notable wage increases at the end of 2012 and no notable change in employment. The average established wage in gold mining in 2012 was between R2,000 and R3,000 lower than in platinum, and rose by less than 6%. The contract average was stagnant. It was about R1,500 below the established wage at the end of the year.<sup>39</sup>

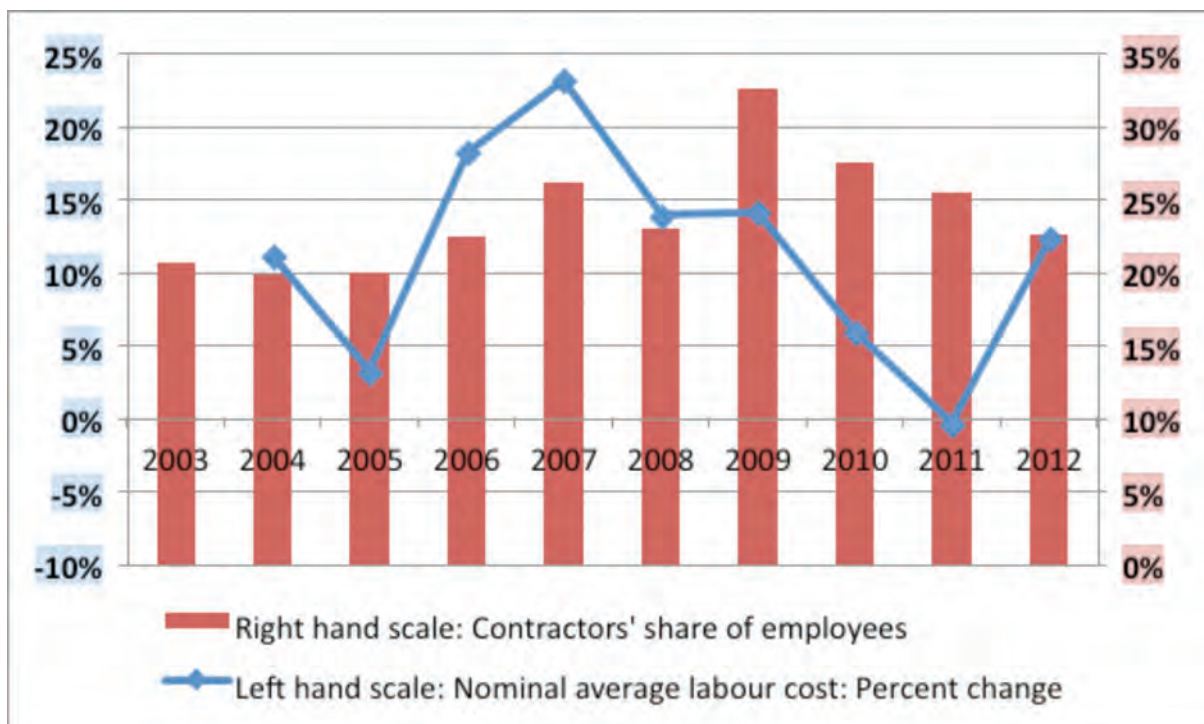
## 2.4.7 High share of contractors in the platinum industry

Contrary to the consensus in the business press, it is comparatively easy to retrench staff in South Africa. The country's large swings in employment, like during the crisis 2008-2009, "reflect the generally weak employment protection", writes the IMF economist Nir Klein in an otherwise traditional paper (in which he makes the usual argument that real wage increases in South Africa from 2009 to 2011 were too high).<sup>40</sup> He adds in a footnote, with reference to the OECD that in 2008: "South Africa's employment protection legislation index is....the lowest among the G20 emerging markets".

Besides its precariousness, one important corporate rationale for labour casualisation and contracting is of course the lower cost to the shareholders. The increased use of contract labour makes the composition of the work force crucial, from the corporate point of view, to mitigate the effect of successful wage bargaining. When the share of contract labour goes back to historical levels, permanent staff can also be recruited from the pool of contract labour at lower entry wages.

As shown above, Lonmin reacted to the crisis by increasing the use of contract labour in 2008-2009. The contract labour share at Lonmin stood at 23% in 2012 (see Figure 4 below).

Figure 4: Lonmin contractor proportion of workforce and average labour cost 2003-2012<sup>41</sup>



Many contract workers do the same work as permanent workers, such as rock drilling, and they participate in education and training sessions (something the SDRs point out). There is, however, no disclosure of labour cost strategies in the SDRs, even if wage levels are crucial for grassroots political and social sustainability. There are no tables of wages for different occupations. After the Marikana massacre, Lonmin's publication of a RDO wage bill in a press statement and in a Fact Sheet<sup>42</sup> is an exception.

To summarise, pledges of transparency and accountability don't stretch to wages. For contract labour and labour broking, the books are not in order. We are forced to approximate wage levels from tables on employment and total labour costs. From these we see a tendency towards successive cuts in average pay increases, which seems to have been successful at Lonmin between 2009 and 2011, albeit not from the point of view of the mine worker community (see Figure 4 above).

## 2.5 Wages and Profits

In this section we examine how the Value Added at Lonmin is divided up. If we were looking at a cooperative project instead of a company, the division of the value created in a year between "wages" and "profits" would be a division between how much should support the cooperative members' consumption and how much should be reinvested in the project. It is a division of "total value added". In the South African national accounts, this "total value added in a year" – the sum of gross profits and compensation to employees – effectively corresponds to GDP.<sup>43</sup>

Within the amount allocated to profits we look at its components: the amount paid to the government in taxes, the amount paid out to executive and non-executive directors, the amount paid out to the shareholders in dividends and the amount allocated to the community in "Social Capital".

### 2.5.1 Dividing Value Added between Profit and Wages

The Value Added Statement (VAS) in the SDRs shows how the new wealth created every year has been distributed to the so called "stake holders". This can differ from company to company and from year to year in the same company, and the detail we are given differs too.

But what is clear is that the wage share of the value added, taken from the Lonmin SDRs, falls to about 30% during the "good times" for the shareholders (2003-2008). It rises to above 70% in the "bad times" for the shareholders (2009). It then drops to 50% again in 2010-2011 when profits recovered somewhat.

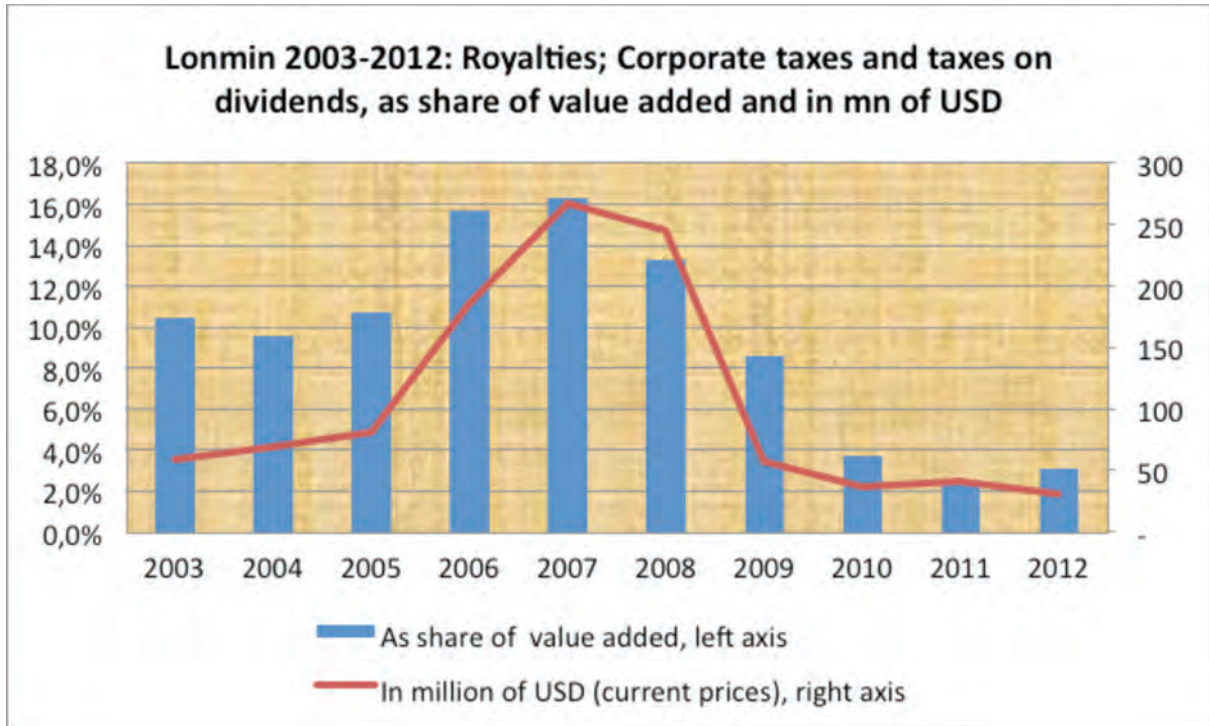
Interestingly, Stats SA reports a stable wage share of value added as low as 30% in the whole platinum sector from 2002 onwards.<sup>44</sup> This is significantly lower than for the three platinum giants, judging from the value added statements in their SDRs, where the wage share also fluctuates much more. If the data is accurate, this tells a story of a stronger position for labour at AAP, Impala and Lonmin than in the platinum mining industry at large.

Many readers might think that wage compression is positive, from some general "economic" point of view, or because wages are "costs". But from the point of view of society, also reflected in the national accounts of South Africa, wages are not a "cost".<sup>45</sup> They are a part of the national income.

## 2.5.2 Taxes

Lonmin’s own contributions to “government” – corporate income taxes, taxes on dividends and royalties – display a more continuous trajectory. The share of value added paid to the “government”, financing state expenditures, dropped to a very low level in 2010-2012 (see Figure 5 below).

Figure 5: Lonmin’s payments to SA government 2003-2012



Source: Lonmin SDRs 2004-2012

## 2.5.3 Executive Pay

The remuneration of executive and non-executive directors (who numbered 9 to 12 in 2007-2012)<sup>46</sup> can be regarded as a part of Lonmin’s “profits”. Their remuneration is decided unilaterally by the board, which is elected by the majority shareholder/s.

It is not clear if the VAS entry “Directors’ Remuneration” includes the remuneration of the CEO, who received US\$ 1,472,565 in 2012 (R11,854,148).<sup>47</sup> Still, this is half of the US\$ 3,057,937 (R22,781,631) this single person was paid in 2010, two years earlier.

Lonmin doesn’t lead the remuneration race of South African mining business CEOs. Labour Research Service (LRS) researchers conclude in an opinion piece after Marikana:

“The 2011 wage gap between the CEO and the average worker in the mining industry was 390 to 1. It is smaller at Lonmin, but the average worker still had to work 325 years to earn the value of the CEO’s remuneration in 2011.”<sup>48</sup>

## 2.5.4 Shareholder value

From 2003 to 2012, US\$ 847 million (at current prices) was paid out in dividends to the shareholders (see Figure 6 below).<sup>49</sup> Using the average exchange rate for the period, the equivalent is about R6 billion.<sup>50</sup> The top year in actual money paid was 2008, when the shareholders received US\$ 186 million. That represents 10% of the new wealth created that year. No dividends were paid in 2009 and 2010.<sup>51</sup> Dividend payments started again in 2011 (US\$ 30 million) and continued in the Marikana year of 2012 (US\$ 31 million). This did not stop one anonymous “analyst” from commenting in 2012: “In the past three years the government has not received tax and shareholders have not received dividends.”<sup>52</sup>

Figure 6: Lonmin dividend payments 2003-2012



Source: Lonmin, Sustainable Development Reports 2003-2012.

This was not true. But the payments were nothing compared to previous years, and the company’s share price was also falling.

