



Who's been in the news?

Our Sustainability Coverage Monitor tracks corporate sustainability reputations based on exposure in the mainstream media. WADIM SCHREINER presents the results for the third quarter of 2010.

It might seem surprising that the media had any time at all to focus on corporate sustainability-related issues over the third quarter of 2010. After all, the ANC's National General Council (NGC) conference hogged headlines; substantial media space was devoted to ongoing spats between ANC factions and alliance partners; and media exposés continued to highlight corruption, tender exploitation, failed service delivery and abuses of taxpayers' money.

But BEE and procurement are areas where unethical conduct and irresponsible behaviour by both government and the private sector often intersect. Both featured prominently in the media during the quarter, courtesy of irregular tender awards, the procurement activities of so-called 'tenderpreneurs', and cosy corporate BEE deals that rely more on political connections and patronage than on responsible transformation. The notion of a greedy, exploitative corporate sector also remains firmly entrenched in political rhetoric

(and hence in the media), particularly within sectors of our society championed by the likes of ANC Youth League president, Julius Malema.

It also became increasingly clear that parts of the corporate sector face a challenge to their sustainability given the nationalisation debate. While not adopted as ANC policy at the NGC conference, the party has been mandated to conduct further research on nationalisation prior to its next conference in 2012.

The media lens on reputation

These and a host of other issues that have relevance from a sustainability perspective are reported in our media on a daily basis. In this context, analysing the coverage and tone of corporate sustainability-related reportage in the media is a vital lens through which to assess corporate behaviour and its effects on corporate reputation.

Together with our media analysis partner, Media Tenor, Trialogue sets out

to assess the extent to which specific companies have received positive and negative media coverage on sustainability issues. The results are captured in our Sustainability Coverage Monitor (SCM), which analyses the coverage and tone of reportage on corporate sustainability issues. The SCM considers the volume of coverage, the spectrum of sustainability issues reported and the spread of media, as well as whether coverage was positive, negative or neutral.

A sophisticated financial sector

While issues with a political theme or undertone might have dominated media coverage during the quarter, significant corporate news with a sustainability-related bearing also made the headlines.

Nedbank grabbed attention for the announcement of its intended acquisition by HSBC, whose move provided a boost for the South African banking sector in the face of the global economic downturn. This showed belief in the maturity and responsibility of the South African banking sector, and although HSBC has since terminated the offer, this reportedly hands rival bank Standard Chartered the opportunity to bid for Nedbank, in which it has apparently expressed interest before.

The World Economic Forum's recently-released *Global Competitiveness Report* also underlined South Africa's position as a country with well-governed, responsible and sustainable financial institutions. The country ranked first for the regulation of the securities exchange, second for the efficacy of corporate boards, sixth in terms of the 'soundness of banks', and seventh for the availability of financial services. While the country as a whole might have slipped in the World Economic Forum's rankings, its financial sophistication, governance and responsibility are still well regarded.

fast FACT

In order to analyse the media, Trialogue partners with The Media Tenor Institute of Media Analysis. Media Tenor scrutinises the news, opinion and business sections of leading South African print, broadcast and online media to provide a range of media intelligence to the corporate sector. Media Tenor uses its research data to compile a Sustainability Coverage Monitor (SCM), the results of which are published in this review each quarter. The data used is based on Media Tenor's comprehensive day-by-day analysis of all relevant company-related articles appearing in 30 broad-based national daily and weekly newspapers and TV news broadcasts.

For more information on the methodology and categorisation of the SCM, please visit www.mediatenor.co.za or www.trialogue.co.za

Table 1
Top-5 SCM scores:
July-Sept 2010

1. First National Bank (FNB)
2. Nedbank
3. Dimension Data
4. MTN
5. Absa

Top-5 coverage in Q3 2010

Banks dominated sustainability-related media coverage during the third quarter, with First National Bank (FNB), Nedbank and Absa all featuring in the Top-5 of the SCM for the quarter (Table 1). FNB's CEO, Michael Jordaan, called for 'leadership' in government to kick-start the R846bn infrastructure spend in the wake of World Cup 2010, which gave the company considerable media exposure. Nedbank enjoyed the acquisition-related coverage described earlier. And Maria Ramos used the month of July and the fifth anniversary of Barclay's investment in Absa to highlight the benefits of the merger for consumers.

