

corporate governance

better companies, better societies

LESSONS
LEARNED
SERIES

Thomson Reuters Foundation and Forum Train Journalists To Report on Corporate Governance Issues

As Watchdogs, Reporters Help Investors to Detect Wrongdoing and Seek Reforms
To Improve Companies' Performance

The Thomson Reuters Foundation and the Global Corporate Governance Forum jointly developed and now run a unique program to help journalists strengthen their reporting about issues related to corporate governance.

This Media Training Program is based on the view that “better companies make better societies.” Through their participation in the program, journalists improve their reporting and investigative skills. This helps them to enhance their unique role in disseminating information on corporate governance to the business community, investors, and the public. By helping the public to stay abreast of companies' activities, journalists can have a significant impact on society.

More than 130 journalists have participated in seven workshops, starting in Belgrade in October 2007 and then moving on to Africa, the Middle East, and Central and South Asia.

“The most remarkable aspect of the training was that I obtained skills in reading balance sheets of companies and learning how to investigate corporations,” said Anar Khanbayli, an editor with the Turan News Agency in Azerbaijan. One result was a series of stories published by the news agency in November 2009 that examined the capital holdings of local banks.

More informed journalists can help to expose cases such as that of Satyam Computer Services earlier, according to Sachin P. Mampatta, a correspondent with *DNA Money*,

a daily newspaper published in six cities in India. In January 2009, Satyam acknowledged that it hid news that the amount of cash on its balance sheet was inflated by nearly \$1 billion. The company also overstated its revenues and profits. “If journalists could be more sensitized to issues of corporate governance, it is likely that such cases could be exposed much earlier. This would certainly contribute to strengthening investor confidence,” Mampatta said.

“It's a journalist's job to shine a light into dark corners. The workshop participants tell us they find the training helps them to shine a brighter light on companies, going beyond the information companies release in press releases and regulatory filings,” said Roger Jeal, who helps to coordinate the program's content



The Global Corporate Governance Forum is a multi-donor trust fund facility located in the IFC's Business Advisory Services. The Forum was co-founded by the World Bank and the Organisation for Economic Co-operation and Development (OECD) in 1999.

Through its activities, the Forum aims to promote the private sector as an engine of growth, reduce the vulnerability of developing and transition economies to financial crisis, and provide incentives for corporations to invest and perform efficiently in a socially responsible manner. The Forum sponsors regional and local initiatives that address the corporate governance weaknesses of middle- and low-income countries in the context of broader national or regional economic reform programs.

Donors to the Forum include the IFC and the Governments of Austria, France, Luxembourg, the Netherlands, Norway, and Switzerland.

and provides training. Jeal is a consultant with the Thomson Reuters Foundation. (See box on “Faculty Perspective.”)

Based on feedback from participants, the Thomson Reuters Foundation and the Forum have developed model programs that cover topics important for reporting on and writing about corporate governance topics. (See box with sample program.) Training components include perspectives on corporate governance from industry leaders, capital market professionals, regulators, and foreign institutional investors. There is also coaching to develop basic technical skills needed to understand financial reporting, the best ways to “sell” stories to editors, and modalities of investigative journalism based on real-life journalistic experiences. The sessions are tailored to the specific circumstances of the country and region in which the training is held.

“The media plays an important role in raising public awareness and supporting enforcement.”

Daiki Suemitsu

First Secretary, Economic Section, Embassy of Japan, Delhi

The observations below of three journalists are typical of those that the Foundation and the Forum receive from program participants.

“It was particularly useful to have international experts provide lectures on corporate governance principles and its advantages,” said Aygun Aliyeva, who is with the Azertac News agency in Azerbaijan. “These experts also held practical sessions during which I received extensive knowledge on the application of corporate governance in other countries, as well as positive outcomes achieved as a result. This knowledge has informed my work ever since.”

“This initiative is timely and well designed,” said T. K. Arun, the opinion editor with *The Economic Times* (India). “The media can play a big role in spreading awareness on corporate governance among investors and those who use the capital they provide to generate new income, and in holding companies to be accountable. It makes sense to give journalists who write about companies a thorough introduction to the various facets of corporate governance.”

