



Education

SICST™ #SV0101

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Education

Sustainability Accounting Standard

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The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

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Education (SV0101)

Industry Description

This industry includes education service providers that are publicly held, profit-seeking, and generate revenue from student fees. A majority of the industry's revenue comes from the provision of postsecondary education. Services are delivered on full-time, part-time, distance learning, and occasional bases across establishments such as junior colleges, business and secretarial schools, colleges, universities, and professional schools that provide training in disciplines including medicine, pharmacy, and veterinary medicine. For-profit education companies cater to a larger fraction of minority, disadvantaged, and older students than traditional non-profit institutions, and they have greater success with first year retention rate and completion of short certificate and associate degrees. However, education companies' reliance on federal student financial aid or Title IV funding for revenue generation and high student loan default rates have brought them under a regulatory spotlight.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Quality of Education	Graduation rate	Quantitative	Percentage (%)	SV0101-01
	On-time completion rate	Quantitative	Percentage (%)	SV0101-02
	(1) Debt-to-annual earnings rate, (2) Debt-to-discretionary earnings rate, and (3) Program cohort default rate	Quantitative	Percentage (%)	SV0101-03
	Job placement rate	Quantitative	Percentage (%)	SV0101-04
Marketing & Recruiting Practices	Description of policy to assure accurate disclosure of key performance statistics to prospective students in advance of collecting any fees	Discussion and Analysis	n/a	SV0101-05
	Percentage of attempted transfer credits by registrant's students that were accepted by other institutions	Quantitative	Percentage (%)	SV0101-06
	Expenses associated with (1) instruction and student services and (2) marketing and recruiting	Quantitative	Percentage (%)	SV0101-07

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of new students enrolled ¹	Quantitative	Number	SV0101-A
Number of applications for enrollment	Quantitative	Number	SV0101-B
Average registered credits taken by students	Quantitative	Number	SV0101-C
Number of (1) faculty and (2) staff	Quantitative	Number	SV0101-D

¹ Students enrolled is defined as those students who have matriculated into a program for which a degree, diploma, certificate, or other formal award is expected to be conferred.

Quality of Education

Description

Academic quality relates to both the quality of instruction and the rigor of the coursework. Successful completion of a degree or certification can lead to increased employment opportunities. In the absence of rigorous coursework and qualified faculty, graduates may lack employable skills and could default on loans. As many for-profit education companies rely on federal student financial aid for revenue, it is important for them to maintain their eligibility. Eligibility entails compliance with the existing complex statutory and regulatory requirements as well as other newer requirements like the proposed Gainful Employment Rule. Schools that provide adequate guidance and instruction are likely to have higher graduation, job placement, and on-time completion rates. They are also likely to be in compliance with the Gainful Employment Rule and ensure continued revenue from Title IV funding.

Accounting Metrics

SV0101-01. Graduation rate

- .01 The registrant shall disclose the graduation rate, consistent with the Student Right-to-Know Act,² calculated as the total number of completers within 150% of normal time divided by the revised adjusted cohort, where:
- Completers are defined as students who receive a degree, diploma, certificate, or other formal award. In order to be considered a completer, the degree/award must actually be conferred.
 - Adjusted Cohort is defined as the result of removing any allowable exclusions from a cohort (or subcohort) in accordance with the definitions for the Graduation Rate component under the Student Right-to-Know Act, where:
 - "Exclusions are defined as those students who may be removed (deleted) from a cohort (or subcohort). For the Graduation Rates reporting, students may be removed from a cohort if they left the institution for one of the following reasons: death or total and permanent disability; service in the armed forces (including those called to active duty); service with a foreign aid service of the federal government, such as the Peace Corps; or service on official church missions."
 - For the purposes of this disclosure, the registrant shall define "cohort" consistent with its reporting requirements under the Student Right-to-Know Act. In the absence of another definition, a cohort can be considered the collective group of students entering a particular program at the same time.³
- .02 This disclosure is consistent with the Graduation Rate as reported in the Integrated Postsecondary Education Data System (IPEDS) database.⁴

SV0101-02. On-time completion rate

- .03 The registrant shall indicate the percentage of students achieving on-time completion, where:
- "On-time completion" is defined as achieving the graduation date as expected at enrollment, based on the typical duration of coursework and accounting for any known additional prerequisite coursework or other impacts that would affect timing.
- .04 The on-time completion rate shall be calculated as the number of students that graduated during the fiscal year with on-time (or early) completion divided by the total number of students with an expected graduation during the fiscal year.
- .05 This disclosure is aligned with normal time to completion as defined in the Integrated Postsecondary Education Data System (IPEDS) database, where:
- "Normal time to completion" is the amount of time necessary for a student to complete all requirements for a degree or certificate according to the institution's catalog. This is typically four years (eight semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based institution; two years (four semesters or trimesters,

² "Student Right-to-Know and Campus Security Act" (P.L. 101-542) was passed by Congress November 9, 1990. Title I, Section 103 of the Act requires institutions eligible for Title IV funding to calculate completion or graduation rates of certificate- or degree-seeking, full-time students entering that institution, and to disclose these rates to all students and prospective students.

³ <http://edglossary.org/cohort/>

⁴ For the Graduation Rate in IPEDS, data are collected on the number of students entering the institution as full-time, first-time, degree/certificate-seeking undergraduate students in a particular year (cohort), by race/ethnicity and gender; the number completing their program within 150 percent of normal time to completion; and the number that transfer to other institutions if transfer is part of the institution's mission. See: <http://nces.ed.gov/ipeds/glossary/index.asp?id=812>

or six quarters, excluding summer terms) for an associate's degree in a standard term-based institution; and the various scheduled times for certificate programs.

SV0101-03. (1) Debt-to-annual earnings rate, (2) Debt-to-discretionary income rate, and (3) Program cohort default rate

.06 The registrant shall disclose the debt-to-earnings rates and program cohort default rate (pCDR) for all educational programs, in accordance with the methodology outlined in the Proposed Gainful Employment Rule § 668.404 and § 668.407, 79 Fed. Reg. 16426 (March 25, 2014), where:

- Debt-to-annual earnings rate is the percentage of a Gainful Employment (GE) program's annual loan payment compared to the annual earnings of the students who completed the program, as calculated under §668.404.
- Debt-to-discretionary income rate is the percentage of a GE program's annual loan payment compared to the discretionary income of the students who completed the program, as calculated under §668.404.
- Program cohort default rate (pCDR) is the percentage of a GE program's students who defaulted on their loans, as calculated under §668.407.

.07 The scope of this disclosure is all educational programs, including, but not limited to, GE programs.

- The proposed Gainful Employment Rule establishes these requirements for GE programs, defined as programs that are required "to lead to gainful employment in a recognized occupation," for them to be eligible for Title IV federal financial aid.

SV0101-04. Job placement rate

.08 The registrant shall disclose the job placement rate, consistent with the methodology required for short-term undergraduate programs (34 CFR § 668.8(g)), where:

- The job placement rate numerator is the number of students who, within 180 days of the day they received their degree, certificate, or other recognized educational credential, obtained gainful employment in the recognized occupation for which they were trained or in a related, comparable, recognized occupation and are employed, or have been employed, for at least 13 weeks following receipt of the credential from the institution.
- The job placement rate denominator is the number of students who received the degree, certificate, or other recognized educational credential awarded for successfully completing the program.⁵

Notes

Definitions

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Additional References

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⁵ "Calculating Job Placement Rates Under Gainful Employment Regulations," Prepared for IPEDS Technical Review Panel, March 1-2, 2011 Washington, DC, February 2011. Available online at: http://nces.ed.gov/npec/data/Calculating_Placement_Rates_Background_Paper.pdf

Marketing & Recruiting Practices

Description

For-profit higher education companies have been under regulatory and public scrutiny for their recruiting and marketing practices. Inaccurate representation in marketing and recruiting can lead to lawsuits, expensive settlements, and penalties. Under the Department of Education's rule on incentive compensation, an institution participating in Title IV programs may not provide any commission, bonus, or other incentive payment based on enrollment to anyone engaged in any student-recruiting or admission activities or in making decisions regarding the awarding of Title IV funds. Enrollment-based compensation has been widely used in the industry. Companies that accurately represent key performance statistics and decouple recruiting compensation from enrollment will be able to avoid lawsuits and maintain eligibility for Title IV funding.

Accounting Metrics

SV0101-05. Description of policy to assure accurate disclosure of key performance statistics to prospective students in advance of collecting any fees

- .09 The registrant shall discuss its policies to assure accurate disclosure of key performance statistics on its students' performance to prospective students in advance of collecting any fees, where:
- A prospective student is defined as someone who is considering attending a school, but is not yet enrolled.
- .10 "Key performance statistics" include, but are not limited to, the following:
- Metrics proposed under the Student Right to Know Before You Go Act of 2013 (H.R. 1937),⁶ which include the following at both the institutional and program-specific levels:
 - the percentage of students who receive federal, state, or institutional grants or loans;
 - the average amount of federal loan debt students have accumulated by graduation;
 - the average amount of total federal loan debt of students who do not complete a program of study two years after their last known enrollment in any institution of higher education;
 - student transfer rates by sector of transfer;
 - rates of continuation to higher levels of education; and
 - the percentage of students who receive the degree level they initially sought.⁷
 - Performance metrics relating to student performance upon completion of the degree of certification program, such as graduation rate, job placement rate, debt-to-earnings ratio, and loan default rate.
 - Any other legally required metrics, such as may be required under the Student Right-to-Know and Campus Security Act (P.L. 101-542), or other regulatory obligations.

SV0101-06. Percentage of attempted transfer credits by registrant's students that were accepted by other institutions

- .11 The registrant shall disclose the percentage of its attempted transfer credits that were accepted by other institutions, where:
- The percentage is calculated as the total number of transfer credits accepted by other institutions during the fiscal year, divided by the total number of credits attempted for transfer during the fiscal year.
 - "Attempted transfer credits" are defined as credits from the registrant's school for which a student sought acceptance at a peer institution, consistent with the student's educational plan at the time of enrollment with the registrant. Credits are counted on a per-credit basis, regardless of the total number of students requesting consideration of transfer credits.
- .12 This metric is related to the Student Right to Know Before You Go Act of 2013 (H.R. 1937), which would require information on student transfer rates to be made publicly available. This metric differs in that the disclosed percentage is based on the number of credits, not the number of students, thus allowing an effective "weighed average" of transfer acceptance.

⁶ The Student Right to Know Before You Go Act of 2013 (H.R. 1937), Amends title IV (Student Assistance) of the Higher Education Act of 1965 (HEA) to require institutions of higher education (IHEs) to submit to the Secretary of Education data that the Secretary determines to be sufficient to complete all student components of reporting required for the Integrated Postsecondary Education Data System (IPEDS). This bill was introduced in House on May 9, 2013. H.R. 1937 would require the Secretary of Education to calculate, within two years of this Act's enactment, the above noted metrics at the institutional and program-specific levels.

⁷ <https://beta.congress.gov/bill/113th-congress/house-bill/1937>

SV0101-07. Expenses associated with (1) instruction and student services and (2) marketing and recruiting

.13 The registrant shall disclose its expenditures on (a) instruction and other student services and (b) marketing and recruiting, each as a percentage of total revenue, where:

- Instruction and other student services refers to all expenditures that directly support educational quality or provide related services to current students, such as the cost of faculty and employees who support educational operations. This expense category also includes the costs of facilities, adjunct faculty, supplies, and bookstore as well as other educational materials and student education-related support activities.
- Marketing and recruiting refers to all expenditures that relate to enrolling prospective students. Examples include recruiter salaries, campus recruiting events, and marketing and advertising campaigns.

