



Q1 of 2011: All about the GREEN

Sustainability issues were muscled out in a quarter predictably dominated by financial results, but environmental issues were strongly represented in what media coverage there was. WADIM SCHREINER and THERESA LÖTTER discuss the figures and the context in our Sustainability Coverage Monitor.

2011 appears to be the year of change. In the first quarter we have seen huge shifts in the political landscape with the departure of Egyptian President Hosni Mubarak and ongoing revolts in Tunisia. The events bear testament as much to the collective strength of ordinary individuals as it does to the amplification ability of social media – Facebook and Twitter were among the five most often quoted sources in international media coverage on the conflict. The way that news is made – and disseminated – appears to have changed for good. The political landscape wasn't the only landscape to change; Japan was hit by a rolling succession of natural disasters,

followed by a nuclear meltdown, which has forever changed the geography of the island. More jarringly, the discovery of high levels of radiation in England after the accident at the Fukushima Daiichi plant has reaffirmed the interconnectedness of our existence on this planet. As Gill Marcus remarked, South Africans will not be unscathed by the events in Japan and will soon feel the effects of rising food and oil prices.

South Africa had a more predictable start to 2011 with the great political wheel starting to turn ahead of the 18 May elections. President Jacob Zuma identified this as the Year of Job Creation through meaningful economic

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, 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 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

transformation and inclusive growth with a specific focus on the private sector. Yet, while Walmart's \$2.3 billion takeover of Massmart has raised the visibility of both companies' sustainability profiles, particularly around the issues of external stakeholder relations and human resource management, the context of the deal has resulted in general discussion around labour regulations in South Africa and their effect on foreign investment. Although analysts are convinced the deal will now go through, despite fierce union opposition, investors who would potentially have used South Africa as a springboard into the African continent might now think twice.

An industry perspective

The majority of the most visible industries managed to achieve a good balance of both positive and negative reportage on sustainability issues and, as such, there were no clearly negative industries for the first quarter. Despite the renewed focus on banking fees, with government adding pressure through proposed regulatory steps spelt out in the budget, the industry as a whole has benefitted from the growth of smaller players. Capitec and African Bank Investments, which have made huge strides with personal microloans in the lower income market, have added a keener competitive edge to the market.

The energy sector in South Africa has battled to define itself under the barrage of criticism being directed at nuclear energy in the wake of the Fukushima Daiichi meltdown. Despite this, government is going ahead with plans to build 9 600MW of new nuclear

capacity by 2030; it is estimated that as many as 70 000 jobs will be created by this nuclear programme. However, Greenpeace has slammed cabinet's decision, stating that South Africans should be consulted on the issue. Seems the energy industry is literally stuck between a rock and a hard place.

Top 10 in 2011

The ranking of the most sustainable companies reveals that telecommunications companies Vodacom and MTN have continued to perform well; both have adopted a successful strategy of capitalising on their core strengths of marketplace impact and customer relations. The question now is whether perceptions around Vodacom's long-term sustainability will be affected by its red rebranding, an attempt to reduce the complexity of the organisation. marketing analyst Chris Moerdyk believes the company wouldn't be negatively affected as South African consumers were generally apathetic. However, Communication Workers Union (CWU) has already accused Vodacom of planning to retrench approximately 1 000 workers during its restructuring; the issue of human resources often becomes a corporate Achilles heel.

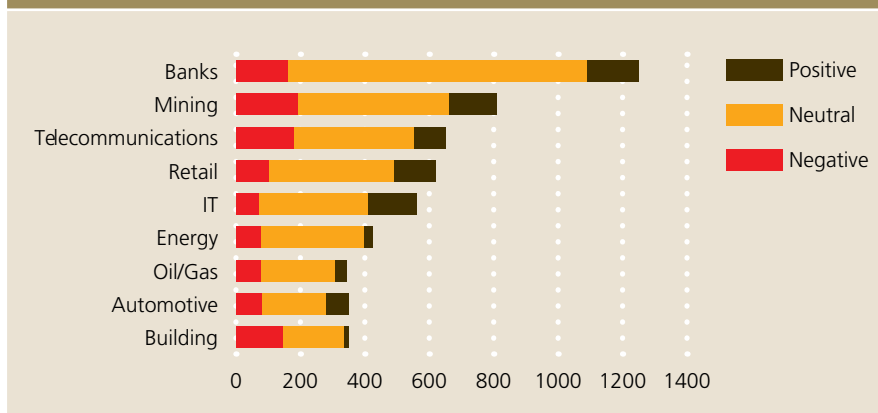
Absa has moved into the top 10 ranking and joins 2010 winner, First National Bank. Absa utilised the release of its annual results as a platform from which to communicate on customer-relevant issues such as product diversification; the bank stated that its focus is not on one specific product range, because clients from different income levels have to have a choice

of products to which they can aspire. However, analysts are raising concerns about Absa's high cost base and are predicting possible retrenchments similar to those of Standard Bank in 2010. These have been denied by Absa. First National Bank continues its focus on market-share and product innovation; the bank has recently received a licence to operate in Tanzania, where it plans to open up four branches from June. FNB has based its strategy for success on cost-effective delivery channels in South Africa such as the EasyPlan branches; it also has an opportunity to launch cellphone banking.