“When covering corporate governance issues, we, as journalists, stand the unique chance to be not only watchdogs that bark but also ones that bite,” said Chavdar Parvanov, with the business daily *Dnevnik*, published in Bulgaria. “We are challenged to solve three major problems to serve our readers: expose problems; shine a light in dark places where even the regulator’s torch cannot light up and find the truth; and, then truthfully report on what we’ve covered.”

Engaging Editors

One aspect of the program that the partners are focusing on is inclusion of the input of editors and other senior representatives of a given country’s media sector in program planning. While it is important to improve journalists’ abilities to research and report on stories examining corporate governance issues, it is likewise valuable, if not essential, to secure the interest, support, and buy-in of news organizations’ decision-makers.

To address this need, the Forum convened, in preparing for workshops held in India in July 2009, more than 20 editors and others from India’s leading news and business media for a brainstorming session in Delhi. At that April 2009 meeting, chaired by C. B. Bhavé, chairman of India’s Securities and Exchange Board (see the October 2009 *Lessons Learned* publication for more information about the Forum’s work with SEBI), the media leaders discussed the training program’s content. They explored how to incorporate into the program ongoing corporate governance developments in India (including the Satyam case) and such planning issues as participants’ profiles and the workshops’ duration. This meeting resulted in support from the local editors and solid representation and strong engagement from participants at the workshops.

‘INSPIRED TO GO BEYOND THE NUMBERS’

Partha Sinha, the assistant markets editor for *The Times of India*, shared his experience from participating in the Mumbai program:

“The day-long session dealing in different aspects of reporting on corporate governance by journalists was an extremely useful session for me. It started with the basics and gradually we were trained to deal with the finer details relating to this immensely important area of financial reporting. In addition to the on-screen presentations, interaction with two journalists who shared their personal experiences from reporting in the field about this area helped me a lot. Interaction with two of the most eminent practitioners from India Inc—Mr Balakrishnan of Infosys and P.R. Ramesh of Deloitte Haskins & Sells—helped me in understanding how they approached the subject, that is a view from the other side.

“This session has inspired me to go beyond numbers while reporting on a corporate event, to try to look through the veil that a lot of corporate executives often try to put up while interacting with journalists, and, finally, to never forget to ask one of the most basic questions in reporting: ‘How do you make money?’ I sincerely look forward to more such training programs.”

SAMPLE PROGRAM IN INDIA JULY 2009

Welcome and Program Introduction

Gene Spiro, Senior Projects Officer, Forum

Pratip Kar, Consultant, Forum

Introductions and program preview – gauging expectations and conveying what the program intends to accomplish. Corporate governance theory. Two video clips of Bethany McLean, *Vanity Fair* (earlier with *Fortune* magazine) editor: one showing how she broke the Enron story and the other on investigative business journalism. Short discussion on “lessons” from the video clips and links to the day’s agenda.

Understanding What Corporate Governance Is All about: How Corporate Governance Works at Infosys

K. V. Bala, Chief Financial Officer

Infosys Technologies Limited

This interactive session will examine corporate governance issues and concerns, with participants engaging with the presenter in Q&A and discussion, taking notes, and then writing a story immediately after the presentation. The stories will be reviewed in an afternoon session.

What has Infosys done to distinguish itself as a pioneer in corporate governance? What are some examples of good governance, as practiced by the Infosys board and senior management? Are there particular issues related to reporting and communications, internal audit, and relations with shareowners? How does Infosys plan to maintain its reputation as a leader in good governance?

Interactive Session on Investigative Business Journalism

Simone Azevedo, Founding Editor

Capital Aberto (Brazil).

This session will explore the experiences and approaches of a seasoned investigative journalist working in corporate governance. What is the journalist’s role in investigating and reporting on corporate governance issues? Why is this important in the context of business reporting? What leads and sources should be pursued? How do we communicate corporate governance issues to the reader? How do we handle “push-back” or resistance? What risks are involved?