## 2.5.5 Social Capital

In order to show their social commitment, the big mining companies also account for their support to the communities affected by, and involved in, their operations. This is part of getting a Mining License.<sup>53</sup>

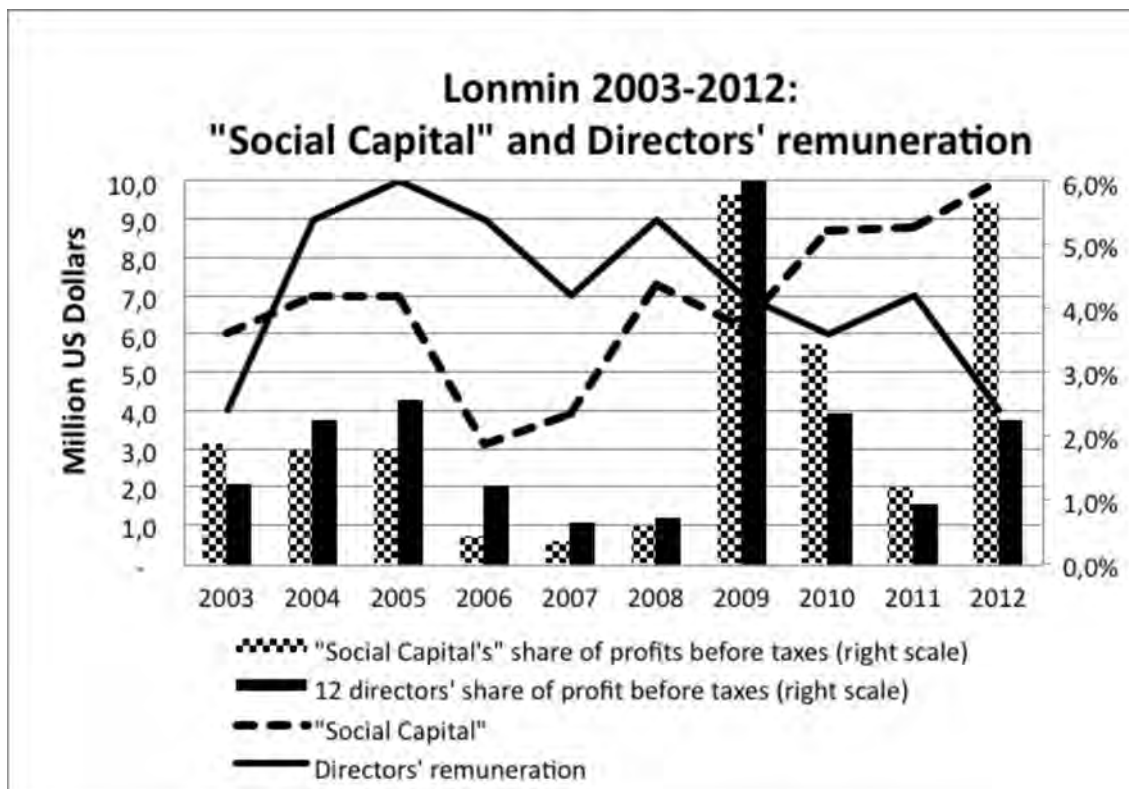
Lonmin provides such data in their SDRs under the entry: “Social Capital” in the VAS. We shall see that the relation of this entry to community projects proper and to Social and Labour Plans (SLPs) under the Mining Charter is problematic.

Before 2008, a major part of the Social Capital is paid to “The Lonmin Community Development Trust” (US\$3.2 million in 2007), even if a share also goes to “Donations” and “other community projects” (US\$ 0.7 million in 2007) – a footnote for the latter amount clarifies that it includes “salaries and

administration costs”.<sup>54</sup> At any rate, Lonmin has “committed 1% of pre-tax profits to development of corporate social investment programmes”<sup>55</sup>, or “community development”<sup>56</sup>. This is to be “calculated on a three year rolling average”.<sup>57</sup> From tables and pie charts in the SDRs it is perfectly clear that this commitment includes the whole amount reported under the “Social Capital” label.

Firstly, in today’s debate on wealth distribution in South Africa, it is relevant to compare the spending on “Social Capital” with the remuneration of the directors compiled from the SDRs (see Figure 7 below).<sup>58</sup>

Figure 7: “Social Capital” and remuneration of Lonmin directors 2003-2012



Source: Lonmin’s Sustainable Development Reports 2003-2013.

Spending on “Social Capital” has for the first time exceeded the remuneration of executive and non-executive directors for the last three years. Perhaps this is impressive. We must however remember that the Directors are a handful of people. They are between 9 and 12 depending on the year.<sup>59</sup> The number of people staying in the so called Greater Lonmin Community (GLC) is higher.<sup>60</sup>

Secondly, there is also a big difference between the “Social Capital” spending reported in the value added statements of the SDRs (see Figure 7 above), on the one hand, and the spending reported for “local economic development projects” and “Approved SLP Community Projects” (the name of a second entry used in the 2012 Fact Sheet) on the other. In its response to critics after Marikana, Lonmin never quotes the much higher “Social Capital” amounts from the SDRs to show the scope of the company support to the surrounding communities, as one would expect. As to why, this is open to interpretation.<sup>61</sup> It might have to do with questionable social usefulness of Lonmin’s support to local businesses, as for example specified in the 2004 SDR (see Table 1 below), or with the money channelled through the Lonmin Community Trust Fund over the years. Perhaps it can be argued that half of the reported “Social Capital” spending was, as the expression goes, fruitless and wasteful? Or perhaps it is a much wider category than the reader would assume and includes money spent on other things than social development?



**Table 1: Social Capital spending details 2004**

Item	Percentage of social capital spending
Skills development	2%
Administration	9%
Rural development	14%
Donations	15%
Business development	27%
Housing development	33%

Source: Lonmin, SDR 2004, page 23.

The value added table in the 2012 SDR says that US\$10 million was spent on Social Capital. The same SDR, however, says that “US\$4.9 million” (R39.7 million) was spent on “SLP community expenditure”.<sup>62</sup> The report also says in a footnote:

“This amount excludes the amount of R18,121,606 (US\$2.2 million) spent on projects in Limpopo, visibility acceleration [?] and on our joint ventures’ community projects.”<sup>63</sup>

Even if we add US\$ 4.9 and 2.2 million, we get US\$7.1, not US\$10 million. The much lower figures are also repeated in the company’s strident January 2013 response to the “Public Eye” nomination:

“Lonmin has invested in excess of R176 million in community projects since 2007 and we increased our social and labour plan community spend to over R39 million in 2012 which covers education, health, enterprise development and local economic development.”<sup>64</sup>

Education, health (like HIV programs), enterprise development and local economic development comprise a comprehensive list. The self-confident slamming of the Public Eye nomination seems to include all social projects as well as support to local business. But this R176 million<sup>65</sup> is only a little more than half of the social spending for 2008-2012 reported in the Value Added Statements (see Figure 7 above).

As for the years before 2008, the Fact Sheet from 2012 says that there is “No Data Available” (“N.D.A.”) for community projects for 2007. The 2010 SDR reports back to 2006 in its Appendix 4. It confirms the “N.D.A.” for 2007. As we saw above, this is despite the 2007 SDR reporting a total of US\$ 3.9 million spent on “Social Capital”, divided between US\$ 3.2 million to the Lonmin Community Development Trust and US\$0.7 to “Other community projects”.<sup>66</sup> Furthermore, both the 2010 SDR and the 2012 fact sheet surprisingly says that the entries “percentage spend of our financial commitments on local economic development projects” and “Rand value spent on Approved SLP projects” in 2006 are “Not Applicable” (“N.A.”).<sup>67</sup> This entry in the table reports zero spending. The “Social Capital” entry in the 2006 SDR’s value added statement reports, however, that US\$ 3.1 million was spent during that accounting year.<sup>68</sup> Table 2 below presents data from the 2006 SDR:<sup>69</sup>

**Table 2: Lonmin “Social Capital” spending details 2005 and 2006**

<b>Social capital categories, US\$ mn</b>	<b>2006</b>	<b>2005</b>
Housing	0	1.9
Donations	0.3	0.9
The Lonmin Development Trust	2.8	4.2
Total	3.1	7

Source: Lonmin 2006 SDR.

The Lonmin Development Trust was reportedly involved in a range of projects in 2006. It was founded in 2003. It was obviously Lonmin’s main tool for promoting social development or fulfilling the requirements of the mining license, but it had to be “transformed”:

“2006 can be described as a turning point for Lonmin’s community engagement and development initiatives. Not only was the Lonmin Development Trust transformed to respond to the challenges facing our communities, but we also had breakthrough results with the community transformation process, commonly referred to as the Lentswe process. The community perception survey presented us with an unbiased assessment of the success of our work over the past two years and we will continue to build on the projects to deliver on our commitments.”<sup>70</sup>

We will return to the community perception study in Section 4 of this report. At any rate, it is clear that Lonmin has believed that business is the key to a positive “community transformation process” and the reader of the SDRs can see how the company leads it. The 2006 allocation of the US\$ 2.8 million (R18.6 million)<sup>71</sup> in Table 2 above is detailed below in Table 3. This is the bulk of the 2006 “Social Capital” spending that has been classified in the later 2010 SDR as having nothing to do with (“Not Applicable” to) local economic development or SLP projects.

**Table 3: Allocation of R18.6 million paid to Lonmin Trust Fund in 2006**

Business Development	60%
Administration	15%
Education	14%
Health and wellness	5%
Environment	2%
Sports and Culture	2%
Safety and security	1%
Discretionary spend	1%

Source: Lonmin, SDR 2006, page 22.

Next year, in the 2007 SDR, the Lonmin Trust Fund is declared obsolete:

“Our Sustainability CoE has developed an integrated strategy to achieve our vision of uniting with our communities to improve their quality of life and to contribute to the transformation of South Africa’s social, environmental and economic conditions. The Sustainability CoE, for the first time, brings a single focused delivery structure for our

community development programmes. With this change in structure, we made the decision during the year to withdraw our funding of the Lonmin Community Development Trust (LCDT) to ensure focused delivery through the Sustainability CoE.”<sup>72</sup>

“High administration costs” are cited as another reason for the LCTD to “be declared dormant in September 2007”.<sup>73</sup> “CoE” is short for a “Centre of Excellence”, by the way.

Lonmin’s contradictory reporting on social spending is mesmerising. Didn’t the company spend anything at all on community development proper and/or approved SLPs before 2008? The earlier SDRs emphasise that it did. And for the period after 2007, why doesn’t the company in hindsight acknowledge as social spending about half of the amounts put under the entry Social Capital in its reports? Is the bulk of the amounts accounted for under the “Social Capital” entry put there to reach the 2004 “commitment” of 1% of pre-tax profits, also repeated in the following years? How much of the support to “business”, recorded under the Social Capital entry, has been wasteful and fruitless, meaningless from a social point of view, or perhaps simply amounting to partnerships with suppliers to Lonmin’s core mining business?

In short, the “Social Capital” reporting consistently presents figures of around 1% of pre-tax profits or more, which is the company’s commitment. But when we look at the details of the spending on all items we understand to belong under “Social Capital” – community and Social Labour Plan projects – we consistently find amounts very significantly lower than the global “Social Capital” amounts. This gross overstatement of Lonmin’s “Social Capital” accounting, makes it difficult to estimate its actual spending on projects which benefit the community.

The giant mining companies haven’t been nationalised in line with the Freedom Charter, as was expected by the majority in 1994, and tax avoidance is easy.<sup>74</sup> The Mining Charter and the social and labour obligations are meagre substitutes for this historic programme, in an extremely unequal country with a terrible social backlog for which the mining industry bears a heavy responsibility. That is why Lonmin cannot morally escape from its obligations to fulfil its SLP obligations in time, whether the state fails to impose this on the company or not. And that is also why Lonmin shouldn’t be able to escape from them, politically or juridically. Lonmin does business in South Africa. At the very least it must fulfil its legal obligations. Complying with the regulations placed on it by the state is a bare minimum. Let us also bear that in mind for all that follows in this report.



# 3

## Housing

There are two aspects to Lonmin's housing commitments – houses and hostels. We follow the Lonmin SDRs in treating them separately.

### 3.1 House construction programmes

We start by recounting Lonmin's commitments on house building in successive SDRs.

#### 3.1.1 2003

It starts with the 2003 CAR in which Lonmin reports:

“During the last year, together with the Rustenburg Town Council, the North West Province Housing Board and Eskom, the national electricity service provider, we have been involved in a housing project that is expected to change the lives of many families currently living in informal settlements around the local town of Boitumelo. The project will be developed on 37 ha of land donated by Lonmin Platinum and involves the provision of 650 high density two-roomed houses. (...) The projected completion date for the project is March 2004.”<sup>75</sup>

#### 3.1.2 2004

In the 2004 SDR, a short statement moves the completion date one and a half years forward without commenting on why:

“We will deliver 650 of the 2,000 houses planned for Marikana/Boitumelo by September 2005, which will be phased over a five-year period.”<sup>76</sup>

On page 4 the report says Lonmin “will commence the development of 2,000 additional houses” in 2005, but on page 22 of the same report the 650 houses (out of the 2000) are reported as already completed in 2004:

“In partnership with the Rustenburg Local Municipality, the North West Province Housing Board and Eskom, the Lonmin Development Trust facilitated the construction of low cost houses for people living in informal settlements around the mining operations. A total of 650 houses were completed during the year.”<sup>77</sup>

It turns out that this project, which did not reach the goal 2000 houses, was (or became support to) a RDP project. It was not a part of Lonmin's own housing building program proper, which was to be addressed by Lonmin in new pledges in 2006 and 2007 (see below).

### 3.1.3 2005

The 650 houses from 2004 surface again in the November 2012 reply to Bench Marks Foundation. They appear as RDP houses in relation to problems with sewage, water and electricity in the area. They were not built by Lonmin, even if the wording in the reply to Bench Marks is somewhat unclear on this point: ["A decade ago]...Lonmin project managed the construction of...650 RDP houses".<sup>78</sup> As for Lonmin's own housing project, the 2005 SDR simply states:

"We currently accommodate 52% of our employees in hostels, and married quarters with the remainder living in their own homes. We are selling houses to employees to encourage home-ownership."<sup>79</sup>

### 3.1.4 2006 - 2010

- The 2006 SDR says: "[We] have agreed a partnership with Rand Merchant Bank which will allow us to deliver 6,000 new employee homes over a five year period."<sup>80</sup> As we saw in Table 2, no funding was allocated to housing in 2006.
- In the 2007 SDR the commitment is cut without comment to 5,500 houses "by September 2011".<sup>81</sup>
- The 2008 SDR again says: "We will construct 5,500 houses within the Greater Lonmin Community (GLC) by 2011."<sup>82</sup>
- In the 2009 SDR, Lonmin "remain committed to the ultimate construction of 5,500 houses within the GLC." The reporting then continues:

"However, due to financial constraints the target date for the completion of these houses is under review and will be discussed with the Department of Mineral and Energy."<sup>83</sup>
- In the 2010 SDR, the report talks about the threat from a "possible withdrawal of our Mining Licences resulting from failure to deliver on commitments made in our SLP regarding housing and converting our hostel units (...)"<sup>84</sup>

### 3.1.5 2011

The 2011 SDR, reports:

"To date we have built 1,728 houses. We have revised our housing strategy, following the experience we have gained of the latest government policies, and information gathered from a 'Human settlement' survey of our employees."<sup>85</sup>

The reasons given for the failure are: “A shortage of appropriate land in the vicinity of our operations; inadequate water and electricity resources”; and “financial constraints as a result of current economic conditions.”<sup>86</sup>

The SDRs are about constant improvements. That is why one of the four points of critique of the methodology used by Bench Marks Foundation in the Lonmin chapter of its August 2012 report, is that it used the 2010 SDR, “when the 2011 report was available in December 2011”.<sup>87</sup> To avoid such critique, let us turn to the 2012 SDR where the number 1,728 is revised downwards with no explanation.