Notes

Definitions

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Additional References

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Professional Services

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Professional Services

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

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SASB Sustainability Accounting Standard

Professional Services (SV0102)

Industry Description

The Professional Services industry provides services based on the unique skills and knowledge of its employees, often on an assignment basis, where an individual or team is responsible for the delivery of services to clients. Offerings include, but are not limited to, staffing services, business management and administration services, financial information services, and consulting services on an array of topics such as energy, healthcare, real estate, technology, human resources, and science. The industry is highly fragmented. While professional services firms perform a large range of activities, the largest sub-segments of the industry are non-financial information services, data analytics, employment staffing, and management consulting.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Data Privacy & Security	Discussion of policies and practices relating to collection, usage, and retention of customer information, including confidential business information or personally identifiable information	Discussion and Analysis	n/a	SV0102-01
	Number of data security breaches and percentage involving customers' confidential business information or personally identifiable information	Quantitative	Number, Percentage (%)	SV0102-02
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others	Quantitative	Percentage (%)	SV0102-03
	Voluntary and involuntary turnover rate ¹	Quantitative	Percentage (%)	SV0102-04
	Employee engagement as a percentage ²	Quantitative	Percentage (%)	SV0102-05
Professional Integrity	Description of management approach to assuring professional integrity	Discussion and Analysis	n/a	SV0102-06
	Amount of legal damages awarded in lawsuits involving professional integrity or duty of care ³	Quantitative	U.S. Dollars (\$)	SV0102-07

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of (1) full-time or part-time, (2) temporary, and (3) contract employees	Quantitative	Number	SV0102-A

¹ Note to SV0102-04 – Disclosure shall include a discussion of whether a disproportionate number of top performers are leaving.

² Note to SV0102-05 – Disclosure shall include a description of methodology employed.

³ Note to SV0102-07 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Accounting Metric	Category	Unit of Measure	Code
Number of employee hours, percentage billable	Quantitative	Number, Percentage (%)	SV0102-B

Data Privacy & Security

Description

By nature of their work, Professional Services companies are entrusted with confidential client information. Ensuring the privacy and security of such data is an essential responsibility of the industry. Unauthorized access or unintentional disclosure of personal or confidential information can damage a Professional Services company's reputation and operating results. Companies that fail to manage performance in this area are susceptible to decreases in revenues and client confidence. Further, although many states have passed laws requiring businesses to notify authorities in the event of a security breach, the current absence of federal standards has led to increased costs, as companies are forced to comply with a patchwork of state laws. Disclosure of the number of security breaches, the extent of fraudulent charges, and efforts to manage these risks will allow shareholders to understand how consumer finance companies are protecting long-term value.

Accounting Metrics

SV0102-01. Discussion of policies and practices relating to collection, usage, and retention of customer information, including confidential business information or personally identifiable information

- .01 The registrant shall describe the nature, scope, and implementation of its policies and practices related to customer privacy, with a specific focus on the how they address the collection, usage, and retention of customer information, including demographic data, confidential business information, and personally identifiable information, where:
- Customer information includes information that pertains to a customer's attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, personally identifiable information, or confidential business information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Confidential Business Information (CBI) is defined as information that concerns or relates to the trade secrets, processes, operations, identification of customers, inventories, or other information of commercial value, the disclosure of which is likely to have the effect of causing substantial harm to the competitive position of the person, firm, partnership, or corporation from which the information was obtained.⁴ The term "confidential business information" includes "proprietary information" within the meaning of section 777(b) of the Tariff Act of 1930 ([19 U.S.C. 1677f\(b\)](#)).
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁵
- .02 The registrant shall describe the information "life cycle" (i.e., collection, use, retention, processing, disclosure, and destruction) and how information-handling practices at each stage may affect individuals' privacy.
- With respect to data collection, it may be relevant for the registrant to discuss which data or types of data are collected without consent of an individual, which require opt-in consent, and which require opt-out action from the individual.
 - With respect to usage of data, it may be relevant for the registrant to discuss which data or types of data are used by the registrant internally, and under which circumstances the registrant shares, sells, rents, or otherwise distributes data or information to third parties.
 - With respect to retention, it may be relevant for the registrant to discuss which data or types of data it retains, the length of time of retention, and what practices are used to ensure that data is stored securely.

⁴ 19 CFR 201.6

⁵ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- .03 The registrant shall discuss the degree to which its policies and practices address similar issues as outlined in the [OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 \(M-03-22\)](#), including use of Privacy Impact Assessments (PIAs), where:
- Privacy Impact Assessment is an analysis of how information is handled that ensures handling conforms to applicable legal, regulatory, and policy requirements regarding privacy; determines the risks and effects of collecting, maintaining, and disseminating information in identifiable form in an electronic information system; and examines and evaluates protections and alternative processes for handling information to mitigate potential privacy risks.
 - As outlined by OMB M-03-22, PIAs must analyze and describe: (a) what information is to be collected, (b) why the information is being collected, (c) the intended use of the information, (d) with whom the information will be shared, (e) what opportunities individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), including how individuals can grant consent, and (f) how the information will be secured, among other government-specific requirements.
- .04 The registrant shall discuss how its policies and practices related to privacy of customer information address children’s privacy, which at a minimum includes the provisions of the Children’s Online Privacy Protection Act (COPPA).

SV0102-02. Number of data security breaches and percentage involving customers’ confidential business information or personally identifiable information

- .05 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.
- .06 The scope of disclosure shall be limited to data security breaches, cyber security risks, and incidents that resulted in the registrant’s business processes deviating from its expected outcomes for confidentiality, integrity, and availability.
- The scope of disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from people, process, or technology deficiencies or failures.
 - The scope of disclosure shall exclude disruptions of service due to equipment failures.
- .07 The registrant shall disclose the percentage of data security breaches in which customers’ confidential business information or personally identifiable information was breached, where:
- Confidential Business Information (CBI) is defined as information that concerns or relates to the trade secrets, processes, operations, identification of customers, inventories, or other information of commercial value, the disclosure of which is likely to have the effect of causing substantial harm to the competitive position of the person, firm, partnership, or corporation from which the information was obtained.⁶ The term “confidential business information” includes “proprietary information” within the meaning of section 777(b) of the Tariff Act of 1930 ([19 U.S.C. 1677f\(b\)](#)).
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual’s identity, such as name, Social Security number, date and place of birth, mother’s maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁷
 - The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by state law or voluntarily by the registrant.
 - Disclosure shall include incidents when encrypted data were acquired with an encryption key that was also acquired.
 - The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise such investigation.
- .08 Disclosure shall be additional but complementary to the U.S. Security and Exchange Commission’s (SEC) [CF Disclosure Guidance: Topic No. 2. Cybersecurity](#).

⁶ 19 CFR 201.6

⁷ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- At a minimum, this includes instances when the costs or other consequences associated with one or more known incidents – or the risk of potential incidents – represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant’s results of operations, liquidity, or financial condition, or would cause reported financial information not to be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

Note to **SV0102-02**.

- .09 The registrant shall describe the corrective actions taken in response to specific incidents, such as changes in operations, management, processes, products, business partners, training, or technology.
- .10 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant’s ability to maintain data privacy and security.

Notes

Definitions

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Additional References

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Employee Diversity & Inclusion

Description

Employee Diversity & Inclusion revolves around developing a broad base of employees that are valued, respected, and supported throughout an organization. Managing human capital is important because human capital is the major source of revenue generation. Enhancing workforce diversity may be essential in order to attract and develop the best talent. A diverse, talented workforce can serve as a source of competitive advantage and can be able to better serve clients. Companies that increase diversity, improve employee engagement, and lower turnover rates may benefit from increased productivity and performance across all levels of the corporation.

Accounting Metrics

SV0102-03. Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others.

.11 The registrant should summarize and disclose employee representation by employee category in the following table format:

Employee Category	Gender (%)			Race and Ethnicity (%)					
	Male	Female	NA*	White	Black or African American	Hispanic or Latino	Asian	Other^	NA*
Executives/Sr. Managers									
All Others									

*NA = not available/not disclosed

^Other includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications

- .12 The registrant shall classify its employees according to the U.S. Equal Employment Opportunity Commission [EEO-1 Job Classification Guide](#) into the following two categories: Executives/Sr. Managers and All Others (i.e., other EEO-1 categories, including mid-level managers, professionals, technicians, sales, admin support, and service workers).
- .13 The registrant shall categorize the gender of its employees as: male, female, or not disclosed/available.
- .14 The registrant shall classify the racial/ethnic group of its employees in the following categories, using the same definitions employed for the registrant's [EEO-1 Report](#): White, Black or African American, Hispanic or Latino, Asian, and Other (which includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications), or not disclosed/available.
- .15 Where racial/ethnic group and/or gender representation percentages are significantly influenced by the country or region where the workforce is located, the registrant shall provide contextual disclosure to ensure proper interpretation of results.
- Where relevant, the registrant may provide supplemental breakdown of gender and racial/ethnic group representation by country or region.

SV0102-04. Voluntary and involuntary turnover rate

- .16 The registrant shall disclose employee turnover, as a percentage, where:
- Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
 - The scope of disclosure excludes managers and executives.
- .17 The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignation, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.

- .18 The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, expiry of contract, etc.) during the fiscal year, divided by the number of employees during the fiscal year.

Note to **SV0102-04**

- .19 Disclosure shall include a discussion of whether a disproportionate number of top performers are leaving.

SV0102-05. Employee engagement as a percentage

- .20 The registrant shall disclose employee engagement as a percentage (i.e., the percentage of employees deemed “actively engaged” as opposed to “not engaged,” “passive,” or “actively disengaged”). If engagement is measured as an index (e.g. strength of employee agreement with a survey statement), it shall be converted into a percentage for this disclosure.
- .21 The disclosure shall be calculated based on the results of an employee-engagement survey or research study conducted by the registrant, an external entity contracted to perform such a study by the registrant, or an independent third party.

Note to **SV0102-05**

- .22 The registrant shall briefly describe the:
- Source of its survey (e.g., third-party survey or registrant’s own),
 - Methodology used to calculate the percentage (e.g., a simple average of individual employee survey responses in which a numerical value is assigned to the strength of agreement or disagreement with a survey statement),
 - Summary of questions or statements included in the survey or study (e.g., those related to goal-setting, support to achieve goals, training and development, work processes, and commitment to the organization).
- .23 Where the survey methodology has changed compared to previous reporting years, the registrant shall indicate results based on both the old and new methods for the year in which the change is made.
- .24 If results are limited to a subset of employees, the registrant shall include the percentage of employees included in the study or survey, and the representativeness of the sample.
- .25 The registrant may choose to disclose results of other survey findings such as the percentage of employees who are proud of their work/where they work, inspired by their work/co-workers, aligned with corporate strategy and goals, etc.

Notes

Definitions

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Additional References

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Professional Integrity

Description

Failure to comply with professional standards can cause significant material impacts to a corporation's value. Companies that fail to meet professional standards can face significant reputational risk and hamper their future revenue growth. In addition, they may harm investors and others who rely on the training, advice, data, and key services these companies provide. In addition, many professional services are rendered under a fiduciary or agency relationship, in which the professional owes its client a duty of loyalty and care. Beyond the duty of care and loyalty, common law negligence imposes on professionals a duty of care such that a client can expect the level of professionalism and standards commonly held by those in the profession.

Accounting Metrics

SV0102-06. Description of management approach to assuring professional integrity

- .26 The registrant shall discuss its policies to assure professional integrity, where:
- The scope of professional integrity includes management of issues relating to conflict of interest, accuracy of data, and corruption.
 - Assurance of professional integrity may include, but is not limited to, policies, training, and implementation of codes of ethics relating to:
 - Avoidance of conflicts of interest, including mitigation and transparency of potential or perceived conflicts
 - Oversight of advisory services and recommendations
 - Maintenance and reporting of accurate data
 - Protection of confidential business information
 - Prevention of billing fraud
 - Avoidance of corruption, including identification of suspicious activities and whistleblower protection programs
- .27 The registrant may choose to discuss compliance with industry best practices, including codes of conduct and codes of ethics, as a measure of its management approach to ensuring quality of work and professional integrity. Examples include, but are not limited to, the CFP Board's Code of Ethics & Professional Responsibility and the Institute of Management Consultants' Code of Ethics.

SV0102-07. Amount of legal damages awarded in lawsuits involving professional integrity or duty of care

- .28 The registrant shall disclose the amount (excluding legal fees) of compensatory and punitive damages awarded against it in lawsuits involving professional integrity or duty of care, including, but not limited to, those related to negligence and malpractice. The amount should reflect damages awarded during the fiscal year, even if the case is pending an appeal process.

Note to SV0102-07

- .29 The registrant shall briefly describe the nature (e.g., negligence) and context of the lawsuits that resulted in damages.
- .30 The registrant shall describe any corrective actions it has implemented as a result of unfavorable rulings in lawsuits involving duty of care. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Notes

Definitions

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Additional References

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Hotels & Lodging

SICST™ #SV0201

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Hotels & Lodging

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

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For instructions on providing comments to SASB, please [click here](#).

For an introduction to SASB Standards, please [click here](#).