The Story Behind the Numbers, with Case Studies

P.R. Ramesh, Partner, Deloitte, Haskins and Sells (India)

Financial and non-financial reporting can hold much information relevant to the journalist’s coverage of a company’s activities and ongoing and prospective developments. The session will be held in two parts: First, introduction of basic accounting and reporting principles in the context of proper corporate governance. Second, application of these principles to examination of two company annual reports, contrasting sound presentation of financial and non-financial information with less effective presentation of same.

Feedback on Infosys Writing Exercise

Roger Jeal, Consultant, Thomson Reuters Foundation

In reviewing the stories drafted, participants sharpen their writing and investigative reporting skills. The aim is to have their employer publish their stories.

How Journalists Can Help improve Corporate Governance

Roger Jeal

What can journalists do to increase and improve coverage of corporate governance issues? What are the red flags, warning signs, and interesting angles to look out for? Overview of the day’s training.

The program in India was convened in partnership with the National Institute of Securities Markets (NISM), which was set up by the Securities and Exchange Board of India (SEBI), and the Confederation of Indian Industry (CII). The Forum thanks the Government of Japan for its grant to support this project.

Using Facebook to Build ‘Virtual Press Club’

As part of its Media Training Program, the Forum has created a Facebook-based “Virtual Press Club” for those interested in corporate governance reporting. This platform also provides updates on the training program’s status. “Club” members are encouraged to “meet” their peers worldwide and connect with corporate governance experts, including other training participants and members of the Forum’s Private Sector Advisory Group (PSAG).

Several PSAG members are practicing or retired journalists, bringing particular value to the “mentoring” service the Club offers its members.

Through the Facebook page, participants will be able to provide comment and suggestions for the Forum’s *Corporate Governance Media Toolkit*, which is scheduled to be completed next year. As of December 2009, 145 people—including workshop participants and trainers, corporate governance experts and IFC corporate governance communications officers worldwide—have joined.



“The Forum’s workshop changed my way of developing news stories to include looking at such elements as the external auditor’s role within a company’s structure. I now understand more about corporate governance and its value to how a company is managed.”

Aliaa Hamed
Reporter, Middle East News Agency



Journalists training program in Almaty sponsored by CIPE, the IFC Central Asia Corporate Governance Project, the Thomson Reuters Foundation, and the Forum.

Azerbaijan Launches Competition

Following the training program held in October 2008, the Azerbaijan Corporate Governance Project, in cooperation with the State Committee for Securities of Azerbaijan Republic, organized

a competition for journalists on “The Role of Corporate Governance in Capital Market Development.”

The three winning articles were awarded monetary prizes; the runners-up received certificates.

LESSONS LEARNED

- Structure the program to achieve tangible results, specifically stories on corporate governance subjects that the participants can publish with their news organizations
- Include sessions that simulate real-life situations for journalists, such as a press conference with a chairman, chief executive officer or chief financial officer of a leading local company
- Use concrete, relevant examples of successful reporting on corporate governance issues so that participants can improve their individual reporting and writing skills while deepening their knowledge of corporate governance
- Allocate time throughout the training to allow participants to share their personal experiences and ask questions of the speakers
- Establish follow-up programs to sustain the participants’ interest and support their ongoing professional development
- Partner with a business association and the local or regional journalists’ organization to broaden awareness and support
- Provide an evaluation form to capture participants’ immediate impressions with open-ended questions to encourage more thorough responses

PROGRAM PARTICIPANTS' ARTICLES

"Inspiration for the East," by Simone Azevedo, *Capital Aberto*.

Azevedo served on the faculty of the workshops in Delhi and Mumbai in July 2009. An excerpt follows:

Encouraged by the success of Brazil's Novo Mercado, The Philippines and India look to Brazil's experience as a guide to highlighting corporate governance in their own stock exchanges. In The Philippines, the rules for a new listing tier will address concerns voiced by foreign investors, including the tightening of enforcement and sanctioning processes. In India, alternative approaches are being considered, and while the regulatory framework is sophisticated, any initiatives to highlight companies adhering to the highest standards of governance will need to have true engagement of management and controllers.