### 3.1.6 2012

The 2012 SDR is a summary; there is additional material on the Lonmin website. On the housing issue, the main text gives a rich explanation for all the problems that Lonmin encountered when trying to build houses.

The report also surprisingly states in a box: “Only 242 of the 1,149 homes built by Lonmin have been sold.”<sup>88</sup> The surprise is the number 1,149. As we saw, the 2011 SDR reported that “1,728 houses” had been built.<sup>89</sup> 579 houses of those 1,728 houses have disappeared from the accounts.

The lower number of 1,149 is repeated in Lonmin’s reply to Bench Marks Foundation in November 2012, as well as in a detailed fact sheet, dated 14 September 2012, which says:

“We have built 1,149 houses and have converted 79 hostel blocks into single and family units thus far as part of our goal to build 5,500 houses and convert 128 hostel blocks into single and family dwelling units by 2014.”<sup>90</sup>

That the total number of hostel blocks to convert is 128 is another surprise. But we will attend to that below when we look at hostel conversions. It is changed again in the 2012 SDR, to 146.

As for the 1,149 houses, we finally get clarity on them on the next page of the 2012 SDR:

“Of the 1,149 homes that were built in 1999, only 242 have been sold. The balance are [sic] available for rent.”<sup>91</sup>

Indeed, these 1,149 houses built in 1999 were already reported in the 2003 Corporate Accountability Report (CAR).<sup>92</sup> From the SDRs it appears that Lonmin has given support to two RDP projects (another one in 2003 will be mentioned below), but the company has not built any houses in its own programs since 1999.

## 3.2 Are the workers able and willing to buy the houses?

The shifting five year plans for 2,000 houses (to be completed by 2008, but which became support to 650 RDP houses), 6,000 or 5,500 houses (to be completed by 2011), seem to be halted when it becomes clear that the houses cannot be sold. The employees don’t want to buy a house from Lonmin, or they think they cannot, and maybe the credit providers agree. Indeed, the 14 September 2012 Fact Sheet reports that “201 title deeds” – out of the 242 sold houses mentioned above, we must assume – “were transferred during 2011”, and this “to promote home ownership”.<sup>93</sup> We conclude that for the whole period 1999-2010, 41 title deeds were transferred.

On this point, it appears that the results from the survey Lonmin conducted in 2008 were not truthfully reported in the 2008 SDR, which claimed: “It is the intention of the majority of employees to buy a house as opposed to renting a house”.<sup>94</sup> But there are concerns among employees about affordability, the text explained. That is obviously why the “[e]mployees expressed an urgent need to receive education on home ownership”.<sup>95</sup>

The 2012 SDR interprets the survey totally differently. Only a minority wanted to buy a house from Lonmin in 2008:

“In our 2008 survey, however, we found that only 15% of employees wished to purchase a house at Marikana, and of those, affordability was an issue. We believe that education in this regard is critical. The purchase price of a unit is R62,426 (US\$7,754) and we provide assistance to employees to obtain finance.”<sup>96</sup>

But the fact that this issue appears as “critical” to Lonmin six years later indicates that this truly *is* a matter of mine workers actually not being able to afford to buy houses, which brings mine worker income to mind. It is not a matter of being educated in how to repay a debt. Perhaps people prefer to rent their house for some other prudent and rational reason. Indeed, if you go on strike or are retrenched you cannot pay the bond and will lose your house to the bank. Perhaps the houses are not desirable; maybe life in the mining area is simply bad – for reasons of safety, health and cost – compared to, say, the rural areas in Pondoland. Tens of thousands of mine workers stay far away from their families when working. At any rate, the workers don’t want to buy Lonmin’s houses.

At times the SDR discourse manages to turn mine workers into a strange breed of people. No efforts are spared to report about the most self-evident human preferences, as in the 2008 SDR: “employees place a high premium on space” or “the strongest driver in employees’ efforts to acquire housing is the need to live with their immediate family”.<sup>97</sup> Or as it reads in the 2004 SDR:

“A housing survey [i.e. another one – our comment] was conducted to assess employees’ housing preferences and to ensure that our strategy is in line with their needs. The results showed clearly that employees prefer living in houses large enough to accommodate their families.”<sup>98</sup>

### 3.3 A programme of conviction or compliance?

Discursive slippages occur from what Lonmin legally must accomplish. The reporter, editor or copy writer wants to show that Lonmin is following the regulations willingly, from conviction. The framing also obscures the fact that there is a legal obligation at play. The slippage can appear as a movement from “commitments under the Mining Charter” to “our goals”, or “targets”. When the delivery date is far away, the texts can read as in the 2007 SDR: “One of our commitments under the Mining Charter is to construct 5,500 houses by the end of 2011.”<sup>99</sup>

It is this “commitment” that in 2012 is moved forward to 2014. In the Fact Sheet that “provides a summary of information contained in the 2011 Social and Labour Plan Annual Reports”, published 14 September 2012, in which the failure to build any houses since 1999 is not mentioned, Lonmin says:

“We have built 1,149 houses and have converted 60 hostel blocks [by Sept 2011] into single and family units thus far as part of our goal to build 5,500 houses and convert 128 hostel blocks into single and family dwelling units by 2014”.

We already quoted this passage above. We quote it again because, on a closer inspection, the completion date is not only postponed. In addition, the housing project under the Charter is silently reduced. The 1,149 houses from 1999 were never a “part of” Lonmin’s commitment in 2006 (6,000 houses by 2011) or the revised commitment made in 2007 (5,500 houses by 2011) that was repeated in 2008. Lonmin has always been committed to building “low density houses” *in addition* to the 1,149 houses built in 1999.

### 3.4 What is the status of the Mining Charter?

Is Lonmin operating under the Mining Charter? Lonmin’s mining license has not been withdrawn as a result of failure to deliver on its house building commitments, as was allegedly feared in the 2010 SDR. Furthermore, there are no reports in the SDRs of 2003-2012 of any less serious sanctions or penalties issued by the controlling authorities. It is not clear if Lonmin’s mining licence can be withdrawn and there is no mention of any other possible sanction.

The announcement of awareness (whether simulated or real) that the license can be withdrawn seems, however, important. Possibly it is intended to show commitment to the cause of constant improvements, which eventually will lead to “zero harm” or a final solution. Possibly it is also designed to show appropriate respect for the controlling authority.

### 3.5 SDRs: Stories to confuse

There is extensive and detailed reporting in most of the SDRs on the housing plans, the successful securing of land for housing and the preparations of stands. But Lonmin has not built any houses to completion for its employees since 1999. This failure is obscured in a cloud of details, promising start-ups and confusion.

The SDRs are about telling a story. The key components of the story are to admit shortcomings, to ensure the reader of sincere attendance to them and to recount a litany of constant improvements that have been made. Meanwhile, promises are revised as a result of a variety of “challenges”. New dates are then set, or new studies commissioned. New plans for implementation are explained or advertised as being under way. The word “commitment” is repeated in different formulations in the texts. But a story is just that – a story. Meanwhile, reality goes on much as before.

### 3.6 The issue of the mining hostels

#### 3.6.1 The hostel conversion programme 2003 to 2012

As with the housing programme, we start by summarising the company’s commitments on hostel conversion in successive SDRs.

- The 2003 CAR speaks about successes in catering at the hostels, using a new debit card system and monthly meal allowance that is “unique in the platinum industry”.<sup>100</sup> We find an announcement of the completion of a project that started in 2002 close to one of the hostels:

“The planned 294 high-density housing units adjacent to the Karee Mine Hostel were successfully completed and are currently occupied by mine employees.”<sup>101</sup>

From what we have found, these “high density housing units” comprise the other RDP housing project which Lonmin reports on, aside from the 650 houses we discussed before. There is no mention of conversion of hostel blocks into bachelor and family units.

- In the 2004 SDR Lonmin’s corporate social responsibility program is re-launched and “the need to eliminate the single sex hostel living arrangements at our mine” is acknowledged. The first four conversions are announced:

“As part of our commitment to promoting family unity, we are moving away from single sex hostels by converting hostel blocks into family units. Four hostel blocks have been converted to family units.”<sup>102</sup>

- In the 2005 SDR, no further conversions are reported and the goal is not repeated. On the hostel issue the reporter says:

“We currently accommodate 52% of our employees in hostels and married quarters with the remainder living in their own homes. We are selling houses to employees to encourage home-ownership.”<sup>103</sup>

We have already seen that this selling of houses has been a complete failure.

- The 2006 SDR reports:

“We continue to provide hostel accommodation and catering to some 8,000 employees, the majority of whom are migrant workers. The company has committed to convert all hostel accommodation into family accommodation within 5 years and to withdraw from being a provider of accommodation to its employees.”<sup>104</sup>

- In the 2007 SDR, Lonmin says:

“We continue to provide hostel accommodation and catering to some 8,000 employees, the majority of whom are migrant workers. The company has committed to convert all hostel accommodation into family and bachelor accommodation by 2011 and we have embarked on the conversion of 29 hostel units into family units.”<sup>105</sup>

No completed conversions during 2007 are reported. Thus, so far 4 hostels have been converted – in 2004.

- In the 2008 SDR, 29 out of allegedly 114 hostels are announced as having “been converted to date”. The implication of “to date” here is that the 4 hostel conversions reported in the 2004 SDR are included.<sup>106</sup> This should mean that 25 hostels were converted in 2008, missing the goal by four without a comment. This impression is further strengthened by the fact that the reporter doesn’t point out that the goal was reached. Had that been the case, 33 hostels would have “been converted to date” in 2008.

- In the 2009 SDR, the CEO announces in the preface to the report that:
 

“[d]ue to the reduction in the availability of financial resources, we will not achieve our targets to construct 5,500 houses and undertake 85 hostel conversions by 2011 and are engaging with relevant stakeholders on revised targets.”<sup>107</sup>
- As we saw above, the 2010 SDR reports the “...possible withdrawal of our Mining License resulting from a failure to deliver commitments made in our SLP regarding housing and converting our hostel units ...”.<sup>108</sup> The conversion of five hostel units, promised in 2009, has however been completed. The 2010 SDR commits to a conversion of 26 hostel complexes by 30 September 2011.<sup>109</sup>
- In the 2011 SDR, the CEO writes in his preface:
 

“We continued to address the housing shortage [sic] by converting 26 Hostel blocks during the year, but affordability of housing remains a challenge. Overall, two of the biggest challenges to the sustainability of our business include skills shortages and our relationships with communities and employees. We have accelerated our investment to address skills shortages including the training of community members in mining related skills and investing in education of the Greater Lonmin Community. We believe in the investment of human resource development starting from early childhood development throughout the value chain of talent management to foster successful careers. The recent community unrest and industrial action experienced highlighted the importance of pro-active stakeholder engagement. I plan to devote a substantial portion of my time during the next twelve months to stakeholder engagement and in particular to engaging with the communities in which we operate.”<sup>110</sup>

2011 passed, with “recent community unrest and industrial action”.

In 2012, Lonmin makes a new “commitment”, to complete the process by 2014: “We still have 49 blocks to convert.”<sup>111</sup> The use of words and phrases like “targets”, “important to us” and “could affect the sustainability of our business” in the following paragraph indicates the malleability of law and the Mining Charter for the third biggest platinum company in the world.

“Our commitment to our SLP targets is important, and the consequences of not meeting our SLP targets could affect the sustainability of our business. Our SLP commits the Company to the conversion of all hostels into single or family units by 2014. This in itself will however not address the enormity of the challenge facing us.”<sup>112</sup>

### 3.6.2 Mining hostel number confusion 2011-2012

The 2012 SDR Summary was issued after the massacre on August 16. It often differs in tone from the SDRs of previous years, using a persuasive, advertisement style of presentation, appealing to the reader for support and sympathy with headlines like “**Did you know that...**”.

Addressing the politically sensitive and complex hostel issue, a box in the “Marikana” 2012 SDR says:

- To date, Lonmin has converted 97\* hostel blocks, into 937 bachelor units and 695 family units, that employees can rent for R350 (US\$43) per month (including utilities).
- Only 242 of the 1,149 homes built by Lonmin have been sold.

