

RETAIL AND BANKING GRAB THE HEADLINES

It's no surprise that Walmart and Massmart share the top spots in this quarter's Sustainability Coverage Monitor. Triologue and Media Tenor analyse what other sustainability issues caught the attention of the media in the first half of 2011.

HOW IT'S DONE

An independent, unpaid-for survey

The Sustainability Coverage Monitor is an independent survey of corporate South Africa. No fees are solicited and no company or organisation has paid to be a part of this survey.

In order to analyse the media, Triologue 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 the Sustainability Coverage Monitor (SCM), the results of which are published in this review every 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.

The Sustainability Coverage Monitor shows that coverage of sustainability issues in leading South African media has remained flat through the first half of 2011. About 16% of corporate coverage focused on issues relating to sustainability (based on 1 381 431 statements analysed, of which 237 209 related to sustainability), down from a similar period in 2010, where sustainability coverage stood at almost 18% (graph 1).

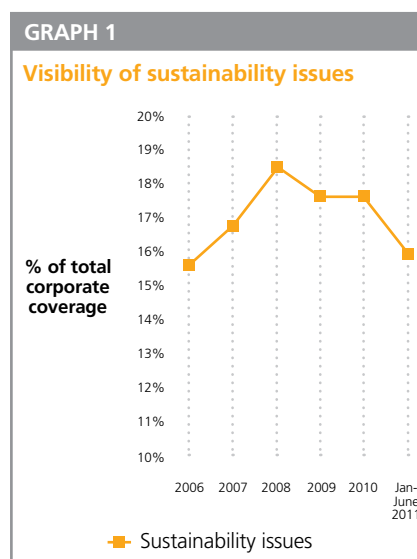
The decline in relative coverage, almost to 2008 levels, seems at odds with the increased focus on corporate sustainability. This is certainly strange when one considers the attention being paid to integrated reporting, the JSE SRI index, carbon disclosure and the like. The reason for the decline though is more to do with coverage associated with high profile events that relate to corporate sustainability. Simply put, a corporate governance scandal may attract more media interest than the results of the latest

carbon disclosure findings. And in recent years there appear to have been more newsworthy items relating to sustainability than was the case for the first six months of this year.

The SCM categorises topics into broad themes or issues. Some background on the issues that have experienced a decline in coverage is described and shown graphically as follows:

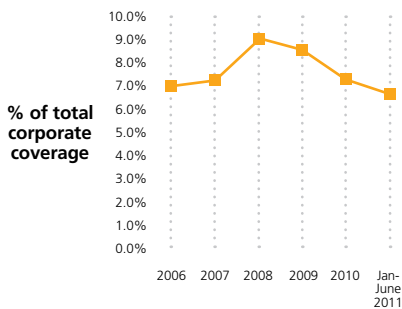
- The broadest of these themes is termed 'external stakeholder relations' (graph 2) and picks up coverage relating to interest groups affected by company actions. The primary reason for a decline of coverage of this issue was the reduced media attention paid to state-owned enterprises, specifically Eskom, Transnet and Telkom, all of which faced fundamental sustainability challenges during 2010.
- Reportage on 'BEE and transformation' (graph 3) remains low during 2011, particularly relative to the coverage of 2006 and 2007.
- There was a drop-off in reporting relating to 'compliance with legislation' (graph 4), largely due to the significant but short-lived momentum on reporting on the King III code of corporate governance.
- The BP oil disaster resulted in an unprecedented volume of coverage on environmental issues during 2010 which has since dissipated (graph 5).

An issue that is currently receiving a lot of media attention is the nationalisation debate. However, the discussion is being led by unions and government, with companies remaining relatively subdued and offering little input on the contentious subject. This has therefore not had a significant impact on the level of corporate sustainability coverage as yet.