During the quarter, the proposed takeover of Dimension Data by Nippon Telegraph and Telephone Corporation (NTT) helped revive the profile and reputation of DiData. MTN also enjoyed media exposure due to its memorandum of understanding, signed with Intel, to collaborate in accelerating and broadening access to ICT (especially broadband) for ordinary African consumers. These and the Nedbank deal did much to boost merger, acquisition and commercial co-operation in this country. The deals also pointed to foreign confidence in the sustainable growth potential of our markets and faith in the governance and management of local corporations.

Top-10 coverage in 2010

Table 2 shows the ten companies with the highest SCM scores for the period January to September 2010, and the corresponding ten companies for the equivalent period in 2009. Banks and other financial services institutions dominated and are clearly regaining much of the space they lost during the global financial meltdown two years ago. FNB had the highest sustainability score for January to September 2010 (ninth for the same period in 2009), followed

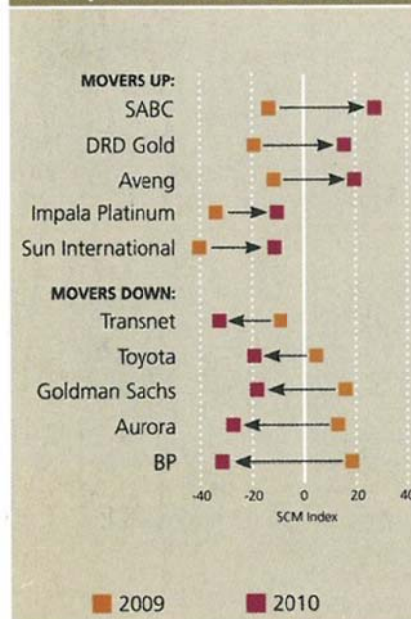
Table 2
Top-10 SCM scores:
Jan-Sept 2010 vs Jan-Sept 2009

Rank	2010 (Jan-Sept)	2009 (Jan-Sept)
1	FNB	MTN
2	Nedbank	SAB Miller
3	SABC	Standard Bank
4	Investec	Pick n Pay
5	MTN	Woolworths
6	Old Mutual	Absa
7	Sanlam	Nedbank
8	Shoprite	BAT
9	KPMG	FNB
10	Standard Chartered	Old Mutual

by Nedbank (seventh in 2009). Others in the financial sector with high scores included Investec, Old Mutual, Sanlam and Standard Chartered.

Perhaps surprisingly, the embattled SABC ranked third for the period, as the appointment of the new board brought some stability to the public broadcaster. But this is likely to be of short duration, considering recent renewed negative publicity surrounding the organisation.

Graph 1
Biggest movers:
Jan-Sept 2010 vs calendar 2009



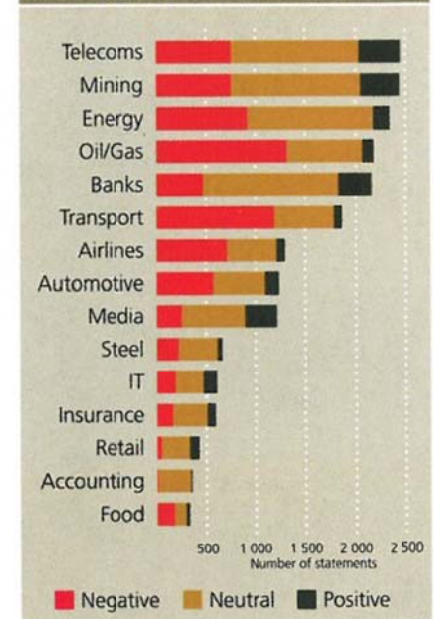
Retail companies also scored high on the SCM, with Shoprite at eighth, Truworths 12th and Woolworths 16th on the SCM for the first nine months of 2010. MTN also scored well, at fifth in the Top-10, but down from first for the equivalent period in 2009, and Cell C seems to have overcome the major challenges of previous years and was closing in on the Top-10.