*\* This figure includes all hostel conversions since 2003.* <sup>113</sup>

But the figure of 97 hostel blocks doesn’t fit with the reports in the previous SDRs. According to Lonmin it converted 79 hostel blocks between 2003 and 2012, and, notably, this was the figure used in the 29 November 2012 reply to the Bench Marks Foundation.

We turn to the 2012 Annual Report to sort out the confusion. The 79 hostel conversions were carried out between 2008 and 2012, a footnote informs us.<sup>114</sup> The report claims that “prior to 2006”, Lonmin converted 18 blocks out of 146, but also says in the same paragraph that “we have converted 79 of the 128 old style hostels [to date]”.<sup>115</sup> This figure of 146 hostel blocks also appears in the 2012 SDR.<sup>116</sup> This is the second time the number of Lonmin hostels existing at the start of the conversion process changes in 2012 documents. Up until 2010, the number was 114 hostels.<sup>117</sup>

Did these 18 conversions take place before 2003? We are prompted to turn to older documentation published on the Lonmin website. Annual Reports and Annual Reviews are available back to 1998. In the 1999 “Annual Report and Accounts”, a “fervent wish to move away from the current system of single-sex accommodation” is pronounced.<sup>118</sup> We find no mention of hostel conversions in 2000 and 2001. The first Corporate Accountability Report is from 2002. It says: “At WPM [Western Platinum Mine], 5 hostel blocks have been converted to accommodate partners and families visiting”.<sup>119</sup> However, this seems to be another type of hostel conversion and it is also short of the 18 conversions we are searching for.

The 2011 SDR gives a percentage figure: a 64.08% hostel conversion rate completed by September that year. How this is calculated is not clear. It doesn’t matter whether we include the 5 hostels conversions in 2002, or leave them out, or even add a full 18 conversions for which there is no previous record (assuming that there were either 60, or 60+5 or 60+18 hostels converted by September 2011) the 64.08% doesn’t fit with 114, nor with 128, nor with 146 hostels to convert when the process started.

We are forced to draw the conclusion that Lonmin simply doesn’t know exactly how many hostels it has, or how many it has converted, or that the numbers can be disputed and calculated in different ways. An alternative interpretation is that it may be so important to report a large number of conversions to the authority that this incentivises the reporter to distort the actual number of conversions over the years, whilst making sure that the arithmetic ends with 49 remaining hostels in 2012, to give the impression of consistency with earlier reports.



### 3.6.3 Hostel Conversion Record 2003 to 2012

A systematic review of Lonmin’s hostel conversion efforts as they are reported for 2003-2012 in the SDRs gives the data in Table 4 below.

**Table 4: Mining hostel conversions 2003-2012**

Year	Commitments and reporting	Completed hostel conversions
2003		0
2004	“Hostel accommodation must be eliminated.”	4
2005		0
2006	Lonmin will “convert all hostel accommodation into family accommodation within 5 years”. About 8,000 “employees” reportedly stay in hostels. This refers to the established workers; the permanently employed.	0
2007	About 8,000 “employees” still stay in hostels. Lonmin says it has started to convert 29 hostels.	0
2008	2008 SDR: 29 hostels out of 114 have been converted “to date”. There remain 85 hostels, says this SDR.	25
2009	Lonmin says: “We will not achieve our target to convert 85 hostels by 2011” and promises 5 conversions by 2010. No new conversions reported. $114 - 29 = 85$	0
2010	5 hostels were converted. The SDR comments on the Mining License requirement and commits to 26 conversions by 2011 <sup>120</sup> .	5
2011	The 26 conversions promised in 2010 are completed. Lonmin promises conversion of “an additional 24 hostel blocks during 2012”.	26
2012	“We still have 49 blocks to convert.” This fits with 128 hostels (as stated in the 2012 “Fact Sheet Lonmin”), not 114 as stated in previous SDRs. But the Annual Report 2012 and the 2012 SDR both says 146 hostels, which fits with 18 additional conversions – making the sum of conversions 97. However, this latter interpretation is not supported by Lonmin’s annual reporting.	19
	<b>Sum of conversions according to the SDRs 2003-2012.</b>	<b>79</b>

Source: Lonmin, Sustainability Development Reports, 2003-2012.

Let's accept, for a moment, that 79 hostels out of 128 have been converted into family or bachelor "units" (or 97 out of 146?). In 2006 and 2007 Lonmin says that about 8,000 employees stay in over 100 hostels. This arithmetic means that about 70-80 mine workers are accommodated in one hostel. But how many workers can live in a hostel "converted" to "units"? Is the ratio one to one?

We have found no discussion in the SDRs about this. The reader is left with the misleading impression that the number of workers accommodated in a hostel is equal to the number of workers accommodated in the alternative: the bachelor and family "units". What other conclusion can be drawn from the CEO's introduction to the 2011 SDR in which he says that the hostel conversion process is intended to "address the housing shortage"?<sup>121</sup>

We have for a moment to step outside the texts and rely on interviews with eye witnesses and field workers.

According to David van Wyk, who is doing his own field work and organising community field workers for Bench Marks Foundation, the ratio between the number of workers accommodated at the hostels and the number accommodated in the "units" is 1 to 7-8. Eight beds in a hostel, translates to 1-2 beds in the new "units". The majority of workers are not accommodated when a hostel is converted and must find accommodation themselves.<sup>122</sup>

We received confirmation from another local source who estimates that the conversion of hostels sends 5-6 workers out of every 8 "to the squatter camps". This process has recently been accelerating. While Lonmin is fulfilling its obligation in the new SLP to "convert" all hostels by 2014, the displaced workers are building shacks in Nkaneng and other informal settlements, which are growing.

The hostel conversion process is a defunct, unfair and unsustainable process. Yet it appears from the texts that even if Lonmin has failed to meet its housing obligations in time, the generally appalling living conditions for mine workers and their families are slowly disappearing.

### **3.7 So where do Lonmin's employees live?**

So where do they go? If 8 000 of Lonmin's employees stayed in 99 mining hotels in 2007<sup>123</sup> and in the 1,149 houses built in 1999, where did the rest of the workers stay? According to the SDR, there were 24,122 established and 8,580 contracted employees working at Lonmin in 2007.

In the 2008 SDR, the reporter, troubled by "the magnitude of the challenge to the company", refers to undefined "statistics indicating that more than 2,000 of our own employees reside in (...) informal settlements".<sup>124</sup> It is as if this information isn't easily obtainable from Lonmin's own employment register. And wasn't this information given by Lonmin's 2008 survey on residential issues described on the same page?

There is in fact reason to believe that the overwhelming majority of Lonmin's 28,230 established employees (2012) stay in informal settlements or in township shacks. As for the additional 8,300 contract workers, for which accommodation Lonmin takes no responsibility, their residence in informal settlements is almost given by definition. According to a very well-placed source, Lonmin estimates that it provides acceptable accommodation for about 5,000 out of over 28,000 established employees. The estimate was conceded at a meeting with different stakeholders in November 2012.<sup>125</sup> We leave it here for Lonmin to give an estimate publicly.

# 4

## Environmental Issues: always on the road to zero impact

### 4.1 What about the environment?

In the period of the 2004 to 2012 SDRs, Lonmin grew by nearly 40%, from 26,000 to 36,000 employees.<sup>126</sup> Its social and economic impact on the surrounding communities, on the environment and society at large, is immense. At the re-launch of the company's social responsibility program in 2004, management declared that its sustainability program was thriving, even if some problems remained when it came to the environment.

“We have to do a better job of environmental monitoring and performance. Our audits of this area indicate that while we don't believe there are any serious issues, our overall compliance and attention to detail can be improved.”<sup>127</sup>

Is it true that there were no serious environmental issues in 2004? Since then has it continued to improve? These are the questions we try to answer in this part of the report.

#### 4.1.1 The issue of “Community Perception”

Lonmin's first SDR in 2004 provided a quantified balance sheet of the local community's “perception” of the company's presence. This perception study was repeated until 2008, as far as we know from the SDRs. Then it was abandoned. Below we will get an indication of the reason why.

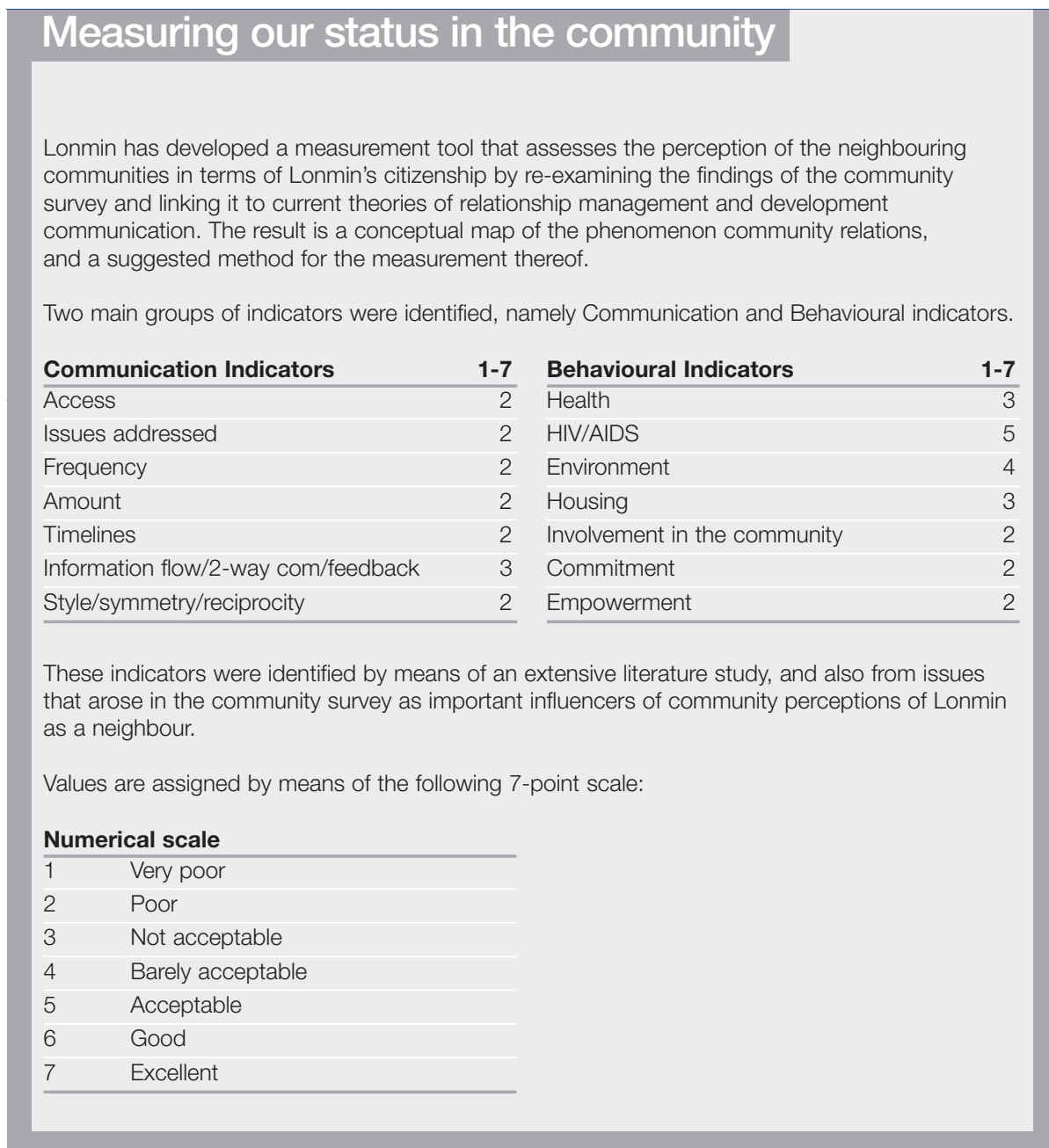
In 2004, the study took the form of a survey “conducted by an independent research firm”, involving all “stakeholders”.

The “supplier community”, the businesses that sell their goods and services to Lonmin, were “generally quite happy” with Lonmin in 2004, but the local mining communities where the workers and their families stay, were not.

“The groups that are most negative about us are the local communities around our operations. Community leaders and opinion leaders see us as being distant, not engaged and not keeping our promises. When asked the general question: “Do you think your community is better off for having Lonmin operations as a neighbour?” Most responded negatively. This tells us we have a lot of work to do in better engaging with our local communities.”<sup>128</sup>

According to Lonmin, this was the “first ever community survey of key stakeholders of our operations and our company in South Africa”.<sup>129</sup> Lonmin had (see Figure 8 below) “developed a measurement tool that assesses the perception of the neighbouring communities in terms of Lonmin’s citizenship ...”

**Figure 8: Perception of Lonmin in surrounding communities 2004**



Source: Lonmin 2004 Sustainability Development Report, page 25.

Below we will analyse Lonmin's reporting of the company's emissions of dust and sulphur dioxide. From the environmental, medical and legal point of view it is of course crucial to measure this physically. We examine how these emissions have developed as registered by Lonmin's measurement equipment, according to the SDRs.

But to know how disturbed and hurt people feel as a result of the pollution – regardless of legal limits and whether or not Lonmin is in breach of them – we must ask the people themselves, as Lonmin started to do, even if the account of community perception isn't presented in such detail after 2004.