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SASB Sustainability Accounting Standard

Hotels & Lodging (SV0201)

Industry Description

The Hotels & Lodging industry is composed of companies that provide short-term accommodation, including hotels, motels, and inns, and is dominated by large hotel chains. It is a competitive industry in which customers base purchase decisions on a wide range of factors including quality and consistency of services, availability of locations both domestically and internationally, price, and loyalty program offers. While most major companies are U.S.-based, a handful are international. Businesses are often structured in one or more of the following ways: direct revenue from hotel services including room rental and food and beverage sales; management and franchise services with fee revenue from property management; and vacation residential ownership with revenue from sales of residential units.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy & Water Management	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	SV0201-01
	Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic Meters, Percentage (%)	SV0201-02
Ecological Impacts	Amount of waste from operations, percentage recycled	Quantitative	Tons (t), Percentage (%)	SV0201-03
	Percentage of lodging properties operated, owned, or leased in or near areas of protected conservation status or endangered species habitat	Quantitative	Percentage (%)	SV0201-04
Fair Labor Practices	(1) Voluntary and (2) involuntary employee turnover rate for lodging facility staff	Quantitative	Percentage (%)	SV0201-05
	Amount of legal and regulatory fines and settlements associated with fair labor practices ¹	Quantitative	Number, U.S. Dollars (\$)	SV0201-06
	Percentage of hotel staff earning minimum wage, ratio of average wage for hotel staff relative to national minimum wage	Quantitative	Percentage (%), Ratio	SV0201-07

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of rooms	Quantitative	Number	SV0201-A
Average occupancy rate ²	Quantitative	Rate	SV0201-B

¹ Note to SV0201-06 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

² Measured as the number of occupied rooms divided by the number of rooms available across all properties.

Accounting Metric	Category	Unit of Measure	Code
Square footage of lodging facilities	Quantitative	Square Footage (ft ²)	SV0201-C
Number of lodging facilities and percentage: (a) managed, (b) owned and leased, (c) franchised	Quantitative	Number, Percentage (%)	SV0201-D
Percentage of employees that are (a) full-time, (b) part-time, (c) contract, percentage seasonal	Quantitative	Percentage (%)	SV0201-E

Energy & Water Management

Description

Energy and water management are of particular relevance to hotel and lodging companies due to their relatively large consumption of and dependence on these resources. Energy costs comprise approximately 6 percent of industry operating costs, while water represents roughly 10 percent. Energy is used primarily in heating, ventilation, cooling, water heating, lighting, kitchens, and laundry. Water is consumed in restrooms, kitchens, and landscaping, and while these are not the industry's greatest operating costs, substantial price increases or reduced water availability could significantly impact financial results or even the ability to operate. The financial importance of this issue is likely to rise in future years as energy and water costs rise, especially in areas of water scarcity, or where energy is sourced heavily from the electrical grid and fossil fuels. Companies that can simultaneously maintain quality of service and improve water and energy efficiency can reduce operating costs and lower risks presented by long-term resource availability constraints.

Accounting Metrics

SV0201-01. Total energy consumed, percentage grid electricity, percentage renewable energy

- The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
 - The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.
- The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
 - The scope of renewable energy includes the renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity. For all renewable energy consumed as electricity in this manner, RECs must be retired on behalf of the registrant to be claimed as renewable energy as part of this disclosure.
 - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim the renewable energy;
 - For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim the renewable energy.
 - The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.³
- Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
 - For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute
 - Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard
- The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

³ SASB recognizes that RECs reflect the environmental attributes of renewable energy that has been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix absent the market for RECs.

- Purchased natural gas is not a renewable source of energy; therefore, consumption of natural gas is included in the total energy consumed, but is not included in the disclosed renewable percentage.

SV0201-02. Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

- The registrant shall disclose the amount of water (in cubic meters) that was withdrawn from fresh water sources for use in operations.
 - Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a total dissolved solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
 - Water obtained from a water utility can be assumed to meet the definition of fresh water.
- The registrant shall disclose the total amount of water by volume (in cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.
 - Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.
- Using the World Resources Institute’s (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

Notes

Definitions

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Additional References

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Ecological Impacts

Description

Hotels, particularly those in rural locations, can impact the local ecosystem not only through new development but also through their regular operations. Biodiversity can be impacted by intrusions into and direct harm to plant and animal habitats. Mismanagement of this issue can negatively impact the financial performance of hotel and lodging companies. For example, hotel operators may face local or regulatory opposition to planned new projects or expansion due to adverse environmental impacts, resistance from the local community, or reputational damage.

Accounting Metrics

SV0201-03. Amount of waste from operations, percentage recycled

- The amount of total waste shall be calculated in metric tons, where waste is defined as anything for which the registrant has no further use and which would otherwise be discarded or released into the environment.
 - The scope includes any Subtitle D Solid Waste as defined by the Resource Conservation and Recovery Act (RCRA) (40 CFR § 261.2). This disclosure is likely to comprise mostly municipal solid waste, which includes durable goods, non-durable goods, containers and packaging, food wastes and yard trimmings, and miscellaneous inorganic wastes.⁴
- The percentage recycled shall be calculated as the weight of waste material that was reused plus the weight recycled or remanufactured (through treatment or processing) by the registrant, plus the amount sent externally for further reuse, recycling, or remanufacturing, divided by the total weight of waste material, where:
 - Reused materials are defined as those recovered products or components of products that are used for the same purpose for which they were conceived.
 - Recycled and remanufactured materials are defined as waste materials that have been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.
 - The scope of recycled and remanufactured products includes primary recycled materials, co-products (outputs of equal value to primary recycled materials), and by-products (outputs of lesser value to primary recycled materials).
 - Portions of products and materials that are disposed of in landfills are not considered recycled; only the portions of products that are directly incorporated into new products, co-products, or by-products shall be included in the percentage recycled.
 - Materials sent for further recycling include those materials that are transferred to a third party for the expressed purpose of reuse, recycling, or refurbishment.
 - Materials incinerated, including for energy recovery, are not considered reused or recycled. Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, and with recovery of the heat.

SV0201-04. Percentage of lodging properties operated, owned, or leased in or near areas of protected conservation status or endangered species habitat

- The registrant shall calculate percentage as the number of hotel properties operated, owned, or leased in sites with protected conservation status, plus the number of properties in areas of endangered species habitat, divided by the registrant's total number of hotel properties (operated, owned, or leased).
 - The scope includes franchise locations.
- Properties are considered to be in areas of protected conservation status if they are located within:
 - International Union for Conservation of Nature (IUCN) Protected Areas (categories I-VI).
 - Ramsar Wetlands of International Importance.
 - UNESCO World Heritage Sites.
 - Biosphere Reserves recognized within the framework of UNESCO's Man and Biosphere (MAB) Programme.

⁴ <http://www.epa.gov/reg3wcmd/solidwastesummary.htm#waste>

- Natura 2000 sites.
- Sites that meet the IUCN’s definition of a protected area: “A protected area is a clearly defined geographical space, recognized, dedicated, and managed through legal or other effective means to achieve the long term conservation of nature with associated ecosystem services and cultural values.”⁵
 - These sites may be listed in the World Database of Protected Areas (WDPA) and mapped on ProtectedPlanet.net.
- Properties are considered to be in or near endangered species habitat if they are in or near areas where IUCN Red List of Threatened Species that are classified as Critically Endangered (CR) or Endangered (EN) are extant.
 - A species is considered extant in an area if it is a resident, present during breeding or non-breeding season, or if it makes use of the area for passage.
- For the purposes of this disclosure, “near” is defined as within five kilometers (km) of the boundary of an area of protected conservation status or an endangered species habitat.
- The registrant may choose to separately identify properties in areas with additional ecological, biodiversity, or conservation designations such as those listed by the [A-Z Guide of Areas of Biodiversity Importance](#) prepared by the United Nations Environment Programme's World Conservation Monitoring Centre (UNEP-WCMC).
- The registrant may choose to provide discussion around properties that are located in protected areas or endangered species habitat but that present low risk to biodiversity or ecosystem services. The registrant may choose to provide similar discussion for properties located in areas with no official designation of high biodiversity value but that present high biodiversity or ecosystem services risks.

Notes

Definitions

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Additional References

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⁵ Dudley, N. (ed.) (2008) *Guidelines for Applying Protected Areas Management Categories*. IUCN: Gland, Switzerland. p.8-9.

Fair Labor Practices

Description

The tourism industry, which includes hotels and lodging, is labor-intensive. Many of the staff are low-skilled, part-time, or seasonal workers. Globally, it is among top job creators and is an entry point for youth, women, and migrant workers to join the workforce. The gradual increase in U.S. workforce education attainment has reduced labor availability, as many are unwilling to accept the lower wages and long hours common in the hotel industry. As a result, a majority of the U.S. hospitality industry workforce is composed of minorities, many of whom are recent immigrants. Though turnover rates are typically high in this industry, good working conditions may lower turnover rates and result in significant savings. Additionally, hotels can limit reputational risk and contingent liabilities by ensuring fair treatment.

Accounting Metrics

SV0201-05. (1) Voluntary and (2) involuntary employee turnover rate for lodging facility staff

- The registrant shall disclose employee turnover of facility staff as a percentage, where:
 - Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
 - The scope of disclosure excludes managers and executives, and all calculations are based on numbers of facility staff.
- The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignation, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.
- The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, expiry of contract, etc.) during the fiscal year, divided by the number of employees during the fiscal year.

SV0201-06. Amount of legal and regulatory fines and settlements associated with fair labor practices

- The registrant shall disclose the amount (excluding legal fees) of all fines and settlements associated with fair labor practices, including, but not limited to, those related to violations of the Fair Labor Standards Act, such as those relating to wages, work hours, overtime, and meal and rest breaks.
- Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to SV0201-06

- The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.
- The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0201-07. Percentage of hotel staff earning minimum wage, ratio of average wage for hotel staff relative to national minimum wage

- The registrant shall disclose the percentage of hotel staff earning minimum wage, where:
 - Minimum wage is defined as the local or prevailing minimum wage applicable for each worker.
 - Hotel staff excludes managers and executives
 - The scope of disclosure is employees of registrant-owned or -operated hotels.
 - The scope excludes employees of franchise locations.
- The registrant shall disclose the ratio of its average wage for hotel staff relative to the national minimum wage by country, for the top five countries (by revenue) in which it operates, where:
 - The average wage for hotel staff is calculated as the total hotel staff wages for the fiscal year, divided by the number of hours worked by hotel staff during the fiscal year, by country.
 - The top five countries by revenue represent the five countries in which the company generated the most revenue from registrant-owned hotels. This disclosure excludes franchise locations.

- The registrant may choose to discuss its sensitivity to future adjustments in minimum wage as well as its consideration of a living wage, as described in the 2014 ILO report on Minimum Wage Systems.⁶

Notes

Definitions

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Additional References

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⁶ Minimum Wage Systems, General Survey of the Reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), International Labour Conference, 103rd Session, Report III (Part 1B), 2014



Casinos & Gaming

SICST™ #SV0202

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Casinos & Gaming

Sustainability Accounting Standard

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SASB Sustainability Accounting Standard

Casinos & Gaming (sv0202)

Industry Description

Publicly held casinos and gaming companies operate gambling facilities or platforms, including brick-and-mortar casinos, riverboat casinos, online gambling sites, and racetracks. While Native American casinos significantly outnumber commercial casinos, the latter category is characterized by several major players that operate hotels on the same premises as commercial casinos. Macau in China has overtaken Las Vegas as the world's largest gambling destination. Domestic providers are looking overseas for expansion, and a few major players have already established casinos in Macau. The proliferation of online gambling is another source of competition.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy & Water Management	Total energy consumed, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	SV0202-01
	Total water consumed, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m ³), Percentage (%)	SV0202-02
Responsible Gaming	Percentage of gaming facilities in compliance with Responsible Gambling Index criteria	Quantitative	Percentage (%)	SV0202-03
Business Ethics & Internal Controls	Description of management approach to prevention of corruption, bribery, and money laundering, and due diligence procedures applicable to business partners	Discussion and Analysis	n/a	SV0202-04
Management of the Legal & Regulatory Environment	Amount of political campaign spending, lobbying expenditures, and contributions to tax-exempt groups including trade associations	Quantitative	U.S. Dollars (\$)	SV0202-05
	Five largest political, lobbying, or tax-exempt group expenditures	Quantitative	U.S. Dollars (\$), by recipient	SV0202-06

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of tables	Quantitative	Number	SV0202-A
Total visitation	Quantitative	Number	SV0202-B
Number of slots	Quantitative	Number	SV0202-C

Accounting Metric	Category	Unit of Measure	Code
Square footage of casino ¹	Quantitative	Square footage (ft ²)	SV0202-D
Percentage of gaming revenue from (a) casino gaming (b) online gaming (c) racetrack gaming	Quantitative	Percentage (%)	SV0202-E

¹ For an integrated resort, casino space is defined as the areas used for gaming activities and associated amenities (e.g. restrooms, entryways, and open space), but excluding restaurant and hotel operations.

