



**Media Statement by Bench Marks Foundation**  
**Study claims Lonmin not contributing enough to**  
**“social capital”**

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**15 October 2013**

**For immediate release**

Sustainability loses all meaning when a corporation does as it pleases and there are no consequences, says well-known corporate social responsibility monitoring NGO, the Bench Marks Foundation at the launch of its latest research report.

The report, Policy Gap 7: Coping with Unsustainability, highlights information gleaned from Lonmin Plc’s Corporate Sustainable Development Reports (SDR) for the past 10 years, was released during the organisation’s conference on mining held in Kempton Park from 14 to 15 October 2013.

“In August last year, we published our last report which reviewed platinum mining in the Bojanala District of the North West Province,” says John Capel, Executive Director for Bench Marks Foundation.

“Lonmin was one of the companies studied and responded to the critique with an open letter arguing that its Sustainable Development Reports provide a rebuttal of our report’s conclusions.

“We therefore decided to examine Lonmin’s reports from 2003 to 2012. The results were interesting to say the least.

“Although in its reports, the company says it is “best in class” in sustainability and has won awards for its environmental and socio-economic performance, we found that it is in actual fact running an unsustainable project”.

Capel says that if it is true that Lonmin performs better than most of its mining peers, which he says the organisation has no reason to question, its failure to live up to its own sustainability goals indicates that South African mining in general is not sustainable.

“Our research shows that 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 licence for failure to comply with laws and regulations.

“It seems 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 coming years.

“This disregard for the law is what we have found in Lonmin and other companies’ Sustainable Development Reports”.

Capel says that Lonmin's own reporting and data indicate that the company has, despite all its promises, failed to seriously address the housing crisis of its employees, made little or no progress in its environmental impact and is not contributing enough to "social capital".

The World Bank defines social capital as "...the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions."

It goes on to say that "increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together".

Capel says that the Lonmin reports show that the amount of social capital it contributed was less than the amount paid to its directors up to 2010. The directors have numbered between nine and twelve individuals. The community that is the target of the social capital comprises tens of thousands of individuals.

"Between 2003 and 2007, most of the social capital amount went to the Lonmin Community Trust Fund, which was closed down around 2007.

"We also found that between 2003 to 2012 about US\$847 million was paid out in dividends to Lonmin's shareholders. It included US\$31 million in 2012, when the Marikana Massacre occurred.

"Lonmin may not be 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!"

The report also shows that the company gave support to two RDP housing projects between 2003 and 2012, and although giving five year plans for its own housing projects, has only built 1,149 houses in 1999 but nothing has been built to completion since.

"The company's commitments under the Mining Charter have therefore not been met.

"Lonmin wants to sell houses to the employees, but they cannot or do not want to purchase them".

The report also shows that the company committed to eliminating the single sex hostels in 1999, and this was repeated in its 2004 SDR. In its 2006 report, it commits to converting all hostels to family or bachelor units by 2011. This commitment and obligation has not been met. It has been repeated in the 2012 SDR, to be met by 2014.

Lonmin has also failed to meet its own commitments environmentally.

"Its 2004 report commits the company to meet "air quality requirements", yet each of the SDRs contain admissions of exceeding the limits set by the permit, even when the measurement was changed to a measurement less onerous in 2005 and again in 2011.

"It has continuously exceeded both residential and industrial dust pollution limits," says Capel.

The report shows that the company has also continued to exceed permitted levels with regard to sulphur dioxide, even when the permitted limits were increased. In 2003 it emitted more than eight and a half times the limit of 4.8 tonnes per day. In 2004 and 2005 it was also over the limit.

In 2006 it was compliant because of another increase in the legal limit but then it was in breach of the new limits again for the next three years. Only when the limit was increased to 17.9 tonnes (more than 3 times the original limit) in 2011, was the company compliant again.

"Thankfully Lonmin managed to reduce its emissions in 2012, for the first time in six years, to just above the previous, lower limit of 8.3 tonnes.

“What is interesting to note is that Lonmin is already exceeding that limit this year. It is already emitting above 10 tonnes per day.

“We also see that they have had “unplanned discharges” into rivers each year. This is not permitted. We note that the SDRs report new measures implemented or planned to prevent this.

“Unfortunately the scrubbing plant they have used since 2004 to reduce the sulphur dioxide emissions, has captured SO<sub>2</sub> which has resulted in the generation of calcium sulphite as a waste product. This is now contaminating underground water that communities access through boreholes.

“The more effective Lonmin is in combating its sulphur dioxide emissions in the air, the more calcium sulphide the mining product produces on the ground.

“At least the company is looking at converting the sludge into gypsum for cement. This option however, is waiting for the company’s assessment as to its profitability”.

Capel says that 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 decision to use this company as a kind of benchmark for what is happening in the wider mining community.

“We note that although the company has failed to live up to its commitments, it does provide jobs, some housing and other services such as some health care to its workers.

“It also helps to create wealth within the country by paying taxes. The study done on the company does not diminish these facts.

“And we note that we were able to do the study because of its more localised reporting. This should serve as an example for other mining companies.

“Reports such as theirs and research such as the one we have done, helps us understand what is happening in mining in South Africa.

“Understanding what is happening with one mining house helps us – civil society, the mining houses themselves, government, affected communities, labour unions, workers and asset managers - gain a better understanding of mining in South Africa as a whole.

“It should also help to ensure that better decisions can be made in future by all sectors which touch the world of mining, thus eliminating severe, negative consequences, such as that which Lonmin experienced with the Marikana Massacre”.

To access the Bench Marks Foundation’s various research documents, including the latest document, “*Policy Gap 7: an in-depth study of Lonmin Plc from 2003 to 2013 - Coping with Unsustainability*” go to [www.bench-marks.org.za](http://www.bench-marks.org.za) or contact the organisation on 011 832 1743.

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### **Notes to editors:**

Bench Marks Foundation is an independent non-governmental organisation mandated by churches to monitor the practices of multi-national corporations to

- ensure they respect human rights;
- protect the environment;
- ensure that profit-making is not done at the expense of other interest groups; and
- ensure that those most negatively impacted upon are heard, protected and accommodated within the business plans of the corporations.

Archbishop Desmond Tutu launched the Foundation in 2001 and the Rt Rev Dr Jo Seoka chairs the organisation.

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