In the 2006 SDR there is no *measured* data of dust emissions (consistent reporting starts from the 2007 SDR), but Lonmin reports in general terms, relying on community silence as a proxy for community perception and this, in its turn, as an assessment of reality:

“We have further implemented methodologies, such as overhead irrigation systems, to successfully suppress dust from the operational dams. These measures proved highly successful as no community complaints on dust were received during the year.”<sup>130</sup>

In the same report, summary averages are also given for the 14 parameters presented in 2004 (see Figure 8 above). They seemingly display an improvement on how Lonmin is perceived by the communities. The encouraging series goes from an average value of 1.95 (2004), to 3.05 (2005) and to 4.25 (2006), where 4 is “barely acceptable”.<sup>131</sup> But, as so often happens with Lonmin's figures, the 1.95 number for 2004 cannot be a correct average since all the scores are above 2 (see Figure 8 above).

In the 2007 SDR, the result of the year's “community perception” study is not reported. The “annual perception studies” are referred to in general terms.<sup>132</sup> The meticulous official quantitative reporting of 14 indicators in the 2004 SDR, and the summary of averages from the 2006 SDR, are replaced by the following statement in the 2008 SDR:

“In 2008, average combined ratings for Marikana and Limpopo amounted to 48%, which was well below the target for 2008 of 60%. Our disappointing performance can be attributed to poor communication with community members.”<sup>133</sup>

The 2005 SDR displayed the same type of percentage reporting, from 27.7% (in 2004) to 45.8% (in 2005).<sup>134</sup> If the 2005 number can be compared to the 2008 measure of 48%, and if we accept the quantitative approach used by Lonmin – as opposed to the qualitative approach used by Bench Marks Foundation when investigating the same problem – then by Lonmin's own measurement, what the community thinks about Lonmin hasn't improved since 2005.<sup>135</sup>

In the 2009 SDR, “community perception” appears under the heading “Uniting with our communities”. Despite the “disappointing performance” in 2008 (above), “no additional community perception studies were undertaken in 2009”, but the reporter assures us that “we have a solid understanding of the perception of our communities gathered during the annual surveys undertaken since 2006.”<sup>136</sup>

In the 2010, 2011 and 2012 SDRs “community perception” has disappeared altogether.<sup>137</sup> This appears to have happened when no more improvements could be registered in the surveys.

## 4.2 No permanent damage

The SDRs report intensified monitoring of the problems and damage caused by Lonmin's huge operations. They then present solutions to the "challenges" encountered. A single report, read in isolation, can give the impression that Lonmin is seriously committed to sustainability, human goodness and truth. Already in 2004, Lonmin is "committed to doing no permanent environmental damage".<sup>138</sup> But that impression is belied by the enormity of the problems which remain in 2011 and 2012. The real course of political and social events culminating in the 16 August catastrophe bears awful testimony to this.

A close and comparative reading reveals that many of the goals set out in earlier reports are abandoned, not reached, eventually not talked about any longer or not talked about in the same terms. For lack of a better way of putting it, there is conscious and creative copywriting at play.<sup>139</sup>

## 4.3 Dust emissions, legal limits and zero harm

### 4.3.1 The original commitment

The limit to dust emissions comprises one aspect of Lonmin's air pollution permit. The commitment repeated in the 2003 and 2004 reports reads in full:

"We will meet our new air quality permit requirements, which stipulate that total sulphur dioxide emissions must be less than 4.8 tonnes per day and all stack dust releases must be less than 50 mg/m<sup>3</sup>."<sup>140</sup>

### 4.3.2 2003 - 2006

Our starting point in assessing whether or not this commitment was fulfilled is a confession in the 2003 CAR report:

"The release of dust from the smelter stack continues to exceed the limit set for dust emissions and a reduction in dust emissions will be the focus of our attention in the next reporting year."<sup>141</sup>

From this statement we know that Lonmin in 2003 was in breach of the air quality permit requirement. Has Lonmin ever emitted less than 50 milligram of dust per cubic meter of air? We have no data to assess this.

There is a new Air Quality Act in 2004. In 2005 the company starts to measure air pollution from dust emissions in milligrams of particles per square meter, which is less exact. Monitoring of this type of pollution is conducted using 56 dust-buckets, in accordance with the new legislation.

The 2005 SDR gives no data. An ambitious monitoring program is put in place.<sup>142</sup> The 2006 SDR – which, as we saw above, also told the story of no complaints from the community – speaks generally of "violation of general waste management procedures and exceedances in dust fall limits at Marikana and Limpopo". It provides no data, and blames some of Lonmin's "non-compliance" on the government for being late with the "approval process" as well as "changes in legislation".

### 4.3.3 2007

The 2007 SDR reports extensively on how Lonmin has adapted to the new standard, from the strict and much more costly<sup>143</sup> measurement of dust in ambient air – in mg per cubic meter – to a measurement of mg per square meter downfall on the ground.

In residential areas, less than 600mg/m<sup>2</sup> is allowed. In industrial areas the limit is 1,200mg/m<sup>2</sup>. Pollution above 1,200mg demands “action” (which the SDRs from 2007 sometimes categorise to be “within the alert level”). Dust-fall above 2,400mg/m<sup>2</sup> is described as an “alert” level.<sup>144</sup>

There is no year when the residential or industrial pollution limits have not been exceeded by Lonmin.

In the 2007 SDR, it is explained that the company has deliberately refrained from mitigation measures at some sites to establish base line conditions.<sup>145</sup>

### 4.3.4 2008 - 2009

The 2008 SDR states that “exceedances of the alert threshold [i.e. above 2,400mg/m<sup>2</sup>] are restricted to sites where our operations are not located near settlements”, but displays a diagram showing that 3% of the measurement points in residential areas exceeded 600mg/m<sup>2</sup>.<sup>146</sup>

The 2009 SDR registered a 92% compliance with the industrial target and only one occasion on which the 600mg/m<sup>2</sup> limit was exceeded in a residential area.

### 4.3.5 2010

We now have the impression that everything is getting better, or at least it’s not getting worse. So the report of a sudden deterioration in 2010 is surprising: “The number of exceedances of the industrial and residential categories were 50 and 17 respectively”.

What happened? There is no explanation. Speaking about “targets” instead of legal limits the SDR reassures us: “Where sites exceeded the targets, the incident was logged and an action plan compiled and contained within our environmental management system.”<sup>147</sup> A convincing list of new improvement initiatives is provided to the reader and, perhaps, the state official.

### 4.3.6 2011

On all issues, Lonmin is always on the way to its goal of Zero Damage. To take command of the situation, the SDR 2011 reports the piloting of “chemical suppression on the tailing dams at our Marikana operations” that “has proved to be effective”. “Extensive testing” shows that the “chemical composition does not present a danger to people in the vicinity of our operations”.<sup>148</sup> The company is in compliance with the legal limits for dust in the air at 92% of the residential and 86% of the industrial monitoring sites. No number of “exceedances” is given.

In all the SDRs 2003-2012 we are told that improvement work is going on. Here is an environmentally conscious and aware company doing its best: “Action plans are in place for those areas exceeding the industrial target”.<sup>149</sup>

### 4.3.7 2012

In the 2012 SDR, the dust problem is reported on the Lonmin website, not in the SDR pdf booklet, which this year is presented as a summary of a large collection of texts.

The previous pattern is confirmed. Every year the dust problem hovers around 90% compliance with the legal limits. 10 years after the promise made in the 2003 CAR, the current status of Lonmin's endeavour to comply with the dust pollution legislation (this time called "industrial standard") is the following (in the 2012 SDR):

"Lonmin undertakes dust fallout monitoring within our operational and community areas. Compliance to dust fallout within industrial areas is set at 1,200 mg/m<sup>2</sup>/day and in residential areas at 600 mg/m<sup>2</sup>/day. Over a period of 12 months, Lonmin has maintained 91% compliance to the industrial standard and 89% compliance with the residential standard."<sup>150</sup>

Apparently, the dust problem escapes solution.

In a case like Lonmin, the 2011 proposal for amendment of the legislation, which is underway, would mean a shift from dust-buckets and dust-fall measurements to measurement of particles in the air, which costs about five times more.<sup>151</sup> This is because every year Lonmin, to use the words of the proposed amendment to the Act, "on one or more occasion contravene[s]" the limits set for the 600 and 1,200 mg/m<sup>2</sup> dust-fall on the ground in residential and industrial areas respectively.<sup>152</sup>

This would then oblige Lonmin to measure the pollution in milligrams of dust per cubic meter instead of square meter, in line with the promise from 2003 and 2004, which Lonmin was able to drop when the measurement requirement was eased. At that time, Lonmin wrote "We will meet our new air quality permit requirements, which stipulate that (...) all stack dust releases must be less than 50 mg/m<sup>3</sup>".

## 4.4 Sulphur dioxide, legal limits and zero harm

Sulphur dioxide emission limits comprise the other aspect of the company's air pollution permit. Lonmin has regularly exceeded permitted emission levels for sulphur dioxide (SO<sub>2</sub>). What at times has saved Lonmin from breaking the limit set by its air quality permit requirement for SO<sub>2</sub> emissions has been the unexplained increase in those permitted limits.

But let's start in 2003.

### 4.4.1 2003

The 2003 CAR provides a starting point which is outspoken and clear on several points.

"The completion of the sulphur fixation plant at the Western Platinum smelter was a significant achievement this year. The plant was commissioned in July and although the levels of our sulphur dioxide emissions have reduced significantly **we still exceed the permitted levels**. We are confident that we will comply with the permit conditions, once the plant is fully operational."<sup>153</sup>



In contrast to the 2004 and 2005 reports, the 2003 CAR comprehensively explains reassuringly that “[s]ulphur dioxide (SO<sub>2</sub>) emissions are reported monthly to the authorities as a total calculated amount that escapes into the atmosphere, either through the smelter stack or as fugitive emissions.”<sup>154</sup>

#### 4.4.2 2004 and 2005

We shall come back to the Sulphur Fixation Plant highlighted in the quote above from the 2003 CAR. The 2004 and 2005 SDRs can report a tremendous drop in stack emissions, from over 40 tonnes of SO<sub>2</sub> per day to 3.4 tonnes per day for 2004 and 3.43 tonnes for 2005.<sup>155</sup> But the additional fugitive emissions are not directly mentioned, as they are in the 2003 CAR.

Under the heading “Incidents” in the 2005 SDR, there is, however, a table that gives “4 tonnes of SO<sub>2</sub> leaked”, without the specification “per day”. It is directly followed by the entry “Emissions from smelter stack >3.5 tonnes/day”.<sup>156</sup> If we add the stack emissions with the leaks, their sum (4 + 3.5 = 7.5) fits well with the figure 7.4 tonnes per day given in the following year’s report: in 2006, total sulphur dioxide emissions, stack as well as fugitive, are again mentioned and amount to 7.4 tonnes. This indicates that Lonmin is in breach of the 4.8 tonne limit in 2004 and 2005.

The 2005 SDR also refers to a “SO<sub>2</sub> emissions graph [that] indicates the stack emission, fugitive emission and permitted emission relationship”.<sup>157</sup> That would be a very useful graph, as we shall see from what follows, but at some point it was dropped before printing and the excellent idea didn’t materialise. There is no graph.

#### 4.4.3 2006

7.4 tonnes SO<sub>2</sub> per day in 2006 is well above 4.8 tonnes, but not any longer in breach of its SO<sub>2</sub> emissions permit. Here is the first of the unexplained increases in the emissions limit, almost doubling it from 4.8 to 8.3 tonnes per day. The 2006 SDR fails to specifically point out this relaxation, instead stating disarmingly:

“The average sulphur dioxide emissions from the smelting process for 2006 were recorded at 7.4 tonnes per day, well within the specification limits of 8.3 tonnes per day stipulated in the permit.”<sup>158</sup>

#### 4.4.4 2007

However, the nature of the enterprise is expansion. Next year, 2007, Lonmin is in breach of the new 8.3 tonnes SO<sub>2</sub>/day permit.

“Total sulphur dioxide emissions at the Smelter in Marikana are regulated at a maximum of 8.3 tonnes per day. Our average sulphur dioxide emissions (incorporating point and non-point sources) were calculated at 11.3 tonnes/day. Whilst our sulphur fixation plant has been optimised to meet design criteria; management of our fugitive emissions remains challenging.”<sup>159</sup>

SO<sub>2</sub> emissions are a driver behind acid rain. They can lead to acute and chronic lung diseases. The authors of the 2003 CAR and the 2004 SDR reports seemed committed to curbing air pollution – not only for compliance purposes but for its own sake, as it were, so that the SDR texts at that time could confidently proclaim:

“We will meet our new air quality permit requirements which stipulate that sulphur dioxide emissions must be less than 4.8 tonnes a day...”<sup>160</sup>

#### 4.4.5 2008

Despite an improvement in 2008 to 9.1 tonnes of SO<sub>2</sub> emissions per day, Lonmin appears at this point incapable of running an environmentally legal project, despite all mitigating measures, monitoring and measurements, confessions and independent auditing. The 2003 and 2004 solemn recognition of what the law requires has in 2008 changed to: “Total sulphur dioxide emissions for our Smelter at our Marikana operations are **regulated at a target** of 8.3 tonnes per day”<sup>161</sup> (our emphasis). We emphasise the phrase “regulated at a target” to point out how language can be used to try to evade reality. The limit of 8.3 tonnes has been transformed into a target. There is no explanation of what it means to regulate a target.