"Baku Stock Exchange's New Rules for Listing," by Ilakha Khalilova, *Trend Capital*.

Khalilova participated in the workshop held in Almaty in October 2008.

The article explains far-reaching changes to the Baku Stock Exchange (BSE)'s rules for listing, delisting and trading of securities in the interest of enhanced transparency. BSE is now responsible for setting transparency criteria for listed companies and categorizing companies into various tiers based on the Novo Mercado experience.

"Strengthening the media's ability to effectively report on corporate governance issues is crucial to enhancing public understanding of the value of policies and practices that help companies to become well run and more profitable. As we have seen all too often recently, breakdowns in governance can have a tremendous impact on the lives of people far removed from corporate

boardrooms. The public, and investors particularly, must better understand the forces behind, and consequences of, decision-making at companies' highest levels. Businesses help drive development and create prosperity. The Forum's Media Program is deploying the right approach to address this need."

John Plender
Financial Times columnist, PSAG member



REGIONAL TRAINING WORKSHOP IN ZAMBIA

Participants work on articles about corporate governance, including what they learned in sessions earlier in the day. Their draft stories will be reviewed by the instructor, who will offer comments in evaluating the work. This exercise demonstrates the program's emphasis on practical skill development most relevant to journalists. After learning about complex subjects such as auditing, the journalists must simplify these subjects to communicate effectively to

their readers and audience. The reporters and editors must also learn what questions to ask to obtain the relevant information. Throughout their stories, they need to make clear why good corporate governance matters for a company and the community in which it operates. The training also emphasizes the sharing of experiences by journalists that could benefit all program participants.

A FACULTY PERSPECTIVE

Roger Jeal, a consultant with the Thomson Reuters Foundation, leads the training sessions. He offers the following perspective gained from the program's two years:

"Journalists are always looking for different angles on stories. Looking at corporate governance gives them somewhere else to probe for a company's problems beyond the main details in press releases.

"But, as various distinguished editors have told the journalism workshops, reporters have to be prepared to risk at least criticism, perhaps even more, for what can be seen as "being negative." Who said being popular should be our main goal?

"They have to warn their audiences about when a red flag appears or a warning bell sounds – even if people don't want to hear bad news. The main test will come when markets and economies really boom again, everyone gets carried away, and we all too conveniently forget past errors and problems.

"It is essential to report as much as we safely can at a given time without speculating, or going too far and to keep following up our initial reports. It's what I would call incremental journalism, not waiting too long for the perfect and complete story that may never come, but not taking too many risks with what we report."

THE MEDIA IN THE SERVICE OF TRANSPARENCY

The following is an excerpt from an article in *Svobodnaya Gruzia*, a Georgian newspaper, in October 2008, which Gabriel Namtalashvili published after his participation in the Forum's workshop in Almaty, Kazakhstan.

"It would be incorrect to consider corporate governance as a narrow and specialized subject. For a journalist working in the areas of economics, business, and finance, it is very important to understand the significance of corporate governance in relation to businesses' reputations and their attractiveness to investors.

"This is one of the key conclusions of the seminar: the goal for the journalist is not just to use the term 'corporate governance' in our articles. It is to present true business stories that illustrate what corporate governance really means."

WORKSHOPS 2007–2009

Belgrade, October 2007 Zambia, March 2009
Cairo, April 2008 Mumbai, July 2009
Mumbai, July 2008 Delhi, July 2009
Almaty, October 2008

2010 WORKSHOPS PLANNED

Brazil and Chile (regional), January
Jordan, February
Vietnam, March
Mongolia, May

LEARN MORE

Global Corporate
Governance Forum
2121 Pennsylvania Ave., NW
Washington, DC 20433 USA
Tel: +1 (202) 458-1857
Fax: +1 (202) 522-7588
cgsecretariat@ifc.org
www.gcgf.org

NEXT ISSUE:

What have banks learned as they overhaul their governance practices? How can they protect themselves against the next financial crisis? These and other questions will be explored as the Forum rolls out a special training program to deepen bank directors' expertise in corporate governance.