Energy & Water Management

Description

The Casinos & Gaming industry is dominated by companies that operate hotels or resorts on the same premises where they operate their casinos. Water and energy management are of particular relevance to casino operators due to their reliance on continuous operations and significant potential for cost savings if these resources are well managed. Casinos are extremely energy-intensive commercial buildings, using up to five times as much energy per square foot as an average large hospital whose energy needs are significant. Energy is used primarily in heating, ventilation, cooling, water heating, lighting, kitchens, and laundry. Water is consumed in restrooms, kitchens, and landscaping, and while these are not the industry's greatest operating costs, substantial price increases or reduced water availability could significantly impact financial results and the ability to operate.

Accounting Metrics

SV0202-01. Total energy consumed, percentage renewable energy

- .01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
 - The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .03 When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- .04 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
 - The scope of renewable energy includes the renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity. For all renewable energy consumed as electricity in this manner, RECs must be retired on behalf of the registrant to be claimed as renewable energy as part of this disclosure.
 - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim the renewable energy;
 - For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim the renewable energy.
 - The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.²
- .05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
 - For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute
 - Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard
- .06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).
- .07 Purchased natural gas is not a renewable source of energy; therefore, consumption of natural gas is included in the total energy consumed, but is not included in the disclosed renewable percentage.

² SASB recognizes that RECs reflect the environmental attributes of renewable energy that has been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix absent the market for RECs.

SV0202-02. Total water consumed, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

- .08 The registrant shall disclose the amount of water (in cubic meters) that was withdrawn from fresh water sources for use in operations.
- Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
 - Water obtained from a water utility can be assumed to meet the definition of fresh water.³
- .09 The registrant shall disclose the total amount of water by volume (in cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.
- Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.
- .10 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.

Notes

Definitions

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Additional References

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³ <http://water.epa.gov/drink/contaminants/secondarystandards.cfm>

Responsible Gaming

Description

Casinos have the ability to boost economic activity in the community by providing job opportunities and increasing commerce. However, casinos are often perceived to be associated with social ills in the nearby communities. Companies may face backlash or resistance from communities where they plan to build. The issue of community impacts is closely linked to the prevalence of problem and pathological gamblers in the vicinity of a casino. While casinos themselves do not cause the problem, the reputation of companies in the industry is likely to be impacted if they are involved in highly publicized cases involving violations of self-exclusion lists, irresponsible advertising, gambling by minors, or otherwise enabling gambling problems. In determining whether to grant or allow the continued possession of a gaming license, regulatory authorities consider, among many other factors, a casino's economic and social impact. Companies in the industry that properly manage the issue are more likely to minimize risks to their social license to operate and avoid costly license suspensions or revocations and project delays; by doing so they are more likely to minimize negative impacts to their cash flows and cost of capital.

Accounting Metrics

SV0202-03. Percentage of gaming facilities in compliance with Responsible Gambling Index criteria

- .11 The registrant shall disclose the percentage of its gaming facilities that comply with the Responsible Gambling Index (RG Index) criteria, where:
- The [RG Index](#) is a set of standards that provides objective and independent benchmarks for the quality of responsible gambling programs designed and delivered by gaming companies in order to provide a high standard of consumer protection. The RG Index was developed by the Responsible Gambling Council (RGC) Centre for the Advancement of Best Practices.
 - The eight core responsible gambling standards within the RG Index are: corporate policies, self-exclusion, advertising and promotion, informed decision-making, assisting patrons who may have problems with gambling, access to money, venue and game features, and employee training. Specific criteria for the RG Index can be found here: <http://rgcheck.com/gaming-venues/standards-and-criteria>
 - Gaming facilities are defined as any registrant-owned facility where gambling occurs under the auspices of the registrant's operations.
- .12 Compliance with the RG Index criteria is defined as achieving compliance with 50 percent or more of the criteria within each of the eight standards as well as an overall compliance with at least 70 percent of the criteria. While this definition of compliance is aligned with the RG Check Accreditation scoring process, for the purpose of this disclosure a registrant may report compliance with the criteria without seeking certification.

Notes

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Additional References

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Business Ethics & Internal Controls

Description

With fairly mature U.S. gaming markets, companies in this industry are looking abroad, particularly in China, for higher levels of growth. Unlike their international competitors, U.S. companies are subject to the Foreign Corrupt Practices Act (FCPA) and must abide by a strict level of conduct. This can be difficult in countries with high levels of corruption. Additionally the large volume of cash transactions in casinos makes them the subject of various reporting and anti-money laundering regulations. Violations of anti-bribery and anti-money laundering regulations can lead to significant fines and increases in contingent liabilities.

Accounting Metrics

SV0202-04. Description of management approach to prevention of corruption, bribery, and money laundering, and due diligence procedures applicable to business partners

- .13 The registrant shall discuss its management system and due diligence procedures for assessing and managing corruption, bribery, and money laundering risks internally and associated with business partners in its value chain.
 - Relevant business partners include customers, suppliers, contractors, and subcontractors
- .14 Relevant aspects of a management system include employee awareness and training programs on anti-bribery and corruption laws, background checks, internal mechanisms for reporting and following up on suspicious activities, and anti-corruption policies.
- .15 The registrant may choose to discuss the implementation of one or more of the following:
 - Financial Action Task Force (FATF) Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion⁴
 - FATF Guidance on the Risk-Based Approach for Casinos
 - U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) Guidance on Anti-Money Laundering Programs⁵
 - FinCEN Suspicious Activity Reporting Guidance for Casinos⁶
 - FinCEN Guidance on Preparing A Complete & Sufficient Suspicious Activity Report Narrative⁷
 - e-CFR "Know Your Customer" Guidance⁸
 - American Gaming Association (AGA) Code of Conduct for Responsible Gaming
 - AGA Suspicious Activity Reporting Policy guidelines⁹

Notes

Definitions

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Additional References

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⁴ http://www.fatf-gafi.org/media/fatf/documents/reports/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf

⁵ "Casino Recordkeeping, Reporting, and Compliance Program Requirements" http://fincen.gov/statutes_regs/guidance/pdf/Casino_FAQs_Final.pdf

⁶ http://www.fincen.gov/news_room/rp/files/sar_guidance_casino.pdf

⁷ http://www.fincen.gov/news_room/rp/files/sar_guidance_narrative.pdf

⁸ <http://www.ecfr.gov/cgi-bin/text-idx?rgn=div9&node=15:2.1.3.4.21.0.1.7.22>

⁹ http://www.americangaming.org/sites/default/files/uploads/docs/factsheets/sarc_policy_6.pdf

Management of the Legal & Regulatory Environment

Description

The interaction of companies in the gaming industry with their legal and regulatory environment can have material impacts on shareholder value. This can be a result of casino companies' significant spending on lobbying and political contributions or as a result of changes in laws or policies that can affect their operations. Due to the nature of the U.S. market, state legislation in particular can have material impacts on business. Efforts to influence state laws and regulations may unfairly affect companies' reputations and social license to operate. Companies with a clear strategy for engaging policymakers and regulators that accounts for societal externalities and is aligned with their goals and activities for long-term sustainable outcomes could benefit from a stronger long-term license to operate.

Accounting Metrics

SV0202-05. Amount of political campaign spending, lobbying expenditures, and contributions to tax-exempt groups including trade associations

- .16 The registrant shall disclose its total monetary contributions to political campaigns, lobbyists or lobbying organizations, and tax-exempt groups, including trade associations that aim to influence political campaigns or participate in political lobbying
- .17 The scope of disclosure includes the following:
 - Political spending, which includes any direct or indirect contributions or expenditures in support of, or opposition to, a candidate for public office or a ballot measure.
 - Any payments made to trade associations or tax-exempt entities that are used to influence a political campaign (including advocacy organizations, commonly classified as social welfare organizations under Section 501(c)(4) of the Internal Revenue Code, or business leagues, chambers of commerce, boards of trade, and similar organizations classified under Section 501(c)(6) of the Internal Revenue Code).
 - Any direct or indirect political expenditure (one-time or recurring) that must be reported to the Federal Election Commission, the Internal Revenue Service, or a state disclosure agency.
 - Any direct or indirect contributions to registered lobbyists or lobbying organizations, including contributions made to trade organizations that contribute to political lobbying efforts.

SV0202-06. Five largest political, lobbying, or tax-exempt group expenditures

- .18 The registrant shall disclose the recipients of its five largest contributions disclosed in SV0202-05, defined as the five largest amounts in aggregate during the fiscal year that were contributed to an individual candidate, organization, ballot measure, or lobbying issue topic.
 - The registrant shall aggregate, at the state level, all political contributions or contributions in kind associated with the host community of a registrant's proposed gaming establishment, including those made to a state gaming commission, a state-level political campaign, a municipality, a municipal employee, or a local political campaign.
- .19 The registrant shall disclose the amount (in U.S. dollars) contributed to each individual, organization, ballot measure, or lobbying issue topic.
- .20 The registrant shall consider lobbying issue topics, at a minimum, to be general lobbying issue codes defined by The Lobbying Disclosure Act of 1995, but should include specific lobbying issues where available.

Notes

Definitions

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Additional References

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Restaurants

SICST™ #SV0203

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Restaurants

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

For an introduction to SASB Standards, please [click here](#).

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SASB Sustainability Accounting Standard

Restaurants (SV0203)

Industry Description

Companies in the Restaurants industry prepare meals, snacks, and beverages to customers' order for immediate on- and off-premises consumption. Broadly divided into three sub-categories, the restaurant industry includes casual family full-service eating places, limited-service eating places, and upscale family full-service eating places. For publicly held restaurants, all locations are operated either by the company or franchisees, including franchise arrangements, developmental licensees, and foreign affiliated markets under license agreements. Companies can earn revenues from sales at company-owned stores and franchise fees. While company-owned stores are more vulnerable to the economic environment, franchising takes many factors out of the control of franchisor. American companies are expanding internationally into Europe and the BRIC countries (Brazil, Russia, India, and China) countries as they are facing saturated markets at home.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy & Water Management	Total energy consumed, percentage grid electricity, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	SV0203-01
	Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Cubic meters (m ³), Percentage (%)	SV0203-02
Food & Packaging Waste Management	Amount of waste, percentage as (1) food waste and (2) packaging waste, percentage recycled	Quantitative	Tons (t), Percentage (%)	SV0203-03
Food Safety	Percentage of restaurants inspected for food safety, percentage with high-risk violations	Quantitative	Percentage (%)	SV0203-04
	Number of food-related recalls, total amount of food product recalled ¹	Quantitative	Number, Tons (t)	SV0203-05
	Number of confirmed foodborne illness outbreaks, percentage resulting in CDC investigation ²	Quantitative	Number, Percentage (%)	SV0203-06
Nutritional Content	Percentage of meal options consistent with the Dietary Guidelines for Americans or foreign equivalent, percentage sold	Quantitative	Percentage (%)	SV0203-07
	Percentage of kid's meal options consistent with national dietary guidelines for children, percentage sold	Quantitative	Percentage (%)	SV0203-08

¹ Note to SV0203-05 – Disclosure shall include a description of notable recalls and corrective actions implemented in response to events.

² Note to SV0203-06 – Disclosure shall include a description of notable foodborne illness outbreaks and corrective actions implemented in response to events.