#### 4.4.6 2011

Here, in January 2011, is the second relaxation of the limit, this time from 8.3 tonnes of SO<sub>2</sub> emissions per day to 17.9 tonnes per day. This represents a 273% increase on the original 2003 limit. Again there is no explanation for this and we are left to assume that it was the result of some kind of negotiated process.

#### 4.4.7 2003 to 2012 Summary

Table 5 below gives us an overview of sulphur dioxide emissions from 2003 to 2012.

**Table 5: Lonmin sulphur dioxide emissions compared to legal limits 2003-2012**

	SO <sub>2</sub> Emissions: tonnes/day									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Lonmin SDR reports	41.4	3.4*	3.43*	7.4	11.3	9.1	11.1	14.1	10.6	8.5
Emission permits	4.8	4.8	4.8	8.3	8.3	8.3	8.3	8.3	17.9	17.9

Source: Lonmin, Sustainable Development Reports, 2003-2012. (\*) in the table for 2004 and 2005 marks “stack emissions only” – fugitive emissions not included in the figures. See also Note 165.

Here we see the escalation of SO<sub>2</sub> emissions in 2009-2010 and the successful break in the trend in 2011 and 2012. Lonmin is back to lower levels of SO<sub>2</sub> emissions, although above the level of the first two air pollution permits and in breach of the promise from 2003 and 2004 by a sizeable margin. Once again it seems clear that the company’s license is secure as long as it reports all damage and constantly shows that it wants to improve. There is no requirement to comply with the permit.

## 4.5 Water

Among “Challenges” in the 2010 SDR report, the authors list the “inability to secure an adequate supply of water to sustain and expand our operations” and “loss of sustainable fresh water for our operations and communities due to the deterioration of surface and ground water quality”.<sup>162</sup>

The water issue is further elaborated in the 2011 SDR. In its reply to the 2012 Bench Marks report, the Lonmin representative passionately argued that its own documentation is a good enough response to Bench Marks’ queries.<sup>163</sup> In the 2011 SDR we can read:

**“In 2011, nineteen “Level Three” unplanned [sic] discharges to the environment occurred.** Six of these discharges occurred at Western Platinum Limited and was discharged into the tributary of the Maretlwane River, six discharges occurred at Eastern Platinum Limited and was discharged into the tributary of the Modderspruit River and seven discharges occurring at Karee was into the tributaries of Brakspruit River and Hoedspruit River. We monitor the quality of discharges and check compliance with our effluent standards as stipulated in our General Authorisation issued by the Department of Water Affairs. None of these discharges are affecting protected or biodiversity sensitive water bodies. We are currently unable to quantify the volumes of the discharges but the integrated water balance will be able to estimate the volumes discharged in the future. **We are not authorised to discharge any water and therefore need to contain our process water in a closed system.** We aim to prevent any discharges from our Marikana return water dams and waste water treatment plants into the environment by September 2014.”<sup>164</sup>

No doubt, there are constant efficiency and other improvements also on this issue of water use and impermissible water discharges. On the latter issue Lonmin plans to comply with the legislation regulating its operations by September 2014. Without necessarily implying any irony when saying so, there is no reason to doubt that this is a “best in class” performance for a mining company. No fine or sanction is reported in the SDRs. There are no reports on legal consequences.

And then there are points where the water issue and the SO<sub>2</sub> issue meet.

## 4.6 The calcium sulphite solution to the SO<sub>2</sub> problem

In a case study, electronically attached to the 2012 SDR, we find again the explanation for how the SO<sub>2</sub> emissions have been brought down. But now we are also introduced to the new problem that the mitigation method creates.

The general toxic SO<sub>2</sub> trend has pointed upwards since 2003, culminating in 2010 at 14.1 tonnes per day of SO<sub>2</sub>. After that the trend was broken. The “significant improvement” from 2011 to 2012 in SO<sub>2</sub> emissions – from 10.6 in 2011 to 8.5 tonnes per day in 2012 (Table 5 above)<sup>165</sup> – “can be ascribed to the increased performance in the availability and efficiency of the Sulphur Fixation Plant (SFP) and the Air Pollution Equipment during operating conditions”.<sup>166</sup> In 2012, Lonmin emitted less SO<sub>2</sub> in the air than the permitted amount, which was relaxed for a second time in 2011 to 17.9 tons per day.

The technique used to bring down the emissions was also mentioned in brief in 2010: “the capture of SO<sub>2</sub> has resulted in the generation of calcium sulphite as a waste product”.<sup>167</sup> The scrubbing process in the plant produces an acid sludge called calcium sulphite (CaSO<sub>3</sub>).

The emissions are larger today than in 2003-2004, but the “scrubbing process where lime is added to neutralise and capture the emissions” is also more and more effective.<sup>168</sup> Consequently, there has in effect been a pollution trade-off in place since 2004, between the gas SO<sub>2</sub> and the sludge CaSO<sub>3</sub>. The more effective Lonmin is in combatting its emissions of the acid sulphur dioxide in the air – which is accumulated in the environment where it did not exist before – the more calcium sulphide it produces on the ground.

In 2004, “emergency dams” were ready to receive the new waste. They were used until 2006.<sup>169</sup> After that most of the calcium sulphite has gone to landfill. It comprises more than half of such waste disposal.<sup>170</sup> Is this substance harmful? The answer appears clearly in the case study attached to the 2012 SDR.

The new calcium sulphite problem has built up around the Lonmin operations for a decade, as a consequence of the company trying to handle the sulphur dioxide problem. The case study says:

“The two emergency dams were constructed in 2003/2004 to store CaSO<sub>3</sub> sludge emanating from the smelter’s scrubber system. The last of this sludge was deposited into these dams in 2006, after which we began sending it to a hazardous waste disposal facility for disposal.

During the operational period, the two dams were joined to form one large dam (residue stockpile). The dams consisted of waste mine rock and soil embankment walls, while the bottom was lined with a high-density polyethylene (HDPE) liner. Over time, the integrity of the liner was compromised and the dams began to leak. This resulted in groundwater, surface water and soil contamination. Furthermore, the dry surface of the dams resulted in windblown CaSO<sub>3</sub> dust affecting the surrounding environment. Incidents of vandalism to the pumping system, fencing and electrical installation also took place, including theft of parts of the dam’s liner, compromising its integrity further.

- **Groundwater:** groundwater monitoring results indicated very high sulphate levels in the boreholes around the dams, suggesting contamination, mainly of the shallow weathered rock aquifer, as a result of seepage from the leaking dams.
- **Surface water and soil:** there was visible seepage of contaminated water from the dams along the toe of the dams, particularly along the eastern and southern sides. Fortunately, the rate of surface seepage was slow allowing evaporation to occur with only the remaining salts resulting in contamination of surface soils. The soil was removed and placed under the capping system to contain residual contamination. The nearest water course is approximately 2,8km away with extensive infrastructure obstructing any potential water flow in that direction.
- **Dust:** the surface of the dams dried out in winter and resulted in windblown dust from the surface onto the surrounding areas during the windy months of August and September.”<sup>171</sup>

As for now, Lonmin has a “temporary remediation” for this multifaceted problem, which is of its own making. The solution is temporary, because “the preferred long-term option is to re-work and convert the estimated 100,000 tonnes of stored CaSO<sub>3</sub> into gypsum for use in the production of cement and other building products”. And this ends: “However, the technical and economic viability of this option

still has to be confirmed.”<sup>172</sup> In other words, Lonmin’s obligations to meet minimum safety, social and environmental regulations are secondary to Lonmin’s financial considerations.

We will see if there is any profitable solution to the problem announced in the 2013 SDR. There is no irony in such a statement. This is how “economic viability” is understood and achieved within the corporate paradigm.

# 5

## Conclusions and Recommendations

As the Bench Marks Foundation, we undertook this study of Lonmin not because we wanted to look at Lonmin as such. We undertook it because we needed to understand what is happening in mining in South Africa. Understanding what is happening with one mining house helps us to gain a better understanding of mining in South Africa as a whole. It also helps all of us – the NGO sector as part of civil society, the mining houses themselves, government, the affected communities, the labour unions, workers, as well as the asset managers around the world who give advice regarding investments – to have a better understanding of the world of mining. It should also help to ensure that better decisions can be made in future by all the sectors which touch the world of mining.

Because Lonmin has stated that it is one of the better companies, has won many awards, has complied with government regulations and is externally audited, it was an easy choice to use it as a kind of benchmark for what is happening in the wider mining community.

However we wish to note the fact that Lonmin as a company is providing jobs, some housing and other services, such as for example some health care, to many workers and people in South Africa, as well as creating wealth within the country by paying taxes. This study does not diminish that fact. We also take note that it was possible to do this study on Lonmin because of its more localised reporting which should serve as an example for other mining companies.

### 5.1 Conclusions

“Sustainability” loses all meaning when the corporation does as it pleases and there are no consequences. We have seen Lonmin make promises, then confess that it has been unable to fulfil its promises, commit itself to deal with transgressions and improve, and then carry on without making any significant progress or even regressing. For this behaviour it has faced no sanctions.

Despite all its promises, Lonmin has failed to seriously address the housing crisis of its employees. It has built very few houses and managed to transfer even fewer to mineworker ownership. Its hostel conversion programme is significantly behind schedule, with only just over half of its hostels “converted” during the whole period. Furthermore, and importantly, the hostel conversion process is intrinsically unsustainable. Whilst it may provide better accommodation for a few, it also has the effect of further expanding the already untenable informal settlements.

Over this 10 year period, Lonmin has also made little or no progress in its environmental impact. Its sulphur dioxide emissions show a constantly increasing discharge into the atmosphere, with government increasing quotas for sulphur dioxide emissions every few years to accommodate it.

Eventually emissions started to decrease in 2011 and 2012, but at the expense of ground pollution. The creation of a poisonous sludge that is polluting the ground water is the trade-off for reduced air pollution. In addition, dust emissions continue to exceed statutory limits, apparently without attracting any sanction.

What we as the Bench Marks Foundation find in practice is a company intent on extracting minerals at the cost of communities' health and welfare, with serious social problems the consequence of its lack of social responsibility.

## 5.2 Recommendations

Lonmin asserts that it is "best in class" and has been publicly recognised as an industry leader in the social development field. It is our view, therefore, that if Lonmin is committing offences and failing to honour its commitments, it is likely that many other companies are doing so too. For that reason, we do not limit our recommendations to Lonmin itself. We believe that this report provides sufficient evidence for action to be taken on the industry as a whole.

### 5.2.1 Contract workers

Reporting in the industry on employment of contract workers is unreliable and inaccurate. In our view, there will be no sustainable mining industry in South Africa without a sustainable human resource strategy. It is impossible to develop that strategy without accurate information.

#### **Recommendation 1**

DMR must enforce accurate reporting on employment of contract workers in the industry by putting in place a well-resourced monitoring and auditing system and punishing inaccurate reporting. The use of extremely low paid contract workers in regular production must be abandoned by the industry.

### 5.2.2 Failure to comply with the Mining Charter

Lonmin is, by its own admission and on the basis of its own documentation, clearly violating its commitments in the Mining Charter<sup>173</sup>. The September 2010 amendments to the Charter<sup>174</sup> contain a number of requirements:

1. Clause 2.7 requires companies to: "implement measures to improve the standards of housing and living conditions for mineworkers...". All of the evidence of the company's reports points to an abject failure to achieve any meaningful improvement. As far as we could find with the records available to us, as a company it has not built a single house since 1999.
2. Clause 2.8 requires companies to: "Implement environmental management systems that focus on continuous improvement to review, prevent, mitigate adverse environmental impact". Lonmin's dust emissions show no sign of improvement. Its performance in 2012 is far worse, according to its own report, than in 2008 and 2009. Its sulphur dioxide emissions in 2012 are still more than double those of 2004 or 2005.

3. Clause 2.8 goes on to require companies to: ““Provide for the save [sic] storage and disposal of residual waste and process residues”. Far from doing this, Lonmin reports creating a new environmental hazard with its storage and disposal of calcium sulphite, which is leaking into the ground and affecting water supplies.
4. Clause 3, on non-compliance, specifically points to Clause 47 of the Mineral and Petroleum Resources Development Act<sup>175</sup> (MPRDA) which empowers the Minister to: “cancel or suspend any....mining right, mining permit or retention permit”. This power can be exercised if the holder of the permit:
  - “(b) breaches any material term or condition of such right, permit or permission;
  - (c) is contravening the approved environmental management programme”<sup>176</sup>

### **Recommendation 2**

The Department of Mineral Resources must use the powers it has from the Mining Charter and the MPRDA to enforce the provisions of the Mining Charter regarding environmental protection and housing. This should include:

- 2.1 A clear, rapid, enforceable process to provide decent, affordable housing to all workers in the industry.
- 2.2 Implementation of clear, measurable, common standards for environmental measurement and protection across the industry.
- 2.3 Allocation of sufficient resources, including human resources, to ensure effective oversight.
- 2.4 Enforcement of an immediate clean-up, at the companies’ expense, of all environmental damage.

Further research must be done to answer the question why the authorities don’t enforce the Charter and the MPRDA regulations.