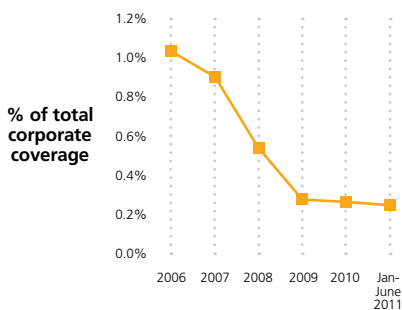
GRAPH 2

External stakeholder relations



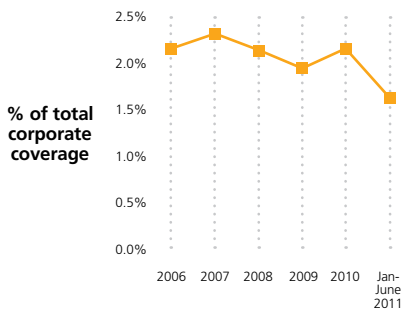
GRAPH 3

BEE/Transformation



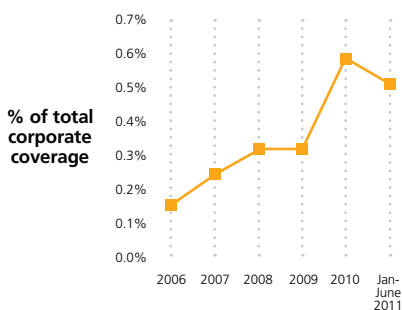
GRAPH 4

Compliance with legislation



GRAPH 5

Environment



Top performers in quarter two

No recent corporate development generated as much coverage as the Walmart/Massmart deal since its announcement in September 2010. The deal, finally approved at the end of May, centred on a number of key sustainability issues, namely Walmart's past labour practices, the possibility of job cuts and fears that the deal would result in business being taken away from local producers. Other businesses provided relatively little input to the debate during this time. Shoprite/Checkers was most vocal, commenting on the topic of cheap imports, while Absa commented on the positive repercussions of the deal for local consumers.

Much of the media coverage related to regulatory hurdles encountered and was somewhat negatively orientated. It may therefore come as a surprise that Walmart and Massmart occupy the top two spots in terms of positive sustainability coverage for the second quarter of 2011. Media analysis reveals that the CEO of Massmart, Grant Pattison, has been exceptionally vocal on all aspects of the deal, focusing notably on how broader society and stakeholders of the business stand to benefit. Issues raised included the companies' intent to 'save people money', plans for job creation and an enhanced food offering (while retaining an emphasis on local sourcing).

Other retailers also featured in the top 10 this quarter (see table 1). Woolworths came in at 9, on the back of positive coverage on a range on sustainability issues, from 'customers' to 'product and service quality'. The company's consistent messaging around its brand promise, combined with its responsible business practices, has ensured a solid sustainability position. External endorsement catapulted the Clicks Group from a below-100th ranking in terms of visibility of sustainability coverage, to 7th position. The Group's results announcement in April indicated market share growth in key areas, drawing praise from analysts who praised the company's 'sound business model' and its ability to entice pharmacy customers to purchase additional products.

Discovery's entry is based on its launch of Discovery Insure, a short-term insurance company which will intensify competition in an already dynamic market, where competitors are fiercely battling for market share. Another newcomer on

TABLE 1

Top 10 Q2 2011

Walmart	37.3
Massmart	37.0
Vodacom	28.1
Absa	28.0
Glencore	24.3
SAB Miller	24.3
New Clicks	22.8
Apple	22.8
Woolworths	21.8
Discovery	21.4

the top 10 ranking is Glencore which, in the run-up to its long-awaited listing on the London Stock Exchange, achieved a high level of media exposure due to its ties with South Africa as a commodities buyer, and the anticipated impact on SA companies. However, because in this case the coverage is event-based, the visibility is likely to be short-lived.

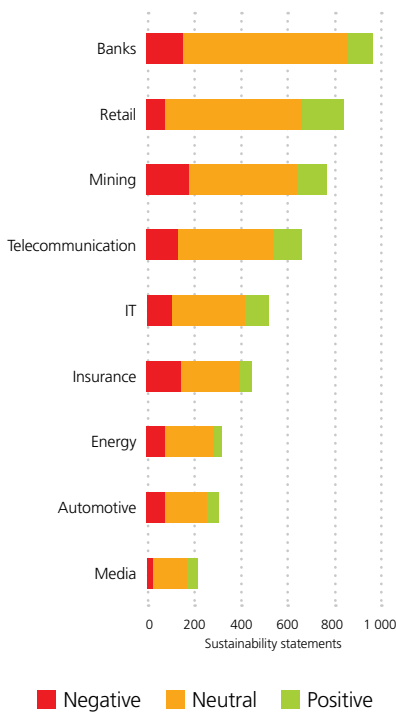
An industry perspective

While the Walmart/Massmart deal has driven coverage in the retail sector, the banking sector remains the most visible industry with regard to sustainability coverage (see graph 6, overleaf). What is notable about quarter two is that banking coverage was more negatively slanted, resulting in a net rating of -3%. A critical issue that emerged was related to comments by the South African Reserve Bank on high bad debt levels. There was also news relating to Standard Bank losing market share, particularly to smaller banks positioning their services to low income earners. Of the big five banks, Absa secured a position among the top 10 during quarter two. This was a result of an announcement that Absa and Barclays had agreed to implement a full geographical and global product structure for Africa, which would be a crucial step towards delivering on the bank's 'One Bank in Africa' vision.