Topic	Accounting Metric	Category	Unit of Measure	Code
	Percentage of campaigns that comply with the Children’s Food and Beverage Advertising Initiative’s (CFBAI) voluntary self-regulatory programs and policies	Quantitative	Percentage (%)	SV0203-09
	Description of significant health and nutritional trends affecting key customer segments and their impact on demand for registrant’s products	Discussion and Analysis	n/a	SV0203-10
Fair Labor Practices	(1) Voluntary and (2) involuntary employee turnover rate for restaurant facility staff	Quantitative	Percentage (%)	SV0203-11
	Percentage of restaurant staff earning minimum wage, ratio of average wage for restaurant staff relative to national minimum wage	Quantitative	Percentage (%), Ratio	SV0203-12
	Amount of legal and regulatory fines and settlements associated with fair labor practices ³	Quantitative	U.S. Dollars (\$)	SV0203-13
Supply Chain Management	Percentage of food supply sourced in conformance with environmental and social standards, percentage third-party certified	Quantitative	Percentage (%) by weight	SV0203-14
	Discussion of strategy to manage supply chain risks and constraints from environmental and social trends	Discussion and Analysis	n/a	SV0203-15
	Description of environmental and social sourcing targets that were active in the fiscal year, and an analysis of performance against the targets ⁴	Discussion and Analysis	n/a	SV0203-16

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of transactions	Quantitative	Number	SV0203-A
Aggregate restaurant square footage	Quantitative	Square footage (ft ²)	SV0203-B
Number of (1) company-owned and (2) franchise restaurants	Quantitative	Number	SV0203-C

³ Note to SV0203-13 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

⁴ Note to SV0203-16 – Disclosure shall include a discussion of environmental and social priorities within the supply chain, such as reducing greenhouse gas emissions, minimizing water consumption or pollution, ensuring labor rights, minimizing chemical use, and ensuring animal welfare, among others.

Energy & Water Management

Description

The Restaurants industry relies on energy for value creation and has great opportunities for energy-related cost savings enabled by technology improvements and other efficiencies. The U.S. EPA estimates that restaurants use about 2.5 times more energy per square foot than other commercial buildings. Quick-serve restaurants operate up to 16 to 20 hours each day for extended periods of time. Food preparation and heating, ventilation, and air conditioning (HVAC) are the most energy-intense activities, accounting for 35 and 28 percent of energy consumption, respectively, in an average full-service restaurant. Water used in hospitality establishments including restaurants accounts for approximately 15 percent of the total water use in commercial and institutional facilities in the U.S. Major uses of water in restaurants are food and beverage preparation, ice making, dishwashing, and sanitation. Water efficiency measures in company-owned stores can directly impact the bottom line. However, companies that can also influence water management at their franchise locations will have a more significant impact on reducing indirect environmental impact. Reducing the risk of franchises being impacted by future water constraints will ensure sustained growth.

Accounting Metrics

SV0203-01. Total energy consumed, percentage grid electricity, percentage renewable energy

- .01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
 - The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .03 When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- .04 The registrant shall disclose purchased grid electricity consumption as a percentage of its total energy consumption.
- .05 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
 - The scope of renewable energy includes the renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity. For all renewable energy consumed as electricity in this manner, RECs must be retired on behalf of the registrant to be claimed as renewable energy as part of this disclosure.
 - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim the renewable energy;
 - For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim the renewable energy.
 - The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.⁵
- .06 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
 - For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute
 - Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard

⁵ SASB recognizes that RECs reflect the environmental attributes of renewable energy that has been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix absent the market for RECs.

- .07 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).
- .08 Purchased natural gas is not a renewable source of energy; therefore, consumption of natural gas is included in the total energy consumed, but is not included in the disclosed renewable percentage.
- .09 For registrant's operations that are not sub-metered in a way that allows direct measurement of energy use, estimation is acceptable and shall be disclosed as such.

SV0203-02. Total water withdrawn, percentage recycled, percentage in regions with High or Extremely High Baseline Water Stress

- .10 The registrant shall disclose the amount of water (in thousands of cubic meters) that was withdrawn from fresh water sources for use in operations.
 - Fresh water may be defined according to the local statutes and regulations where the registrant operates. Where there is no regulatory definition, fresh water shall be considered to be water that has a solids (TDS) concentration of less than 1000 mg/l per the Water Quality Association [definition](#).
 - Water obtained from a water utility can be assumed to meet the definition of fresh water.⁶
- .11 The registrant shall disclose the total amount of water by volume (in thousands of cubic meters) that was recycled during the fiscal year. This figure shall include the amount recycled in closed-loop and open-loop systems.
 - Any volume of water reused multiple times shall be counted as recycled each time it is recycled and reused.
- .12 Using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct (publicly available online [here](#)), the registrant shall analyze all of its operations for water risks and identify facilities that are in a location with High (40–80%) or Extremely High (>80%) Baseline Water Stress. Water withdrawn in locations with High or Extremely High Baseline Water Stress shall be indicated as a percentage of the total water withdrawn.
- .13 For registrant's operations that are not sub-metered in a way that allows direct measurement of water use, estimation is acceptable and shall be disclosed as such.

Notes

Definitions

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⁶ <http://water.epa.gov/drink/contaminants/secondarystandards.cfm>

Food & Packaging Waste Management

Description

Restaurants produce two main types of waste: food and packaging. Food waste includes ingredients; waste created during cooking, such as oil; and waste of the final product. Packaging waste includes packaging received from suppliers and packaging disposed by consumers in restaurant areas. Food waste results in loss of resources, such as water, energy, land, labor, and capital, and produces greenhouse gas emissions as a result of decomposition. Companies that are able to reduce waste through various methods including food recovery, diverting waste from landfills, and packaging reclamation programs can reduce costs and improve efficiency. Pressure to divert waste from landfills may result in higher disposal costs.

Accounting Metrics

SV0203-03. Amount of waste, percentage as (1) food waste and (2) packaging waste, percentage recycled

- .14 The amount of total waste shall be calculated in metric tons, where waste is defined as anything for which the registrant has no further use and which would otherwise be discarded or released into the environment.
- The scope includes any Subtitle D Solid Waste as defined by the Resource Conservation and Recovery Act (RCRA) (40 CFR § 261.2), including municipal solid wastes, such as durable goods, non-durable goods, containers and packaging, food wastes and yard trimmings, and miscellaneous inorganic wastes.⁷
 - The scope is limited to waste handled within the registrant's facilities, such as food waste, packaging received from suppliers, waste discarded in facilities by customers, and the packaging given to customers. Excluded from this scope is food waste that is discarded off-site by customers.
- .15 The registrant shall disclose the percentage of waste that comprises (1) food waste and (2) packaging waste, where:
- "Food waste" refers to any food-grade waste associated with food or the processing and cooking of food, including cooking oil.
 - "Packaging waste" includes the packaging that is received by the registrant from its suppliers and the packaging given to consumers at the point of sale.
- .16 The percentage recycled shall be calculated as the weight of waste material that was reused plus the weight recycled or remanufactured (through treatment or processing) by the registrant, plus the amount sent externally for further reuse, recycling, or remanufacturing, divided by the total weight of waste material, where:
- Reused materials are defined as those recovered products or components of products that are used for the same, or substantially similar, purpose for which they were conceived.
 - For the purposes of this disclosure, donation of surplus food to social service agencies and/or charitable organizations, including for human or animal consumption, shall be considered reused, consistent with the EPA Waste Hierarchy.⁸
 - Recycled and remanufactured materials are defined as waste materials that have been reprocessed or treated by means of production or manufacturing processes and made into a final product or a component for incorporation into a product.
 - For the purposes of this disclosure, the composting of materials shall be considered recycling, consistent with the EPA Waste Hierarchy.
 - The scope of recycled and remanufactured products includes primary recycled materials, co-products (outputs of equal value to primary recycled materials), and by-products (outputs of lesser value to primary recycled materials).
 - Portions of products and materials that are disposed of in landfills are not considered recycled; only the portions of products that are directly incorporated into new products, co-products, or by-products shall be included in the percentage recycled.
 - Materials sent for further recycling include those materials that are transferred to a third party for the expressed purpose of reuse, recycling, or refurbishment.
 - Materials incinerated, including for energy recovery, are not considered reused or recycled. Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration, with or without other waste, but with recovery of the heat.

⁷ <http://www.epa.gov/reg3wcmd/solidwastesummary.htm#waste>

⁸ <http://www.epa.gov/waste/nonhaz/municipal/hierarchy.htm>

Notes

Definitions

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Additional References

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Food Safety

Description

Food safety is of the utmost importance to restaurants. Both food preparation methods and quality of ingredients can impact food safety. Regulations across states and countries vary with regard to the frequency of food vendor inspections, the type of grading or scoring system used to rate the safety of food vendors, and public disclosure of inspection scores. In the U.S., most foodborne illness outbreaks linked to restaurants are related to unsafe food handling by workers. Food safety concerns in either company-owned or franchise-operated locations pose risks to reputation and revenue.

Accounting Metrics

SV0203-04. Percentage of restaurants inspected for food safety, percentage with high-risk violations

- .17 The registrant shall disclose the percentage of restaurants that were inspected for food safety, calculated as the total number of restaurants that were inspected at least once during the fiscal year, divided by the total number of restaurants in operation during the fiscal year, where:
 - The scope of inspections covers those carried out by a health and/or food safety oversight body, including any local, county, state, or national health organization with jurisdiction over compliance with health codes and regulations.
- .18 The registrant shall disclose the percentage of inspected restaurants with high-risk violations, calculated as the total number of inspected restaurants that received any high-risk violations during the fiscal year, divided by the total number of restaurants that were inspected during the fiscal year, where:
 - High-risk violations are defined as violations that directly relate to the transmission of foodborne illnesses, the adulteration of food products, and/or the contamination of food-contact surfaces.⁹
- .19 The registrant may choose to discuss its approach to assuring food safety in its operations in regions where inspections are not routinely conducted.

SV0203-05. Number of food-related recalls, total amount of food product recalled

- .20 The registrant shall disclose the total number of voluntary and involuntary food-related recalls, where:
 - Food-related recalls are defined as those that occur when there is reason to believe that a food may cause consumers to become ill.
 - Involuntary recalls are those required by government agencies (e.g., the FDA or USDA¹⁰ in the U.S., or the CFDA in China¹¹).
 - Voluntary recalls are those initiated by a food manufacturer or distributor in order to take foods off the market.¹²
- .21 The registrant shall disclose the total amount (in tons) of food product that was recalled during the fiscal year.
- .22 The registrant may choose, in addition to total number of food-related recalls, to disclose the percentage of recalls that were (1) voluntarily and (2) involuntarily issued.

Note to SV0203-05

- .23 The registrant shall discuss notable recalls such as those that affected a significant number of customers or those related to serious injury or fatality.
- .24 For such recalls the registrant should provide:
 - Description and cause of the recall issue
 - The total amount of the item recalled
 - The cost to remedy the issue (in U.S. dollars)

⁹ In the U.S., local public health departments regularly inspect businesses serving food to ensure restaurants are following safe food handling procedures. Local laws regulate how frequently these inspections take place and which specific items the inspectors look for, and therefore the specific definitions of high-risk violation may vary. For the purposes of this disclosure, high-risk violation is defined consistent with the San Francisco Department of Public Health's definition. See: <http://www.sfdph.org/dph/eh/food/score/default.asp>

¹⁰ The FDA has jurisdiction over all food, with the exception of meat, poultry, and egg products, for which the USDA has jurisdiction.

¹¹ <http://eng.sfdph.org/cn/WS03/CL0755/>

¹² <http://www.foodsafety.gov/>

- Whether the recall was voluntary or involuntary
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings, customer fatalities)

SV0203-06. Number of confirmed foodborne illness outbreaks, percentage resulting in CDC investigation

.25 The registrant shall disclose the total number of incidents of confirmed foodborne illness outbreak associated with its restaurant, where:

- Foodborne illness is defined as sickness resulting from different disease-causing microbes or pathogens, poisonous chemicals, or other toxins that can contaminate foods. Most foodborne illnesses are infections, caused by a variety of bacteria, viruses, and parasites that can be foodborne and which enter the body through the gastrointestinal tract, often causing the first symptoms there. Nausea, vomiting, abdominal cramps, and diarrhea are common symptoms in many foodborne diseases.¹³
- Foodborne illness outbreak is defined as two or more cases of foodborne illness occurring during a limited period of time with the same organism that are associated with either:
 - the same food service operation, such as a restaurant, or
 - the same food product
- In the case of botulism, a single case is considered an outbreak due to the severity of the illness and the possibility that a source food may cause others to become seriously ill.¹⁴
- Confirmed foodborne illness outbreaks are defined as those that were investigated by public health officials and found to be valid cases of foodborne illness outbreak.

.26 The registrant shall disclose the percentage of foodborne illness outbreaks that resulted in Center for Disease Control and Prevention (CDC) investigation, calculated as the total number of confirmed foodborne illness outbreaks that reached the level of severity resulting in CDC investigation divided by the total number of confirmed foodborne illness outbreaks that occurred within the CDC's jurisdiction.

