



## Who were 2010's BIGGEST sustainability newsmakers?

External stakeholder relations and HR management were hot corporate sustainability-related topics in 2010, and financial institutions dominated media coverage. WADIM SCHREINER of Media Tenor presents the Sustainability Coverage Monitor results for the year that was.

2010 was the year of Africa's first FIFA World Cup. What does an examination of media coverage reveal about the benefits for South Africa? Disappointingly, the positive focus, as well as the euphoria, was short-lived, particularly in the wake of the crippling public servant strikes. Tourism, of course, boomed during the tournament's duration, but the City of Cape Town reported lower than expected tourism figures for December, traditionally a peak period. Perhaps the briefly-elevated visibility provided by the event may have a more lasting impact on South Africa's attractiveness to foreign investors. First there was the HSBC's courting of Nedbank, which sent the industry aflutter, followed by the \$2.3 billion Wal-Mart/Massmart deal which could potentially create up to 500 000 new jobs. In both of these cases, the companies involved have had to grapple with key sustainability issues.

The HSBC's decision not to go through with the much-hyped deal came as a shock not only to the media, but also to the people involved; as HSBC gave no clear indication as to why it had killed the Nedbank deal, there was much speculation as to the reasons why it was not concluded. The Wal-Mart/Massmart merger on the other hand was (and still is being) challenged by trade union Saccawu which warned that its members would strike if necessary to force Wal-Mart to respect labour and protect jobs; the union has subsequently formed an

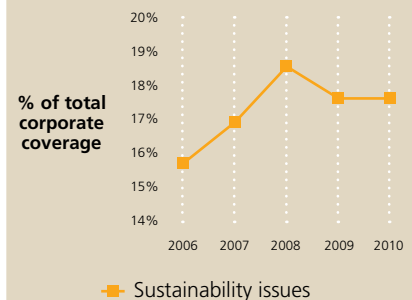
Anti-Wal-Mart Coalition that plans to ask the regulator to block the deal, or attach tough conditions.

With South Africa joining the BRIC collective in the hope of accruing greater economic co-operation and development, the South African business environment will come under increasing scrutiny and investor perceptions of both corporate governance and labour relations are bound to become even more critical.

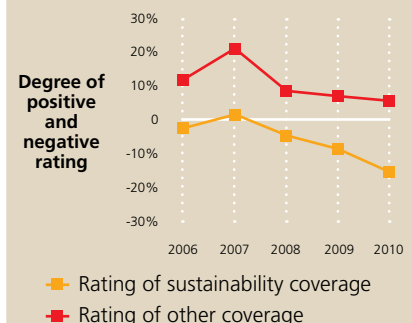
### A long-term view: 2006 – 2010

Following an upward trend between 2006 and 2008, sustainability reporting appears to have plateaued at 17% of total corporate coverage (graph 1). Graph 2 indicates that while the rating of general corporate coverage has, with the exception of 2007 and the heyday of the Standard Bank/ICBC deal, remained relatively stable; the rating of sustainability coverage has declined steadily since 2008. This movement can be attributed to the impact of the global financial crisis on aspects of business which are cornerstones of gaining, and sustaining, public trust, such as compliance with legislation and external stakeholder relations. This counters the general belief that South African companies were largely shielded from the direct impact of the crisis. Although lagging behind the rest of the world, analysis shows that South African companies are increasingly beginning to feel the demand for more sustainable business practices.

Graph 1  
Sustainability coverage as a proportion of total corporate coverage



Graph 2  
Rating of sustainability coverage vs. rating of other corporate coverage



### Sustainability challenges in 2010

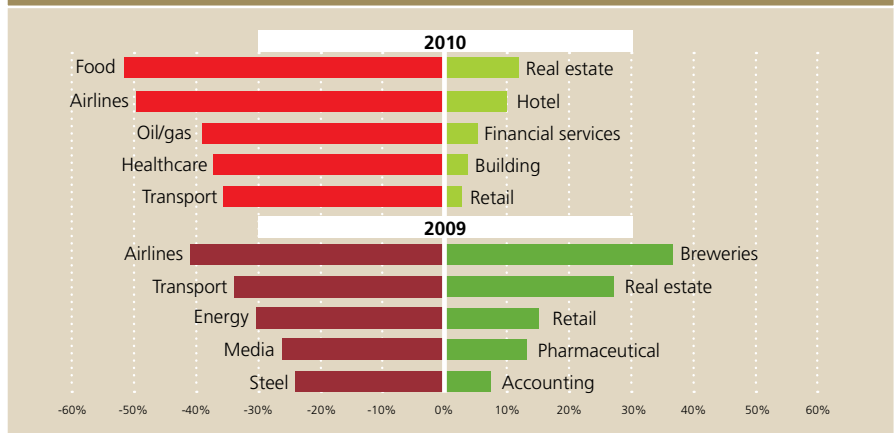
The SCM's ranking of most visible sustainability issues in graph 3 clearly shows the popularity of some sustainability topics over others. External stakeholder relations and HR management – perhaps more core business areas – have been the main focus for corporates during 2010, while community relations and BEE/transformation still struggle for media traction. The proportion of negativity associated with compliance with legislation reflects a tougher regulatory environment; the food industry was particularly affected by this issue as Pioneer Foods received ongoing coverage on its battle, and eventual settlement, with the Competition Commission. However, other industries were not immune; the banking, airline and telecoms industries faced their respective regulatory challenges.