### **5.2.3 Failure to comply with the Codes of Good Practice for the Minerals Industry**

Our analysis of Lonmin’s SDRs indicates very significant doubt about their social development spending. The SDRs are unable to substantiate much of their spending as having actually gone to social spending. The 2009 Codes of Good Practice<sup>177</sup> also place obligations on companies:

1. Clause 2.6 requires companies to spend 1% of net profit after tax on socio-economic development, specified as “mine community and rural development”.
2. Clause 4.1.5 on non-compliance clarifies that breach of the Codes is also a section 47 offence which empowers the minister to withdraw a licence.



### **Recommendation 3**

The DMR must:

- 3.1 Immediately audit the 1% declarations of companies in the industry and prosecute offenders.
- 3.2 Reinforce its auditing procedures for compliance with the 1% spending to prevent evasion in the future.

#### **5.2.4 False reporting**

The MPRDA also says that a person is guilty of an offence if he or she:

“(d) submits inaccurate, incorrect or misleading information in connection with any matter required to be submitted under this Act”<sup>177</sup>

Section 99 of the MPRDA then details the fines and incarceration that await transgressors. It is our view that our analysis of Lonmin’s Social Development Reports provides at least prima facie evidence that Lonmin has indeed submitted information that is inaccurate, incorrect and misleading. We believe that it is unlikely that the company is simultaneously publishing SDRs which say one thing whilst providing the DMR with completely different information. A company which did that would really be guilty of the most cynical behaviour.

### **Recommendation 4**

The DMR must:

- 4.1 Immediately audit the SDRs of all major mining companies, compare the results with reports submitted to the DMR itself and prosecute offenders.
- 4.2 Institute auditing of companies’ SDRs as a standard part of monitoring the quality of reporting it receives.
- 4.3 Require that companies incorporate worker incomes into sustainability reporting as is the case in the Northern hemisphere.

## **5.3 A final word**

Companies which inflict damage on a society and the environment represent a danger. This is a critical issue which any state must confront. For larger companies, state regulation may not be enough. If a large company consistently fails to comply with laws, the risk to society and the natural environment can be too great and nationalisation becomes an immediate option. These failures are evident in the South African mining industry. This hard reality, together with the programmatic heritage from the liberation struggle, is perhaps also why it is so hard to silence the call for nationalisation of the mines.

To lead a socially, environmentally and politically unsustainable industrial project – a project that on many levels must reach a breaking point – is to accumulate pollution, sickness and anger among the many, in the project and in its surroundings. This happens through many small and large transgressions. There are no excuses. There are only culprits and victims; there is only the arrogance of power, with community members and workers suffering the consequences.

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# Endnotes

- 1 Lonmin, 2009 Sustainable Development Report (SDR), page 52. In 2003, 28 people worked at Lonmin's head office in London and 25,992 in its "South African operations" (Lonmin, CAR 2003, page 6).
- 2 Response to Bench Marks Foundation in the form of a letter to John Capel dated 2012-11-29 by Natascha Viljoen, Executive Vice President of Process Division Sustainability, dated 2012-11-29, available on the Lonmin website [www.lonmin.com](http://www.lonmin.com), page 1. URL: [http://www.lonminmarikanainfo.com/pdfs/downloads/bench\\_marks\\_foundation\\_29112012.pdf](http://www.lonminmarikanainfo.com/pdfs/downloads/bench_marks_foundation_29112012.pdf).
- 3 Public Eye "naming and shaming" awards are made annually as "a critical counterpoint to the annual meeting of the World Economic Forum". URL <http://www.publiceye.ch/en/vote/lonmin/>
- 4 Lonmin, 9 January 2013: "Lonmin Response to Public Eye Nomination". Press statement available at URL: [www.lonmin.com](http://www.lonmin.com) (2013-05-01).
- 5 For the 12 workers killed at AAP in 2011, see the company's 2011 SDR, page 1. The year before, 2010, 8 were killed at AAP, which "amounted to a significant step forward in security" (AAP, 2010 SDR, page 3). In 2012, the number was 7 (AAP, 2012 SDR, page 31). For Impala: 12 workers were killed at work in 2012 (Impala, 2012 SDR, page 29); the 7 fatalities at Impala in 2011 represented a "best ever performance" (Impala, 2011 SDR, page 48). For Lonmin: the 2010 SDR, page 96 and Lonmin, 2011 SDR, page 3. On page 18 the Lonmin reporter adds: "Most of the fatal injuries in our operations this year [2011] were of contractors". It follows, typically, a report about a planned improvement: "In an effort to address safe behaviour among our contractors we have developed a contractor management framework, the main focus of which is safety." As for 2012, 2 workers were killed "at work" at Lonmin (2012 SDR, page 3). Lonmin's responsibility for the Marikana massacre and events before and after 16 August – causing 46 deaths according to Lonmin – is being investigated by the Farlam Commission.
- 6 Lonmin, 2008 SDR, page 1. CEO Ian Farmer. It is not clear here what it means to be both "winner" and "runner up".
- 7 Arne Trankell, 1972: *Reliability of Evidence: Methods for Analyzing and Assessing Witness Statements* (Stockholm: Beckmans).
- 8 Michel Foucault, 1980: *Power/Knowledge: Selected Interviews and Other Writings by Michel Foucault*, Colin Gordon (ed.) (New York: Pantheon Books).
- 9 This distinguishes this report from the Bench Marks report of August 2012 which was based on local observations.
- 10 Gavin Caps (2012), "Victim of its own success? The platinum mining industry and the apartheid mineral property system in South Africa's political transition", *Review of African Political Economy*, 39:131, 63-84. (URL: <http://dx.doi.org/10.1080/03056244.2012.659006> (2013-05-01).
- 11 Stats SA "Detailed GVA Report 2011", available on request at StatsSA.
- 12 15 January 2013 press statement by AAP.
- 13 AAP, 30 June 2012 report pointed to Khomanani and Khuseleka as the two most productive mines. In an interview with *Miningmx.com* in June 2012, retiring CEO Neville Nicolau said that these two mines, together with the Thembelani mine, were high cost in the short run because of on-going investments. But they would be back to normal operating margins within 9-18 months. "We're not making as much profit as we would like to, but our business is actually in very good condition." URL: [http://www.miningmx.com/page/news/platinum\\_group\\_metals/1342650-Nicolau-felt-Amplatshad-already-cut-back#.UaW-Xb-ChVh](http://www.miningmx.com/page/news/platinum_group_metals/1342650-Nicolau-felt-Amplatshad-already-cut-back#.UaW-Xb-ChVh) (2013-06-17). See also Loni Prinsloo, July 28 2013: "Anglo's new boss in drive for lean, mean machine": Anglo American owns 80 percent of the shares in AAP. It is AAP's mother company. It aims to increase its Return on Equity from 11 to 15 percent according to the new CEO.
- 14 Gavin Caps (2012:), page 82, footnote 11.
- 15 AAP's 2012 Annual Report and June 2012 Interim Report, available on the AAP website.
- 16 Lisa Steyn (24-30 August, 2012), "The fall and fall of Lonmin", *Mail and Guardian: Business*, page 4.
- 17 Paul Whitburn (2012) "The goose that laid the platinum egg", *RE:VIEW Vol. 20*, page 15f.
- 18 IMF (July 2012), Article 4 Country Report on South Africa, No 12/247, page 27.
- 19 "[T]he inflation-adjusted cash flow return on operating assets, CFROI", which they regard as the real return on capital.
- 20 David Holland and Brian Kantor (8 May 2013), "Platinum mining in SA: Anchored in the False Bay" URL: <http://www.zaeconomist.com/sa-economy/platinum-mining-in-sa-anchored-in-the-false-bay/> (2013-06-17). After nationalisation, Holland and Kantor fear that "tax payers" at times will have to subsidise such a "failed industry". The underlining assumption is that retrenchments don't inflict costs on society and to "tax payers".
- 21 Department of Minerals Resources (DMR): Public Labour statistics for 4th quarter 2012.

- 22 “Equity” means the capital that is held by owners, in the form of shares in the company.
- 23 Lisa Steyn (24-30/8, 2012), Mail and Guardian - Business.
- 24 The term used by AAP in its Sustainable Development Reports is “own employees”. The Dept. of Minerals and Energy uses the term “established employees” in its employment statistics.
- 25 AAP’s Sustainable Development Reports 2001-2012. For 2001-2007, the AAP contract workers are divided into “Outsourced”, “Volume contractors”, “Direct contractors” and “Labour hire”.
- 26 “It is often assumed that mechanisation cuts labour costs and increases productivity. But this week [July 2012] Lonmin, the world’s third-largest platinum producer, said it would revert to conventional mining methods because mechanisation introduced in 2004 had failed to improve productivity.” URL <http://mg.co.za/article/2012-07-12-will-platinum-pull-through> (2013-04-21)
- 27 AAP SDRs 2002-2012 compiled on worksheet by the author.
- 28 Data from 2002 onwards is available in the corporate responsibility reports from 2003, and at times also displayed in a table “Key Performance Indicators” that goes some 5 years back. “Contract employees” include all types of contracted labour, including labour brokers (Lonmin, 2009 SDR, page 47, clarifies this).
- 29 See for example the article “Mining crisis deeper than Marikana” in Mail and Guardian (28 Sep 2012), URL <http://mg.co.za/article/2012-09-28-00-mining-crisis-deeper-than-marikana> (2013-04-21).
- 30 Lonmin, 2009 SDR, page 1. The accounting year at Lonmin runs from 1 October to 30 September.
- 31 Lonmin, 2009 SDR, page 52. The “net” is the sum of new recruits minus retrenchments, retirement, deaths classified as unrelated to employment and resignations.
- 32 Lonmin, 2009 SDR, page 83f: “Key Performance Indicators”. The information about contract worker under reporting before 2009 is given in a foot note on page 84.
- 33 Telephone Interview with Martin Kohler, who is the Deputy Head of DMR statistics (2013-04-25).
- 34 Source: DMR, “Public Labour” Excel worksheets, which are available on request. The so called STR (“Severance, Termination and Retirement”) payments reported by DMR have here been excluded from the wage level of established employees, for obvious reasons. Such payments as a rule don’t accrue to contracted workers (as confirmed in interview with Martin Kohler, DMR, 2013-04-25).
- 35 The Lonmin SDRs make a distinction between “employees” and “contractors” throughout.
- 36 See footnote 33.
- 37 This excludes Severance, Termination and Retrenchment payments. However, the DMR statistics for “earnings” include bonus payments and overtime (as pointed out in the Quarterly Employment Statistics from StatsSA, which uses the DMR data for its mining statistics).
- 38 Half of the workforce earns the median wage or less and half earns more. It is the “typical wage” in the middle. Stats SA reports that the average monthly wage for the whole mining sector was R8,283 in 2011 and the median wage R5,800. This data also includes informal employment. The QLFS is the household survey. This is the survey used for official employment reporting. QLFS wage data for 2011 are available on request. The Stats SA publication “Monthly Earnings of South Africans 2010” gives an account for 2010.
- 39 For this and other data in this paragraph: DMR Excel sheets required on request and named “Public Labour”, 2005-2012 (the account for 2012 is preliminary).
- 40 Nir Klein (2012) “Real Wage, Labour Productivity, and Employment Trends in South Africa: A Closer Look”, IMF Working Paper WP/12/92, International Monetary Fund.
- 41 The above mentioned caution applies here: the contract worker statistics from Lonmin are uncertain, especially for wages, and the 2009 SDR (page 84) tells us that the number of contract workers was underreported before 2009 in the SDRs. This implies that the denominator – the bottom number in a division or fraction – should be higher in 2008 and before. The error tends to exaggerate the average wage for all employees, but we have no means to correct the numbers. Secondly, the jump in the wage bill reported, visible in the DMR statistics between 2006 and 2007 (Figure 3), seems to appear also in this diagram (Figure 4). Thirdly, we have a total remuneration sum in the SDRs, plus numbers of permanent and contract workers. We do not have the number of worked hours per worker, nor any division of workers between full-time and part-time (or overtime worked). Lonmin, 2003 CAR, page 25: “Wages and salaries, housing benefits, health care” and surprisingly “education, training and development” are included in the entry “Cash distributed to employees”. The SDR 2009 (page 96) states, however, that training is not included in the entry (now it is called “Human Capital Expenditure”). A footnote in the 2003 CAR states that wages and salaries include “pension fund, incentive bonuses, employment taxes and security benefits”. We conclude therefore that the reported wage sums in the so called “value added statements” are reported before personal income tax deduction, even if in some SDRs they are identified as “net”.