- Outbreaks that resulted in investigation by the CDC may include those that involve large numbers of people, severe or unusual illness, or widespread outbreaks that affect many states at once.¹⁵
- The scope excludes those investigations that were conducted exclusively at the local or state level and successfully concluded.¹⁶

Note to SV0203-06

.27 The registrant shall discuss notable foodborne illness outbreaks such as those that affected a significant number of customers or those related to serious injury or fatality.

.28 For such outbreaks the registrant should provide:

- Description and cause of the foodborne illness outbreak
- The cost to remedy the issue (in U.S. dollars)
- Corrective actions
- Any other significant outcomes (e.g., legal proceedings, customer fatalities)

.29 The registrant may choose to discuss its approach to ensuring food safety in restaurants such as internal food safety audits, implementation of the Council to Improve Foodborne Outbreak Response (CIFOR) Foodborne Illness Response Guidelines for Owners, Operators, and Managers of Food Establishments¹⁷ or other measures to assure compliance with the U.S. Food and Drug Administration's (FDA) Food Code,¹⁸ or foreign equivalent:

¹³ <http://www.cdc.gov/foodsafety/facts.html#what>

¹⁴ <http://www.fda.gov/Food/ResourcesForYou/Consumers/ucm180323.htm>

¹⁵ <http://www.fda.gov/Food/ResourcesForYou/Consumers/ucm180323.htm>

¹⁶ Most foodborne illness outbreaks are local events, and public health officials in a single city or county health department investigate these outbreaks. When outbreaks spread across several cities or counties, the state health department investigates, often working with the state department of agriculture and federal food safety agencies. State health departments typically receive and analyze routine disease surveillance reports, coordinate surveillance among the local health departments, and report cases of foodborne illness to the Centers for Disease Control and Prevention (CDC). See:

<http://www.cdc.gov/foodsafety/fdoss/surveillance/role.html>

¹⁷ <http://www.cifor.us/documents/CIFOR%20Industry%20Guidelines/CIFOR-Industry-Guidelines.pdf>

¹⁸ The Food Code is intended as a model code and reference document for state, city, county, and tribal agencies that regulate restaurants and other food-service operations, and establishes guidance and enforceable provisions for mitigating risk factors known to cause foodborne illness. See: <http://www.fda.gov/downloads/Food/GuidanceRegulation/UCM189448.pdf>

- The 2009 edition of the Food Code was released jointly by the FDA, the Centers for Disease Control and Prevention (CDC) of the U.S. Department of Health and Human Services (HHS), and the Food Safety and Inspection Service of the U.S. Department of Agriculture (USDA).
- “Foreign equivalent” refers to national health programs in non-U.S. countries. Examples include the General Principles of Food Law (Regulation EC/178/2002) in the E.U., which is overseen and implemented by European Food Safety Authority ¹⁹ and the National Food Safety Standards in China, which are published by the Chinese Ministry of Health. ²⁰

Notes

Definitions

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Additional References

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¹⁹ Individual E.U. Member States may also have other legislation and controls with respect to food safety, provided that they do not prevent trade with other states, and can differ considerably in their internal structures and approaches to the regulatory control of food safety. Inspections are carried out at the country level. See: http://ec.europa.eu/food/food/foodlaw/principles/index_en.htm

²⁰ <http://www.nortonrosefulbright.com/knowledge/publications/76080/food-safety-in-china-from-a-regulatory-perspective>

Nutritional Content

Description

The “obesity epidemic” in the U.S. has put food and beverage industries, including restaurants, under the spotlight. In addition to displaying calorie counts, restaurants are increasingly pressured to improve the nutritional content of menu offerings. Consumer and regulatory pressures towards healthier menus is likely to have a significant impact on the limited service segment of this industry. While menu-labeling laws have existed in smaller jurisdictions for several years, the Affordable Care Act would require all restaurants with 20 or more locations to showcase calorie content information on restaurant menus and menu boards. Pressure on the restaurant industry to offer healthier menus will be exacerbated in consumer segments that are considered more vulnerable. These segments include children and demographic groups with high rates of obesity and obesity-related disease. Restaurants also have to manage the varying perceptions of nutrition in the different markets in which they operate.

Accounting Metrics

SV0203-07. Percentage of meal options consistent with the Dietary Guidelines for Americans or foreign equivalent, percentage sold

- .30 The registrant shall disclose the percentage of meal options that are consistent with the Dietary Guidelines for Americans, where:
- The percentage is calculated as the number of potential meal options that are consistent with 1/3 of the daily nutritional values in the Dietary Guidelines for Americans (or foreign equivalent),²¹ divided by the total number of potential meal options.
 - A meal option includes an entrée, side, and beverage.
 - For the purposes of this disclosure, meal options are the standard choices available to a customer, without menu substitutions. For restaurants where choices are generally a la carte, all combinations of menu items can be considered using a consistent approach for all items.
 - For restaurants with meal options presented in groupings, the standard meal options shall be considered in the menu groupings presented to the customer.
 - The Dietary Guidelines for Americans are jointly issued and updated every five years by the U.S. Department of Agriculture (USDA) and the U.S. Department of Health and Human Services (HHS), and are intended for Americans ages two years and older.
 - The 2010 Dietary Guidelines for Americans are the seventh edition released since 1980 and remain the current edition until the 2015 Dietary Guidelines for Americans are released.²²
 - “Foreign equivalent” refers to national health programs in non-U.S. countries for which the generally accepted dietary guidelines differ from the above. Foreign equivalents shall be applied to the calculation of percentages of meal options and sales in the countries in which they apply. Examples include the Food-Based Dietary Guidelines in Europe²³ and Food-Based Dietary Guidelines in China.²⁴
- .31 The registrant shall disclose the percentage of meals sold that are consistent with the Dietary Guidelines for Americans (or foreign equivalent), where:
- The percentage is calculated as the total number of meals sold that are consistent with the Dietary Guidelines for Americans (or foreign equivalent) divided by the total number of meals sold.
 - Because customers do not always buy complete meals, and tracking individual meal purchases may not be possible, estimations are allowed. If using an estimation for meals sold, the registrant shall indicate as such.

²¹ International Association for the Study of Obesity (Document # EP-201200-35), 2012. Available online:

http://www.rand.org/pubs/external_publications/EP20120035.html

²² <http://www.cnpp.usda.gov/DietaryGuidelines.htm>

²³ Food-based dietary guidelines (FBDG) are simple messages on healthy eating, aimed at the general public. They give an indication of what a person should be eating in terms of foods rather than nutrients, and provide a basic framework to use when planning meals or daily menus. See:

<http://www.eufic.org/article/en/expid/food-based-dietary-guidelines-in-europe/>

²⁴ China’s food-based dietary guidelines (FBDG) were expanded in 1997 to include three parts (i.e., guidelines for the general population, for seven particular population groups [infants, toddlers and preschool children, school-age children, adolescents, pregnant women, lactating mothers, and the aged], and a newly formed food guide pagoda [FGP]). The last version of the Chinese FBDGs was compiled by Chinese Nutrition Society in 2007, and proclaimed by the Ministry of Health in early 2008.

- Possible estimation methods include tracking sale of entrees only as a proxy for complete meals, or reporting the take-rate of healthy menu options relative to overall sales.

SV0203-08. Percentage of kid’s meal options consistent with national dietary guidelines for children, percentage sold

.32 The registrant shall disclose the percentage of kid’s meal options that are consistent with national dietary guidelines for children, where:

- National dietary guidelines for children in the U.S. include the National School Lunch Program²⁵ and/or the National Restaurant Association’s (NRA) Kids LiveWell²⁶ standards.
- National dietary guidelines for children in China include the Food Based Dietary Guidelines²⁷ (FBDG).²⁸
- National dietary guidelines for children in Europe include FBDGs for E.U. Member States²⁹
- The percentage is calculated as the number of potential kid’s meal combinations that are consistent with national dietary guidelines for children divided by the total number of potential kid’s meal combinations.
- A meal option includes an entrée, side, and beverage.
- A kid’s meal option is one that is directly targeted at children aged 2-11 years old.
- The registrant may choose to discuss its voluntary participation in the Kids LiveWell program, including a percentage of its meals and menu items that have been third-party verified by the program.

.33 The registrant shall disclose the percentage of kid’s meals sold that are consistent with the national dietary guidelines for children, where:

- The percentage is calculated as the total number of kid’s meals sold that are consistent with national dietary guidelines for children divided by the total number of kid’s meals sold.
- Because customers do not always buy complete meals, and tracking individual kid’s meal purchases may not be possible, estimations are allowed. If using an estimation for kid’s meals sold, the registrant shall indicate as such.
- Possible estimation methods include tracking sale of kid’s entrees only as a proxy for complete meals, or reporting the number of healthy kid’s menu options (e.g., those verified by the Kids LiveWell program) divided by total sales of kid’s menu options.

SV0203-09. Percentage of campaigns that comply with the Children’s Food and Beverage Advertising Initiative’s (CFBAI) voluntary self-regulatory programs and policies

.34 The registrant shall disclose the percentage of its advertising and marketing campaigns that comply with the voluntary self-regulatory programs and policies of the CFBAI.

.35 The Children’s Food and Beverage Advertising Initiative (CFBAI)³⁰, is a self-regulatory initiative for advertising food and beverage products to children under age 12. CFBAI is a National Partner Program of the Council of Better Business Bureaus. Under the CFBAI Core Principles, member companies agree to:

- Devote 100 percent of their child-directed advertising to better-for-you foods, or to not engage in child-directed advertising of food and beverages;
- Follow the CFBAI category-specific uniform nutrition criteria to govern what foods they may advertise to children;

²⁵ The Final Rule for National School Lunch and School Breakfast Programs, published on January 26, 2012, outlines the meal patterns and nutrition standards that schools must achieve in order to be eligible for funding. These are based on the latest *Dietary Guidelines for Americans*, available online: <http://www.gpo.gov/fdsys/pkg/FR-2012-01-26/pdf/2012-1010.pdf>

²⁶ The Kids LiveWell standards are part of a voluntary industry program, reaching over 42,000 restaurant locations. The Kids LiveWell standards include a particular focus on increasing consumption of fruit and vegetables, lean protein, whole grains, and low-fat dairy, and limiting unhealthy fats, sugars, and sodium. Participating restaurants get third-party verification for qualified meals and individual menu items. Available online: <http://www.restaurant.org/Industry-Impact/Food-Healthy-Living/Kids-LiveWell/About>

²⁷ China’s food-based dietary guidelines (FBDG) were expanded in 1997 to include three parts (i.e., guidelines for the general population, for seven particular population groups [infants, toddlers and preschool children, school-age children, adolescents, pregnant women, lactating mothers, and the aged], and a newly formed food guide pagoda [FGP]). The last version of the Chinese FBDGs was compelled by Chinese Nutrition Society in 2007, and proclaimed by the Ministry of Health in early 2008.

²⁸ *Asia Pac J Clin Nutr*. 2011;20(3):439-46. “The transition of Chinese dietary guidelines and food guide pagoda.” Ge K.

²⁹ <http://www.eufic.org/article/en/expid/food-based-dietary-guidelines-in-europe/>

³⁰ The Council of Better Business Bureaus and 10 leading food and beverage companies launched the Children’s Food and Beverage Advertising Initiative in November 2006. The goal of the Initiative is to shift the mix of advertising primarily directed to children (“child-directed advertising”) to encourage healthier dietary choices and healthy lifestyles. Currently, the CFBAI has 17 participants that represent about 80 percent of child-directed TV food advertising.

- Limit the use of third-party licensed characters, celebrities and movie tie-ins in child-directed advertising consistent with the company’s advertising commitment;
 - Not pay for or actively seek to place their food and beverage products in the program/editorial content of any medium that is child-directed for the purpose of promoting the sale of those products;
 - Include only the company’s better-for-you foods or healthy dietary choices in interactive games that incorporate a company’s food products; and
 - Not advertise their branded foods to children in elementary schools (this limitation does not apply to charitable fundraising, displays of food products, public service messaging or items given to school administrators).
- .36 The registrant may choose to disclose whether it is a member of the CFBAI, and whether it has committed to not engage in child-directed advertising.