### An industry overview

A comparison between 2009 and 2010 – illustrated in graph 4 – of the most positive and negative industries with regard to sustainability reveals some interesting developments. Firstly Energy, and therefore Eskom, no longer features as one of the most negative sectors; this is testament to the more proactive stance which the public utility has taken since Brian Dames' appointment in

Graph 4

Most negative and positive industries on sustainability issues: 2009 vs. 2010



communicating its long-term strategy, as well as the improved management of its coal supply. Secondly, Healthcare's position has become the focus of more critical media discussion, a direct result of government's mooted National Health Insurance plan and the subsequent debate around its feasibility and cost. Only time will tell whether NHI will move beyond idealistic concept stage.

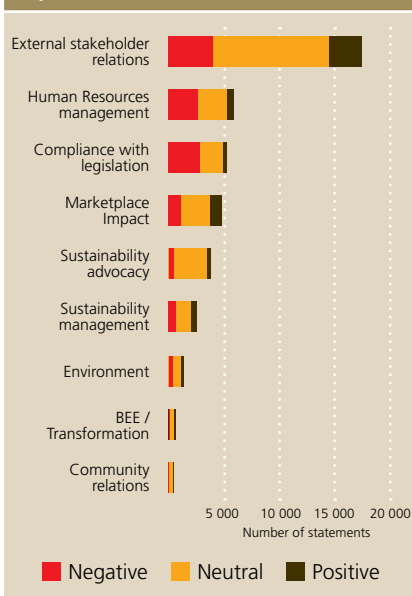
### Movers and shakers

The five biggest 'movers up' and 'movers down' on the SCM from 2009 to 2010 are indicated in the graph below. Companies which have shown an improved

sustainability media profile include the SABC, which has been driving its corporate social responsibility coverage, particularly its assistance with the Haiti relief efforts, and Naspers, which has gained from Koos Bekker's strategy to move away from its publishing roots and become a leading force in the pay-TV and Internet markets. The list of top movers down is not unexpected and reflects the reputational impact of various media crises: Netcare and the illegal organ transplant scandal; BP and the oil-spill; Honda and the vehicle recalls; Goldman Sachs and accusations around the subprime crisis; and, most prominently, Aurora's multiple crises, including illegal miners.

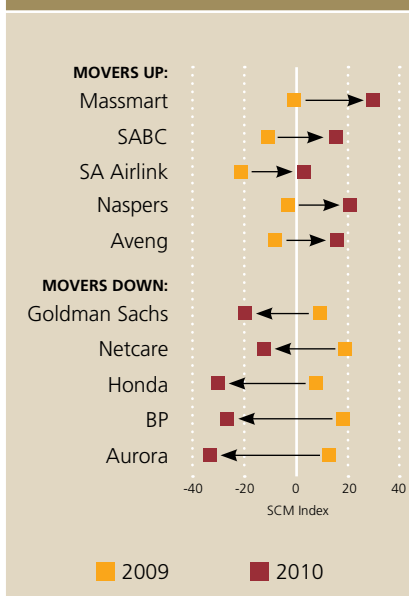
Graph 3

Visibility and rating of sustainability topics for 2010



Graph 5

Biggest year-on-year movers: 2009 vs. 2010



## fast FACT

### Reputation through the media

The reality of a corporate's sustainability profile and the reality which is perceived by multiple stakeholders, including the public, is propagated through the media. In this context, analysing the coverage and tone of corporate sustainability-related reportage in the print and electronic media is a vital lens through which to assess corporate behaviour and its effects on corporate reputation. Trialogue and Media Tenor sets out to do so by analysing the extent to which companies have received positive and negative media coverage on sustainability issues.

# IN THE MEDIA

## fast **FACT**

The Sustainability Coverage Monitor (SCM) is a composite measure based on volume of coverage, bias, spread of media, and range of sustainability issues reported. Companies score positively if they receive a volume of positive sustainability-related editorial coverage across a range of issues, and across a spread of mainstream media. A marginal weighting is given to neutral coverage, while negative coverage deducts points from a company's score.