Within the insurance industry, Old Mutual received the most prominent coverage. Ongoing negative coverage came from criticism by Roy Bennett of Zimbabwe's Movement for Democratic Change for the Group's indirect ►

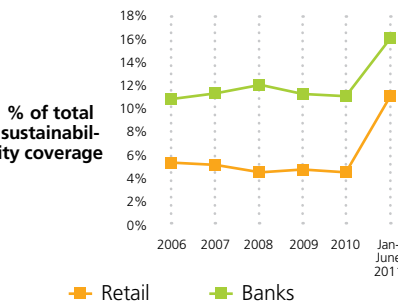
GRAPH 6

Q2 2011



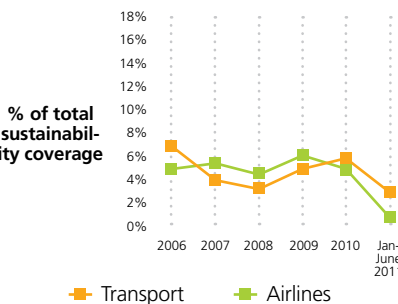
GRAPH 7

Stronger visibility



GRAPH 8

Less visibility



investment in the Marange 'blood-diamond' fields. This goes to show how a single, emotive issue can create ongoing negative publicity. Positive news about Old Mutual centred on the Group's strong sales in emerging markets, which have offset the slight dip in the life insurance business. Old Mutual appears to be making inroads in the development and communication of its Savings Monitor, which is particularly relevant in a country that has such a weak savings culture.

After a strong 2010, the visibility of both the airline and transport industries has fallen steeply (graph 8), now collectively accounting for less than 4% of total sustainability coverage. With respect to transport, the fall-off in interest is due partly to a subsidence in the excitement around the Gautrain. Transport is however likely to re-emerge in the media intermittently as new initiatives relating to integrated transport are ignited. The attention paid to this issue is often amplified by the interests of taxi associations on how such initiatives affect their members, as well as by the ongoing struggle to contain operating costs. It is

probably too early to expect significant commentary in the media regarding the environmental impact of different transport modes, although we should expect to be reading more about this in years to come.

Making news in late 2011

It is difficult to predict events that will dominate media coverage of corporate sustainability. However, one can provide some thoughts on how current events might unfold in the media on the basis of historic developments.

The excitement of the Walmart/Massmart deal was due to dissipate, but might re-emerge given the challenge posed by a number of government departments to the competitions process. In addition, we could expect coverage, albeit to a lesser extent, on how the deal actually impacts affected parties. The impact, whether positive or negative, arising from issues such as employment, local supply and pricing, will attract ongoing attention. The media spotlight will not only fall on Massmart but also on others in the retail sector, with the

anticipated retrenchment of staff at Pick n Pay bound to provide an initial impetus to coverage of this kind.

The debate on nationalisation has a long way to run. However, as in the past, the debate will be held at a high level between participants of government, labour and collective business. Unless an individual company spokesperson comments on the issue, or a specific company is seen to be affected, the debate will remain non-specific to individual corporates. Given how highly politicised this debate is at present, it is unlikely that any individual businesses will be found with their 'head above the parapet'.

We are of course in strike season at present. This is always worthy of news, especially when it becomes violent or if consumers are affected. As with the nationalisation issue, the media coverage is often at an industry sector level and not directed at a particular business. Frequently, though, the strike action devolves to a company level, which is then picked up as part of this media analysis.

Spotlight on integrated reporting

Integrated reporting has been the subject of much debate in international as well as local media over the last few months. South Africa is the only country in the world that requires companies listed on the JSE to produce integrated reports (as of March 2010). Although companies are starting to respond to this requirement, there remains a great deal of uncertainty as to how such a report should be structured and how the integrated report will change the format of existing annual financial reporting. Additionally, companies need to consider the content of the report from a pure 'compliance' point of view versus the opportunity of proactively raising issues that can help investors and stakeholders – and of course the media – to understand their business better.

A discussion paper on this topic was released in January this year by a representative body of business organisations that came together under the banner of the Integrated Reporting Committee (IRC). Comments on the paper submitted by April are now being considered by the IRC and the paper will be reissued this year. The process is being run in co-operation with the International