SV0203-10. Description of significant health and nutritional trends affecting key customer segments and their impact on demand for registrant’s products

- .37 The registrant shall identify key customer segments based on demographic groupings that each represent more than five percent of total revenue and discuss health and nutrition trends affecting each segment.
- Trends may include increased customer focus on nutritional content, concerns about obesity and related illnesses, the use of hormones and antibiotics, and bans on soft drink serving sizes, among others.³¹
- .38 Where relevant, the registrant may disclose the target three-year share of market and current share of market, as a measure of targeted growth, where:
- Target three-year share of market is the percentage of the serviceable, addressable market that the registrant plans to address over a three-year time horizon.
 - Segmented or serviceable, addressable market is defined for this purpose as revenues that the registrant would earn based on the customers that the registrant could reach with existing or planned capabilities, sales channels, or products. It is a subset of the total addressable market (e.g., the market for quick-serve dining).
 - Total addressable market is defined for this purpose as revenues the registrant would earn were the registrant able to capture 100 percent of the global market share for the category of product or service being discussed (e.g., global market for restaurant dining). The total addressable market provides a broader context for the segmented addressable market.

Notes

Definitions

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Additional References

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³¹ <http://www.yaleruddcenter.org/cdc-report-finds-decrease-in-soda-consumption-among-youth>

Fair Labor Practices

Description

The hospitality industry is labor-intensive, and many of the staff are low-skilled, part-time or seasonal workers. It is among top job creators and is an entry point for youth, women, and migrant workers to join the workforce. The issue is further complicated by the structure of global chains where many restaurants are not company-owned but franchised. Restaurant staff in franchised or licensed locations may be employed by a third party. While workers at franchises are not company employees, labor issues at franchises do affect brand image because customers cannot make a distinction between company-owned and franchised stores.

In addition, since many chains exist across continents, ensuring a consistent human resources approach can be a challenge. Companies that offer competitive wages, safe working environments, and opportunities for professional growth will be able to improve worker morale and reduce turnover rates and associated costs.

Accounting Metrics

SV0203-11. (1) Voluntary and (2) involuntary employee turnover rate for restaurant facility staff

- .39 The registrant shall disclose employee turnover of restaurant staff in registrant-owned restaurants as a percentage, where:
- Turnover shall be calculated and disclosed separately for voluntary and involuntary departures.
 - The scope of disclosure excludes corporate staff and executives. All calculations are based on numbers of restaurant staff (i.e., those staff that work on-site in the restaurant).
 - The scope of this disclosure excludes franchise restaurants.
- .40 The registrant shall calculate the voluntary turnover percentage as the total number of employee-initiated voluntary separations (such as resignation, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.
- .41 The registrant shall calculate the involuntary turnover percentage as the total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, expiry of contract, etc.) during the fiscal year, divided by the number of employees during the fiscal year.

SV0203-12. Percentage of restaurant staff earning minimum wage, ratio of average wage for restaurant staff relative to national minimum wage

- .42 The registrant shall disclose percentage of restaurant staff earning minimum wage, where:
- Minimum wage is defined as the local or prevailing minimum wage applicable for each worker
 - Restaurant staff excludes managers and executives
 - The scope of disclosure is employees of registrant-owned restaurants
- .43 The registrant shall disclose the ratio of its average wage for restaurant staff relative to the national minimum wage by country for the top five countries (by revenue) in which it operates, where:
- The average wage for restaurant staff is calculated as the total restaurant staff wages for the fiscal year divided by the number of hours worked by restaurant staff during the fiscal year, by country.
 - The top five countries by revenue represent the five countries in which the company generated the most revenue from registrant-owned restaurants. This disclosure excludes franchise locations.
- .44 The registrant may choose to discuss its sensitivity to future adjustments in minimum wage as well as its consideration of a living wage, as described in the 2014 ILO report on Minimum Wage Systems.³²

SV0203-13. Amount of legal and regulatory fines and settlements associated with fair labor practices

- .45 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with fair labor practices, including, but not limited to, violations of the Fair Labor Standards Act, such as those relating to wages, work hours, overtime, and meal and rest breaks.
- .46 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

³² Minimum Wage Systems, General Survey of the Reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), International Labour Conference, 103rd Session, Report III (Part 1B), 2014

Note to **SV0203-13**

- .47 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.
- .48 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Notes

Definitions

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Additional References

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Supply Chain Management

Description

Supply chain management is an important issue for restaurant operators. Companies that source from suppliers that have high quality standards, employ environmentally sustainable farming methods, and honor labor rights will be better positioned to protect shareholder value. Supply chain management issues are exacerbated by the global nature of the industry. Sourcing quality ingredients to maintain consistency and level of quality across different locations can be operationally challenging. The perceptions and risks of the use of genetically modified organisms (GMOs), antibiotics, and hormones vary across markets, as do regulations around the issue. Agricultural production is associated with various environmental externalities. In addition, there are social issues, such as ensuring worker rights along the supply chain and securing animal welfare. Demand from food and beverage industries including restaurants drive and shape agricultural production, indicating that actions by industry players have larger impacts on society. Therefore, sustainable and ethical sourcing by industry players is necessary to ensure continued future supply and to minimize lifecycle impacts of company operations. The Restaurants industry is particularly vulnerable to supply chain disruptions from global environmental trends like climate change and water scarcity. Managing this issue well will help restaurants to maintain food quality, manage food safety issues, and reduce reputational risks.

Accounting Metrics

SV0203-14. Percentage of food supply sourced in conformance with environmental and social standards, percentage third-party certified

- .49 The registrant shall disclose the percentage of its food supply (by weight) that is consistent with sourcing standards that encompass both environmental and social best practices.
- Environmental and social best practices include, but are not limited to, protection of natural resources, fair treatment of workers and community, animal health and welfare, food quality and safety, and resource efficiency.
 - The percentage is calculated as the weight of food and food products supplied to the restaurant that conform with environmental and social best practices, divided by the total weight of food and food products supplied to the restaurant.
 - The scope of this disclosure includes those industry programs, guidelines, and criteria that include both environmental and social best practices for a food item.
 - A registrant may choose to align with multiple programs for a given food item to capture both environmental and social best practices for that food item.
 - Examples of food-sourcing standards that encompass environmental and social best practices include, but are not limited to, the following:
 - Global Roundtable for Sustainable Beef: Principles & Criteria for Defining Global Sustainable Beef
 - Sustainable Poultry Network*
 - Marine Stewardship Council*
 - Roundtable on Sustainable Palm Oil (RSPO)*
 - Roundtable on Responsible Soy (RTRS)*
 - Rainforest Alliance Certified: Bananas, Cattle, Cocoa, Coffee, Palm Oil, and Tea*
 - Fair Trade Certified: various products*
 - IDH's Sustainability Initiative Fruits and Vegetables (SIFAV)
 - Sustainable Agriculture Initiative (SAI) Platform, Principles & Practices for the Sustainable Production of Arable and Vegetable Crops, Coffee, Dairy, and Fruit
- * An asterisk denotes programs that offer third-party certification.*
- .50 The registrant shall disclose the percentage of its food supply (by weight) that has been third-party certified to an environmental and/or social sourcing standard, where:
- The percentage is calculated as the weight of food and food products supplied to the restaurant that are third-party certified to an environmental and/or social sourcing standard, divided by the total weight of food and food products supplied to the restaurant.
 - The scope of this disclosure includes third-party certifications that are based on either environmental or social best practices or both, because some leading programs are narrowly focused on a single environmental or social attribute.

- Examples of third-party certification programs include, but are not limited to, the organizations noted above with an asterisk as well as USDA Certified Organic, Certified Naturally Grown, American Grassfed Certified beef, and Animal Welfare Approved beef, pork, and chicken, among others.
- The registrant shall indicate to which standards its food supply is certified.

SV0203-15. Discussion of strategy to manage supply chain risks and constraints from environmental and social trends

- .51 The registrant shall discuss risks and constraints in its supply chain for food and food products that result from environmental and social trends, where:
- Examples of potential supply chain risks and constraints from environmental and social trends may include impacts on crop production due to climate change (e.g., changing temperatures, water stress, etc.), price impacts on beef due to grain pricing or regulatory limits on methane emissions, increased transportation costs due to climate change regulations that affect fuel availability/pricing, labor rights and immigration reform that affects food prices and availability, international trade barriers, and/or varying levels of food safety oversight in a global market.
- .52 The registrant shall discuss its approach to reducing supply chain risk and mitigating constraints, which may include screening, codes of conduct, audits, and/or certifications, among others.
- .53 The registrant shall discuss its recovery/contingency plan, including considerations such as alternate suppliers, product or ingredient substitution, and revised menu options, among others.

SV0203-16. Description of environmental and social sourcing targets that were active in the fiscal year, and an analysis of performance against the targets

- .54 The registrant shall describe its environmentally and socially based sourcing targets, including the following where relevant:
- The scope, including whether strategies, plans, and/or reduction targets pertain differently to different business units or geographies
 - The activities and investments required to achieve the plans and any risks or limiting factors that might affect achievement of the plans and/or targets
- .55 Examples of sourcing targets may include, but are not limited to, supply chain improvements designed to reduce greenhouse gas emissions, minimize water consumption or pollution, improve labor rights, minimize chemical use, improve animal welfare, or increase use of non-GMO vegetables and meat and seafood that are not treated with hormones or antibiotics, among others.
- .56 For relative targets (e.g., reductions relative to a base year), the registrant shall disclose:
- The scope of the reduction plan.
 - The percentage reduction from the base year, where:
 - The base year is the year against which performance improvements are evaluated towards the achievement of the target.
 - Whether the target is absolute or intensity-based, and the metric denominator if it is an intensity-based target.
 - The timelines for the performance improvement activity, including the start year, the target year, and the base year.
- .57 Disclosure shall be limited to activities that were ongoing, active, or that reached completion during the fiscal year.
- .58 Where necessary, the registrant shall discuss any circumstances in which the base year levels have been or may be re-calculated retrospectively, or in which the base year has been reset.

Notes

Definitions

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Additional References

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Leisure Facilities

SICST™ #SV0204

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Leisure Facilities

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

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SASB Sustainability Accounting Standard

Leisure Facilities (SV0204)

Industry Description

The Leisure Facilities industry is made up of companies that operate entertainment, travel, and leisure facilities and services. Companies in this industry can be broken down into five segments: (1) leisure clubs and facilities, (2) amusement theme parks, (3) movie theaters, (4) performance arts and museum activities, and (5) pro sports related activities. About half of industry revenue is derived from amusement theme parks. This is followed by the movie theater and performance arts segments, which together contribute less than a third of industry revenue. Industry players are usually concentrated on one of the industry segments and serve customers at various locations around the world but are mostly based in the U.S.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy Management	Total energy consumed, percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	SV0204-01
Customer Safety	Number of (a) fatalities, and (b) injuries per million customers ¹	Quantitative	Number	SV0204-02
	Amount of legal damages awarded in lawsuits involving customer safety ²	Quantitative	U.S. dollars (\$)	SV0204-03
	Number of safety inspections and percentage passed for: (a) feature safety, (b) facility safety and accessibility, and (c) food safety	Quantitative	Number, Percentage (%)	SV0204-04
Fair Labor Practices	Amount of legal and regulatory fines and settlements associated with fair labor practices ³	Quantitative	U.S. dollars (\$)	SV0204-05
	(1) Total Recordable Injury Rate and (2) Near Miss Frequency Rate	Quantitative	Rate	SV0204-06

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Attendance	Quantitative	Number	SV0204-A

¹ Note to SV0204-02 – Disclosure shall include a description of serious incidents, outcomes, and corrective actions implemented in response.

² Note to SV0204-03 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

³ Note to SV0204-05 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Accounting Metric	Category	Unit of Measure	Code
Number of customer-days ⁴	Quantitative	Number	SV0204-B
Number of employees that are (a) full-time, (b) part-time, (c) contract, percentage seasonal.	Quantitative	Number, Percentage (%)	SV0204-C

⁴ Customer-days is the aggregate total amount of time customers spent visiting the leisure facility, calculated as the sum of the visitation time of each customer. For facilities that sell day passes (e.g., amusement parks), but do not track entry and exit times, the hours of operation open to guests can be used for estimation. For facilities that sell single unit entry passes (e.g., movie theaters), the average visitation time can be used for estimation.

Energy Management

Description

Companies operating in the leisure services industry rely heavily on energy. Fossil-fuel based energy production and consumption contribute to significant environmental impacts, including climate change and pollution, that have the potential to indirectly, yet materially, impact the results of operation of leisure facilities companies. Energy outlays constitute a significant portion of expenses. This leads to high operating leverage, as a large part of these costs are fixed. It is important to manage resource use in the context of the rising costs of fossil fuel-based energy and incentives for energy efficiency and the use of renewable energy. Companies that manage this issue have a considerable cost advantage over other firms and reduced energy pricing risk.