### Top 10 in 2010

The top 10 companies on the SCM, based on coverage in the media over the period January 2010 to December 2010, is dominated by banks and financial services companies. These have regained much of the space they lost during the global financial crisis. Can this success be unpacked? First National Bank, gaining through product innovation and customer service, took the battle for customers to another level after announcing plans to give back cash or redeemable points to customers using its cards to buy fuel. Investec has taken the unique approach of using its economists to communicate on sustainability advocacy, particularly on the topics of job creation and social services.

As for other sectors, MTN, which claimed the 4th spot in 2009, continued focusing on marketplace impact through the cutting of its interconnect fees and

enhancing its network in the ramp-up to the 2010 FIFA World Cup, while Massmart has benefitted from the pending Wal-Mart deal.

#### Top 10 coverage: Jan – Dec 2010

1. First National Bank
2. MTN
3. Massmart
4. Investec
5. Nedbank
6. Sanlam
7. Old Mutual
8. Microsoft
9. SABC
10. Rand Merchant Bank



### Our strategic themes

- External factors
- Products and services
- Income and growth
- Business partner relationships
- Costs and cash management
- Customer relationships
- Corporate governance
- Human capital

### The environment

- Transformation
- Business conduct in foreign operations

## Our environmental journey

Over the past five years, Altron has been bringing sustainability issues towards the core of its business. Global warming and dwindling planetary resources now demand that we place environmental management at the forefront of our strategy to compete as a successful and sustainable business. Altron has made a firm commitment to setting environmental reduction targets, and is in the process of quantifying the impact of its current energy savings initiatives, in order to evaluate them against its current carbon footprint. In conjunction with the results of this benchmarking exercise, it will enable the setting of realistic, yet material reduction targets. In 2011, our focus areas will also include waste and water management, and environmental training and awareness.



For detailed information on these aspects visit [www.altron.com](http://www.altron.com)

- Management and policy
- Reducing our carbon footprint
- Improving energy efficiency
- Responsible use of water
- Reducing pollution and harmful emissions
- Usage of materials and handling of waste
- Responsible management of the product life-cycle
- Committed to providing a safe working environment
- Increase environmental awareness

consistent integrated direction

### What does 2011 hold?

At the World Economic Forum in Davos this year, sustainability has been the key issue. Bankers, still reeling from the global financial crisis, have been spinning positive messages into the market. Sadly though, global trust in financial institutions has been so eroded that the reporting on positive quarterly figures alone no longer impresses people. The same companies continue paying higher salaries and greater bonuses for executives, while regular employees are being retrenched.


It is clear from the discussions in Davos that companies really grapple with the issue of sustainability if it does not involve numbers and figures. Businesses that want to demonstrate their sustainability are well-advised to start substantiating their performance in non-financial areas with measurable

indicators. Further, stakeholders increasingly want to know where companies stand on a wider spectrum of issues. This is often only revealed when unexpected events trigger a sudden interest from the public in a hitherto quiet issue.

Human resource management will remain a critical part of media coverage, not just due to the pressure exerted by the unions, but also because of general concern around the quality of a workforce. Unions have achieved unprecedented wage increases over the past two years, but it is unlikely that above-inflation increases will be negotiated in 2011. Will this lead to more strikes?

The key to South Africa's growth lies in education – from school, through secondary education, to tertiary education. Here lies a massive opportunity for

corporates to be part of a national growth strategy. While environmental issues are playing less of a role (partly due to slow progress at Copenhagen and Cancún), South African companies might find themselves in the spotlight cast by South Africa hosting the next climate change conference in Durban. Since South Africa has become the first country worldwide to adopt a new integrated accounting standard (forcing companies to report on their total performance rather than just the financial), compliance is also likely to remain an issue that could receive increased media attention.

Overall, the country needs to demonstrate that the attention it gained through hosting the 2010 FIFA World Cup, and the status gained in joining the BRIC nations, will result in more business opportunities, more sustainable industries and, in turn, a society benefiting more equitably from the anticipated returns. 

# “Why is the Governor of the Bank of England telling me to write an integrated report?”

**Someone** hasn't been reading the *Dialogue Sustainability Review*.

The *Dialogue Sustainability Review*, carried quarterly by the *Financial Mail*, is South Africa's foremost publication discussing sustainability in business. Because communicating your sustainability strategy is an important part of your business journey. And it's not only us saying so – just ask the other Mervyn King.



TRIALOGUE  
**SUSTAINABILITY**  
**REVIEW**

*The quarterly review of SUSTAINABILITY  
in South African business*