Biggest movers

The SCM also provides early indication of reputational shifts by tracking time-based changes in company SCM scores from one period to the next. Graph 1 shows those five companies with the greatest improvement in their SCM score ('movers up') and those five with the largest deterioration in their SCM score ('movers down') for the period January to September 2010 relative to the 2009 calendar year.

Given its move into the Top-10 discussed in the previous section, the SABC was the biggest mover over the period. Mining companies DRD Gold and Impala Platinum, and construction and engineering group Aveng also all improved their scores significantly in 2010 when compared to the same period in 2009. Sun International enjoyed a considerable boost through World Cup-related coverage and also finds itself amongst the top-five 'movers up'.

Graph 2
Relative industry coverage:
Jan-Sept 2010



IN THE MEDIA

Three of the top five 'movers down' were international brands. BP continued to slide following its disastrous oil spill in the Gulf of Mexico, while Toyota and Goldman Sachs also lost considerable ground. Local companies that showed the greatest decline in score were Transnet and Aurora. Irresponsible governance and management at Aurora Empowerment Systems saw this mining company bear the brunt of poor media coverage based on a number of incidents at its Grootvlei mine – including failure to pay wages, a toxic acid mine-water drainage crisis, and the underground shooting of four illegal miners.

Top industry coverage in 2010

Graph 2 shows which industry sectors received the most sustainability-related media coverage for the first nine months of 2010, and the proportion of coverage that was positive, neutral and negative for each sector.

The telecommunications and mining sectors enjoyed the largest volumes of sustainability-related coverage. Other sectors with large volumes included energy, oil and gas, and transport. All these sectors experienced particularly high proportions of negative coverage, relative to positive and neutral commentary. The energy industry in particular (driven largely by Eskom), remains under intense media scrutiny, and ongoing pressure from NGOs with a green agenda are likely to ensure that this continues into 2011.

Overall, the graph shows that sustainability coverage in the media tends to be negatively skewed. With

the exception of the banking, retail and media sectors, all other sectors experienced larger proportions of negative sustainability-related coverage than they did positive media exposure.

Media Tenor's analysis over the past ten years shows that, prior to 2005, media placed considerable emphasis on the banking and IT industries, the latter seen as a significant potential driver of innovation for the country. But whereas coverage of the banking sector has continued apace, the IT industry has been relatively under-reported in the mainstream media in recent years, instead receiving coverage in the specialised media. Of late, only Apple and Didata have enjoyed meaningful sustainability-related coverage in the mainstream media, while other large brands such as Gijima, Intel, Microsoft and Siemens have received little coverage.

Looking ahead

Sustainability issues manifest themselves in the media in differing ways and based on changing themes and agendas, often driving actions by companies and creating opportunities for companies to showcase their commitment to a more sustainable business approach.

Media Tenor's analysis of the *Financial Times* after the World Cup has shown that international financial analysts have been considerably more optimistic about Africa as an investment destination than in previous months. This, together with the South African government's intensified relationships within the South-South economic zone (from South America to India and China) should prompt many

South African companies that are active in these markets to showcase their responsible overseas business practices, and to leverage their activities for greater traction in the local media. After all, much of the coverage in South African media is inwardly-focused, and many local companies' international operations currently go largely un-reported in the local media.

A number of sustainability-related initiatives by government in the coming months should also prompt corporate action and might occasion corporate exposure in the media. For example, government is in the process of drafting strategies on renewable energy, waste and a number of other environment-related issues; it is under pressure to clarify the role of Independent Power Producers; and the proposed National Health Insurance Scheme is likely to place greater media focus on the healthcare industry.

Furthermore, Media Tenor's ongoing analysis shows increasing coverage about the media industry itself – a welcome trend, since media are generally cautious to report about their own peers. Sustainability coverage of the media industry is surprisingly healthy, given the challenges facing the industry through declining advertising revenues and changing consumer patterns. Perhaps the optimism arises from attempts to position the industry as a vital contributor to the economy, in light of the proposed media gagging through the Protection of Information Bill and the Media Tribunal.

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