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Eskom's movement into the fifth position was aided by President Zuma's State of the Nation address, which drew media attention to Eskom's investment in infrastructure programmes; Kusile and Ingula in particular benefitted from this coverage. The President also identified State-owned enterprises as having an important role to play in realising his vision to create more jobs, both directly in terms of employment, as well as in peripheral ways such as improving infrastructure. Eskom, as one of government's largest employers, is thus expected to contribute in one form or another to job creation, irrespective of the operational demands of the business.

Chart 1.1 Volume and rating of most visible industries in sustainability coverage

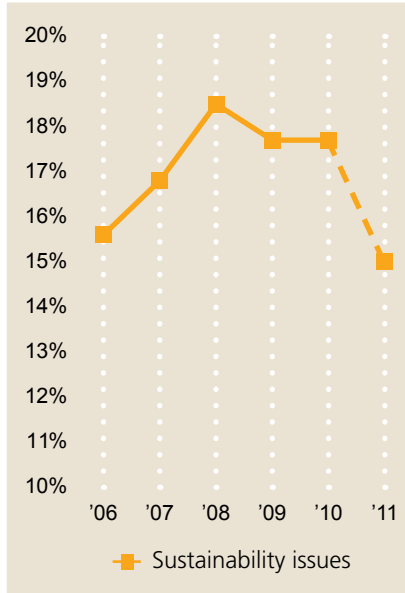


Rank	Company	Score
1	MTN	32.61
2	Vodacom	29.88
3	Massmart	28.61
4	Absa	27.60
5	Eskom	27.41
6	Walmart	27.36
7	First National Bank	26.12
8	Apple	25.82
9	Anglo Platinum	24.89
10	BHP Billiton	24.39

Trends – low overall coverage, but fracking gets the spotlight

Coverage on sustainability issues exhibited a slump during the first quarter of 2011; however, this pattern is not unusual for the beginning of the year, with the media space being dominated by annual results and analysis of financial performance with little attention being given to the 'softer' topics. By contrast, environmental coverage has increased slightly over the same period. Focus has remained relatively consistent as media closely follow Shell's plans to explore natural gas in the Karoo basin. If the plan comes to fruition, it will significantly alter South Africa's hydrocarbon market and enhance the country's security of energy supply. However, as with many things, it is never that simple or clean cut. Exploring these gas supplies will involve a process called fracking which has been described by opposition groups as something akin to planting chemical bombs underground. If successful, this will pave the way for other foreign

Chart 1.2 Sustainability coverage as a percentage of total corporate coverage



companies who are eyeing the many opportunities in the Karoo. Do we really want to open this particular Pandora's box?

Communication priorities for 2011

The point made about the increase of an environmental focus is critical not just for oil and gas companies such as Shell, but noteworthy for all companies in South Africa. Durban will be the host of COP17, the environmental conference that follows the unsuccessful meetings in Copenhagen and Cancún in 2009 and 2010 respectively. While oil and gas companies will struggle to communicate on sustainability issues for years to come, thanks to reputational damage caused to the industry by BP in the Gulf of Mexico, those companies that are linked to the environment and which are notoriously cautious communicators, including mining, paper and road construction companies, will be hard hit.

The way the deal between Massmart and Walmart turns out will set a precedent for future international investment in South Africa, where a decision has to be made about benefits for consumers versus benefits for employers. For South Africa, ranked low by the World Economic Forum's Global Competitiveness report in terms of labour laws and productivity, this might become a watershed decision.

Lastly, the introduction of the Consumer Protection Act on 1 April will not just keep the newly created Office of the Consumer Protector busy, but all organisations that are consumer facing. Dealing with the new legislation, responding to queries and generally managing customer relations in a country not exactly famous for the latter, will pose a great challenge for media relations teams. And the game rises to a new intensity level with an expected rise in consumer reporting not only in traditional media, but now also increasingly in the social and viral media. Hopefully, media relations practitioners will not become so diverted by customer relations that they lose their primary focus – to drive the organisation's core strategic communication messages to its stakeholders. ☉

“Get real; shareholders aren't interested in anything other than the bottom line.”

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 issues – from environmental impacts to transparent integrated reporting. So, if your mining company has received and failed to disclose one of the DMR's 713 statutory notices for environmental non-compliance, perhaps it's time to talk to your shareholders. We're sure they'd rather hear it from you.