- 42 14 September 2012, URL: <https://www.lonmin.com/downloads/home/LONMINFACTSHEET14092012.pdf> for the fact sheet.
- 43 For the purpose of simplification, we can say that Total Value Added to the economy during a year is equal to GDP. See Table 5, 6 and 7 in the quarterly GDP reports published by Stats SA (URL: [www.statssa.gov.za](http://www.statssa.gov.za) ).
- 44 StatsSA, Detailed GVA statistics 2011
- 45 Dick Forslund (2013), “Mass unemployment and the low wage regime in South Africa”, in Daniel, Naidoo, Southall and Pillay (Ed.), New South African Review, No. 3 (Johannesburg: Wits University Press), page 97f.
- 46 Labour Research Services (LRS) database accessed 2013-04-22. URL:<http://www.lrs.org.za/mnc/reports/repcomp/?rep=4&id=60>. There were 9 directors at Lonmin in 2007 according to the 2007 SDR
- 47 Ibid Lonmin publishes the exchange rates they use in most of the SDRs. In this case R8.05 to the USD in 2012 and R7.45 in 2010. The Rand values differ slightly from the values given by LRS, when using the Lonmin exchange rates.
- 48 Michelle Taal, Saliem Patel and Trenton Elsley (2012), “A Mineworker’s Wage: The only argument against the R12 500 is greed”, Amandla! , No 28, 2012.
- 49 Lonmin, SDRs 2004-2012, Value Added Statements
- 50 When Lonmin reports this in Rand in the Annual Reports, the exchange rate at the day of payment is used.
- 51 On this point there is an error in the Fact Sheet from 2012-09-14: Numbers are attributed to the wrong years.
- 52 Lisa Steyn, 7 Sept 2012: “Lonmin running on empty”, Mail and Guardian – Business, URL: <http://mg.co.za/article/2012-09-07-00-lonmin-running-on-empty> (2013-04-21): “ ‘In the past three years the government has not received tax and shareholders have not received dividends,” an analyst said, who did not want to be named.’
- 53 Lonmin, SDR 2012, page 18: “Mining companies in particular are required” to do so “in line with the Mining Charter”.
- 54 Lonmin, SDR 2007, page 28.
- 55 Lonmin, SDR 2005, page 13.
- 56 Lonmin, SDR 2007, page 2.
- 57 Lonmin, SDR 2004, page 4.
- 58 Lonmin’s Sustainable Development Reports (SDR) from 2003 to 2012. In 2003 (and 2002, when this type of report first appears), the report is called Corporate Accountability Report and this entry in the VAS is called “Corporate Social Investment (CSI)”.
- 59 For example, in 2006 there were 9 Directors; in 2011 there were 11 for part of the year, with one retiring during the year.
- 60 The GLC has a population of close to 85 000 people, reports Lonmin, SDR 2012, page 18.
- 61 An email on this issue was sent to Lonmin’s head office in the middle of June, but we have so far not received a reply (2013-09-14).
- 62 Lonmin, SDR 2012: page 18.
- 63 Ibid., page 19. This difference appears to be addressed also on page 18: “In addition to the investment in the SLP community projects, the Company has also invested in additional community projects that are not covered in the current SLP commitments. These projects address some immediate community needs.”
- 64 Lonmin, 9 January 2013: “Lonmin Response to Public Eye Nomination”. Press statement available at URL: [www.lonmin.com](http://www.lonmin.com) (2013-05-01).
- 65 The approximately R176m are also depicted year by year 2008-2012 in a diagram in the 2012 SDR, page 19.
- 66 Lonmin, SDR 2007, page 28.
- 67 Lonmin (2010), Appendix 4 on page 96f in the 2010 SDR named “Key Sustainability Performance Statistics”; separate sheet available at [www.lonmin.com](http://www.lonmin.com) (2013-04-14).
- 68 Lonmin – Fact Sheet (14 Sept 2012), summarising the 2011 SDR ((URL: <https://www.lonmin.com/downloads/home/LONMINFACTSHEET14092012.pdf> (2012-08-02).
- 69 Lonmin, SDR 2006, page 13.
- 70 Lonmin, SDR 2006, page 22.
- 71 The average exchange rate is R6.63 per USD in Lonmin’s 2006 financial year, which runs from 1 October to 30 September.
- 72 Lonmin, SDR 2007, page 1.
- 73 Lonmin, SDR 2007, page 24

- 74 About eighty percent of the mining companies pay no corporate income tax. They declare zero taxable result or losses from a taxation point of view. See The National Treasury's and SA Revenue Service's 2012 Tax Statistics. For illicit capital flight, avoiding both taxation and higher wages, see: Ashman S, B Fine and S Newman, 2011: "Amnesty International? The nature, scale and impact of capital flight from South Africa".
- 75 Lonmin, CAR 2003, page 49.
- 76 Lonmin, SDR 2004, page 5.
- 77 Lonmin, SDR 2004, page 22.
- 78 Lonmin, 29 November 2012: Open letter to Bench Marks Foundation, page 5.
- 79 Lonmin, SDR 2005, page 13.
- 80 Lonmin, SDR 2006, page 21.
- 81 Lonmin, SDR 2007, page 3.
- 82 Lonmin, SDR 2008, page 13.
- 83 Lonmin, SDR 2009, page 24.
- 84 Lonmin, SDR 2010, page 5. This withdrawal can also occur due to failure to deliver on commitments on "training of employees and empowering of communities", says the reporter.
- 85 Lonmin, SDR 2011, page 27 for this quote and the indented quote above.
- 86 Ibid, page 27
- 87 Lonmin's 29 November 2012 Open Letter in response to the August 2012 Bench Marks report, page 2.
- 88 Lonmin, SDR 2012, page 11.
- 89 Lonmin, SDR 2011, page 27
- 90 The quote is from "Lonmin – Fact Sheet" (14 Sept 2012), summarising the 2011 SDR, (URL: <https://www.lonmin.com/downloads/home/LONMINFACTSHEET14092012.pdf> (2013-06-02)). In Lonmin, 29 Nov 2012, Open letter to Bench Marks' John Capel, page 5, the number of hostels is not stated.
- 91 Lonmin, 2012 SDR, page 12.
- 92 Lonmin, CAR 2003, page 48 (These reports change name in 2004 Corporate Accountability Report (CAR) to Sustainable Development Report (SDR). The reporter says that Lonmin "owns" the 1,149 houses, but also that it has "donated" them to the municipality.
- 93 Lonmin – Fact Sheet (14 Sept 2012), page 3.
- 94 Lonmin, SDR 2008, page 65
- 95 Ibid.
- 96 Lonmin, SDR 2012, page 12.
- 97 Lonmin, SDR 2008, page 65.
- 98 Lonmin, SDR 2004, page 22.
- 99 Lonmin, SDR 2007, page 17.
- 100 Lonmin, CAR 2003, page 34.
- 101 Lonmin, CAR 2003, page 50.
- 102 Lonmin, SDR 2004, page 2.
- 103 Lonmin, SDR 2005, page 13.
- 104 Lonmin, SDR 2006, page 21.
- 105 Lonmin, SDR 2007, page 13
- 106 Lonmin, SDR 2008, page 13.
- 107 Lonmin, SDR 2009, page 1.
- 108 Lonmin, SDR 2010, page 5.
- 109 Lonmin, SDR 2011, page 7.
- 110 Lonmin, SDR 2011, page 3.
- 111 Lonmin, SDR 2012, page 12.



- 112 Lonmin, SDR 2012, page 11.
- 113 Lonmin, SDR 2012, page 11.
- 114 Lonmin, Annual Report 2012, page 30.
- 115 Ibid.
- 116 Lonmin, SDR 2012, page 12.
- 117 Lonmin, SDR 2010, page 38. Lonmin, SDR 2009, page 55. Lonmin, SDR 2008, page 13.
- 118 Lonmin, Annual Report and Accounts 1999, page 10.
- 119 Lonmin, Corporate Accountability Report (CAR), page 48.
- 120 Lonmin, SDR 2010, page 7.
- 121 Lonmin, 2011 SDR, page 3.
- 122 Telephone interview with David van Wyk, 2013-08-24 and with Anonymous 1 2013-08-25 for this and next paragraph.
- 123 Assuming that Lonmin started out with 128 hostels in 2003, but see the preceding discussion.
- 124 Lonmin, 2008 SDR, page 64.
- 125 Telephone interview 2013-08-25 with Anonymous 2. This source also remains anonymous in this report. .
- 126 Lonmin, SDR 2003-2012, the "Key Indicator" reports.
- 127 Lonmin, SDR 2004, page 2.
- 128 Lonmin, SDR 2004, page 25.
- 129 Lonmin, SDR 2004, page 24.
- 130 Lonmin, SDR 2006, page 28.
- 131 Lonmin, SDR 2006, page 9. The average for the "communication indicators" alone are  $15/7=2.14$  in 2004.
- 132 Lonmin, SDR 2007, page 32.
- 133 Lonmin, 2008 SDR, page 86.
- 134 Lonmin, 2005 SDR, page 10. The computation of  $7 \times 14 = 98$  points maximum from the 2004 table. If we compare this with a total score of 36 that year, we get  $36/98 = 36\%$ . But if the "score" in 2004 has been revised for some reason to 27.7% , as stated in the 2005 SDR, this fits quite well with a score of 1.95 ( $1.95/7=0.278$ ). In that case 45.8% means an average score of 3.2 and 48% means an average score of 3.4, i.e. "not acceptable".
- 135 The 2005 SDR refers the reader to a detailed report, which we haven't been able to read because this link to a 2005 Community Satisfaction Survey is not active: [http://www.lonmin.com/Portals/1/Uploads/Sustainable/Community\\_Satisfaction\\_Survey\\_2005.pdf](http://www.lonmin.com/Portals/1/Uploads/Sustainable/Community_Satisfaction_Survey_2005.pdf) (2013-04-28)
- 136 Again: the surveys started in 2004.
- 137 In the 2011 SDR, perception is used, but when contemplating how the SDR itself will be perceived by stakeholders who read it, and how this has influenced how the SDR has been done. Lonmin, SDR 2011, page 10.
- 138 Lonmin, SDR 2004, page 3.
- 139 According to Wikipedia: "Copywriting is the act of **writing copy** (text) for the purpose of advertising or marketing a product, business, person, opinion or idea."
- 140 Lonmin, SDR 2004, page 4
- 141 Lonmin, CAR 2003, page 60.
- 142 Lonmin, 2005 SDR, page 29.
- 143 Telephone interview with Chris Loans at DustWatch, 2013-04-17.
- 144 M A Oosthuizen (Feb 2011), "FINAL DRAFT Human Health Risk Assessment for the Proposed KwaDukuza Hazardous Waste Landfill Site at KwaZulu-Natal", Document Reference Number: GWDMS 69841, (Pretoria: CSIR, Natural Resources and the Environment), page 35.
- 145 Lonmin, 2007 SDR, page 21.
- 146 Lonmin, SDR 2008, page 75.
- 147 Lonmin, SDR 2010, page 52.
- 148 Lonmin, SDR 2011, page 46.

- 149 Ibid.
- 150 Lonmin, SDR 2012; appendix “Addressing Air Quality” published on the website (URL: <http://sd-report.lonmin.com/2012/people-planet-profit/planet/addressing-air-quality> (2013-04-28).
- 151 Telephone interview with air pollution consultant Chris Loans at DustWatch, 2013-04-17.
- 152 Quotes, data and facsimile from The Government’s National Gazette, 27 May 2011, Notice 309 of 2011.
- 153 Lonmin, CAR 2003, page 60 (our emphasis).
- 154 Lonmin, CAR 2003, page 60.
- 155 Lonmin, SDR 2004, page 19 (stack emissions are reported here as an average 41.4 tons per day during 2003, i.e. 9 times higher than the 4.8 tons per day permit (mentioned in the CAR 2003, page 60); see also: SDR 2005, page 29.
- 156 Lonmin, SDR 2005, page 26. The “more than 3.5 tonnes per day” from the smelter stack obviously refers to “emissions” in the air in general: SO<sub>2</sub> and additional pollution.
- 157 Lonmin, SDR 2005, page 29.
- 158 Lonmin, SDR 2006, page 28.
- 159 Lonmin, SDR 2008, page 71.
- 160 Lonmin, SDR 2004, page 4.
- 161 Lonmin, SDR 2008, page 75.
- 162 Lonmin, SDR 2010, page 5.
- 163 Lonmin’s 29 November 2012, open letter to Bench Marks Foundation, page 1.
- 164 Lonmin, 2011 SDR, page 46. (Our emphasis).
- 165 As this report is going to print, a power point presentation on Lonmin’s website – “Lonmin Sustainability Key Initiatives” dated 1 July 2013 – is again reporting an increased average of 10.2 tonnes SO<sub>2</sub> per day for the first 5 months of 2013 as well as for 8 months since Oct 2012.
- 166 Lonmin, SDR 2012: “Addressing Air Quality”.
- 167 Lonmin, SDR 2010, page 50.
- 168 Lonmin, 2012 SDR: “Temporary remediation of calcium sulphite dams”, case study electronically published on URL: <http://sd-report.lonmin.com/2012/people-planet-profit/case-studies/caso3-dams> (2013-04-28).
- 169 Ibid.
- 170 Lonmin, SDR 2010, page 57.
- 171 Lonmin, 2012 SDR: “Temporary remediation of calcium sulphite dams”.
- 172 Ibid.
- 173 Broad-based Socio-economic empowerment charter for the South African Mining Industry, Government Gazette, 13 August 2004
- 174 Amendment of the Broad-based Socio-economic empowerment chapter for the South African Mining and Minerals Industry; September 2010, Department of Mineral Resources. Accessed 4th October 2013 at <http://www.dmr.gov.za/mining-charter.html>. Clause 2.8
- 175 Mineral and Petroleum Resources Development Act 28 of 2002, Republic of South Africa
- 176 Ibid, Clause 47
- 177 Codes of Good Practice for the South African Minerals Industry, Government Gazette, 29 April, 2009
- 178 MPRDA, Clause 47(1)(d)



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