Accounting Metrics

SV0204-01. Total energy consumed, percentage renewable energy

- .01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
 - The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .03 When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- .04 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
 - The scope of renewable energy includes the renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) that explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity. For all renewable energy consumed as electricity in this manner, RECs must be retired on behalf of the registrant to be claimed as renewable energy as part of this disclosure.
 - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim the renewable energy;
 - For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim the renewable energy.
 - The renewable portion of the electricity grid mix that is outside the control or influence of the registrant is excluded from disclosure.⁵
- .05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
 - For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute
 - Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard
- .06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).
- .07 Purchased natural gas is not a renewable source of energy; therefore, consumption of natural gas is included in the total energy consumed, but is not included in the disclosed renewable percentage.

⁵ SASB recognizes that RECs reflect the environmental attributes of renewable energy that has been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix absent the market for RECs.

Notes

Definitions

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Additional References

Customer Safety

Description

The Leisure Facilities industry operates facilities that can be dangerous for customers and therefore is exposed to relatively high customer injury and fatality rates. Customer safety is important for both the public and the companies. Any misstep in safety management can result in serious or fatal injuries, and therefore the provision of safe facilities is critical for companies in order to safeguard their reputation, grow revenues, and to avoid litigation costs. This issue affects all segments of the industry to varying degrees.

Accounting Metrics

SV0204-02. Number of (a) fatalities and (b) injuries per million customers

- .08 The registrant shall disclose the total number of fatalities and injuries per million customers that were sustained by patrons when entering, exiting, riding, or otherwise involved with the registrant's facility and any features therein, where:
- "Fatalities" are defined as one or more deaths of customers or workers, by any cause.
 - "Injuries" refers to incidents resulting in harm to people requiring professional medical treatment beyond first aid, consistent with OSHA Form 300.

Note to **SV0204-02**

- .09 The registrant shall describe serious incidents, including their root causes, outcomes, and any corrective actions implemented in response.
- .10 A serious safety incident is defined as any event which results in:
- One or more deaths;
 - A serious injury, defined as an injury requiring immediate admission and hospitalization in excess of 24 hours for purposes other than medical observation, consistent with IAAPA and NSC;⁶
 - Damage to property in excess of \$100,000

SV0204-03. Amount of legal damages awarded in lawsuits involving customer safety

- .11 The registrant shall disclose the amount (excluding legal fees) of compensatory and punitive damages awarded against it in lawsuits involving customer safety, including, but not limited to, those related to negligence and product liability. The amount should reflect damages awarded during the fiscal year, even if the case is pending an appeal process.

Note to **SV0204-03**

- .12 The registrant shall briefly describe the nature (e.g., negligence, product liability) and context (e.g., improper egress, faulty ride features, negligence, operator error, etc.) of the lawsuits that resulted in damages.
- .13 The registrant shall describe any corrective actions it has implemented as a result of unfavorable rulings in lawsuits involving customer safety. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0204-04. Number of safety inspections and percentage passed for (a) feature safety, (b) facility safety and accessibility, and (c) food safety

- .14 The registrant shall disclose the percentage of facilities that passed inspections as conducted by a relevant regulatory oversight authority.
- For the purpose of this disclosure, a safety inspection is considered "passing" if no restrictions were placed on the registrant's operations and no follow-up inspections were required following the initial inspection.
 - Examples of agencies that may have conducted such inspections include, but are not limited to, federal agencies (such as the Americans with Disabilities Act Accessibility Guidelines (ADAAG) enforced by the U.S. Department of Justice and the

⁶ Fixed-Site Amusement Ride Injury Survey, 2011 Update, IAAPA and NSC, March 2013

- U.S. Department of Transportation), state agencies (such as a state tramway board), or local agencies (such as local fire, health services, and building departments).
- .15 The percentage is calculated as the total number of facilities that passed an inspection divided by the total number of facilities that were inspected.
- The scope of this disclosure includes those leisure facilities operated by the registrant and those that are concessions within the registrant's leisure facility (e.g., an independently operated restaurant within the paid area of an amusement park).
- .16 The scope of disclosure is any facility that was inspected for feature safety, facility safety and accessibility, and food safety during the fiscal year, where:
- Feature safety refers to the proper and safe functioning of any moving feature within a facility, such as rides, ski lifts, or monorails, in accordance with applicable standards and with respect to the following:
 - Design and Manufacture
 - Testing
 - Operation
 - Maintenance
 - Inspection
 - Quality Assurance
 - Examples of amusement park standards for mechanical safety include the U.S. Consumer Product Safety Commission and National Safety Council park safety standards set forth by ASTM International (e.g., ASTM F24 Standards), as well as local building code standards for permanent rides. Examples of standards for ski lift safety include the American National Standards Institute (ANSI) B77 and the Canadian equivalent (Z98 standards). For monorails, the International Monorail Association recommends the American Society of Civil Engineers (ASCE) standards for Automated People Movers (APM).
 - Facility safety and accessibility refers to any inspections relating to the physical condition and appropriate design of buildings and structures with respect to sufficiency of entry or exit areas, capacity of space consistent with use, adequacy of sprinkler systems and other fire suppression equipment, and Americans with Disabilities Act (ADA) compliance, among other aspects related to safety and accessibility of the facility.
 - Food safety refers to any inspections carried out by a health and/or food safety oversight body, including any local, county, state, or national health organization with jurisdiction over compliance with health codes and regulations. Examples include inspections by local health department or other relevant oversight agencies to ensure compliance with the U.S. Food and Drug Administration's (FDA) Food Code:
 - The 2009 edition of the Food Code was released jointly by the FDA, the Centers for Disease Control and Prevention (CDC) of the U.S. Department of Health and Human Services (HHS), and the Food Safety and Inspection Service of the U.S. Department of Agriculture (USDA).
 - The Food Code is intended as a model code and reference document for state, city, county, and tribal agencies that regulate restaurants and other food-service operations, and establishes guidance and enforceable provisions for mitigating risk factors known to cause foodborne illness.⁷

Notes

Definitions

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Additional References

⁷ <http://www.fda.gov/downloads/Food/GuidanceRegulation/UCM189448.pdf>

Fair Labor Practices

Description

Labor costs represent a significant portion of operating expenses for companies in this industry. Many positions are seasonal or part-time. The regulatory environment for part-time, seasonal, and contract employees is evolving quickly and will pose a challenge to large workforces that utilize these employee classifications. For example, the Patient Protection and Affordable Care Act of 2010 has increased the labor costs for part-time employees that meet certain work-hour thresholds and large companies such as those in the leisure facilities industry. In addition, working conditions can present a significant threat to employees if the facilities and equipment are not maintained or precautions and training procedures are not in place.

The Occupational Safety and Health Administration levies fines on any employee safety violation, but the biggest financial impact is from abatement cost and negative impact on brand image.

Accounting Metrics

SV0204-05. Amount of legal and regulatory fines and settlements associated with fair labor practices

- .17 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with fair labor practices, including, but not limited to, those related to violations of the Fair Labor Standards Act.
- .18 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to SV0204-05

- .19 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., improper working conditions, unfair compensation, etc.) of fines and settlements.
- .20 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0204-06. (1) Total Recordable Injury Rate and (2) Near Miss Frequency Rate

- .21 For registrants whose workforce is entirely U.S.-based, the registrant shall disclose its total recordable injury rate (TRIR), as calculated and reported in the Occupational Safety and Health Administration's (OSHA) Form 300.
 - OSHA guidelines provide details on determination of whether an event is a recordable occupational incident as well as definitions for exemptions for incidents that occurred in the work environment but are not occupational.
- .22 For registrants whose workforce includes non-U.S.-based employees, the registrant shall calculate its total recordable injury rate according to the U.S. Bureau of Labor Statistics guidance and/or using the U.S. Bureau of Labor Statistics calculator.
- .23 The registrant shall disclose its near miss frequency rate (NMFR), where a near miss is defined as an incident in which no property or environmental damage or personal injury occurred, but damage or personal injury easily could have occurred but for a slight circumstantial shift.
 - The registrant should refer to organizations such as the National Safety Council (NSC) for guidance on implementing near miss reporting.
 - The registrant should disclose its process for classifying, identifying, and reporting near miss incidents.
- .24 The scope includes all employees, domestic and foreign.
- .25 Rates shall be calculated as: $(\text{statistic count} / \text{total hours worked}) * 200,000$.

Notes

Definitions

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Additional References



Cruise Lines

SICST™ #SV0205

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Cruise Lines

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

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SASB Sustainability Accounting Standard

Cruise Lines (SV0205)

Industry Description

The Cruise Lines industry comprises companies that provide passenger transportation and leisure entertainment, including deep sea cruises and river cruises. While the majority of cruise lines operate internationally, the mature North American market makes up almost 60 percent of global cruise passengers. The industry is highly concentrated, with three of the four publicly held operators listed in U.S. exchanges.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Air Emissions & Fuel Management	Gross global Scope 1 emissions	Quantitative	Metric tons CO ₂ -e	SV0205-01
	Air emissions for the following pollutants: NO _x (excluding N ₂ O), SO _x , and particulate matter (PM), and volatile organic compounds (VOCs)	Quantitative	Metric tons	SV0205-02
	Total energy consumed, percentage from heavy fuel oil, percentage from on-shore power supply (OPS)	Quantitative	Gigajoules, Percentage (%)	SV0205-03
	Median Fleet Energy Efficiency Operational Indicator (EEOI)	Quantitative	Grams of CO ₂ per ALB-Km	SV0205-04
Ecological Impacts	Percentage of cruise duration spent in Particularly Sensitive Sea Areas (PSSA) or areas of protected conservation status or endangered species habitat	Quantitative	Percentage (%)	SV0205-05
	Percentage of fleet in compliance with International Convention for the Control and Management of Ships' Ballast Water and Sediments	Quantitative	Percentage (%)	SV0205-06
	Amount of ship waste discharged to the environment, percentage treated prior to discharge	Quantitative	Tons, Percentage (%)	SV0205-07
	Description of policies and procedures to maintain compliance with Annexes I-VI of the International Convention for the Prevention of Pollution from Ships (MARPOL)	Discussion and Analysis	n/a	SV0205-08
Passenger Safety	Number of (a) fatalities per million customers, (b) serious injuries per million customers, and (c) voyages with a gastrointestinal illness count exceeding 2%	Quantitative	Number	SV0205-09
	Number of alleged crime incidents involving passengers or employees that are no longer under investigation by the FBI or foreign equivalent	Quantitative	Number	SV0205-10
	Fleet average Center for Disease Control (Vessel Sanitation Program) inspection score, percentage failing	Quantitative	Number, Percentage (%)	SV0205-11

Topic	Accounting Metric	Category	Unit of Measure	Code
Fair Labor Practices	Percentage of ships in compliance with the Maritime Labour Convention	Quantitative	Percentage (%)	SV0205-12
Accident & Safety Management	Average years at sea per Captain	Quantitative	Years	SV0205-13
	Number of accidents and incidents ¹	Quantitative, Discussion and Analysis	Number, n/a	SV0205-14
	Number of Conditions of Class or Recommendations	Quantitative	Number	SV0205-15
	Number of port state control (1) deficiencies and (2) detentions	Quantitative	Number	SV0205-16
	Description of Safety Management System (SMS) to maintain compliance with the International Convention for the Safety of Life at Sea (SOLAS)	Discussion and Analysis	n/a	SV0205-17

Table 2. Activity Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of ships in service ²	Quantitative	Number	SV0205-A
Available Lower Berth kilometers (ALB-KM) ³	Quantitative	ALB-KM	SV0205-B
Occupancy rate	Quantitative	Rate	SV0205-C
Average Passenger Cruise Day (APCD) ⁴	Quantitative	Passenger-days	SV0205-D
Number of employees	Quantitative	Number	SV0205-E

¹ Note to SV0205-14 – Disclosure shall include a description of serious marine accidents, outcomes, and corrective actions implemented in response.

² Number of ships in service reflects the total number of ships in the fleet that are being used as of end of period date.

³ "Available Lower Berth" (ALB) is a measure of the standard capacity of a cruise ship, usually assuming two people per available cabin. It takes into account changes in fleet size, itineraries and passenger capacity.

⁴ "Average Passenger Cruise Day" (APCD) is the number of available lower berths on a ship times the number of days that those berths are available to passengers per year.

Air Emissions & Fuel Management

Description

Cruise Lines companies generate greenhouse gas and other air emissions mainly from the combustion of marine fuel in ship engines. Recent environmental regulations are driving adoption of more fuel-efficient engines and the establishment of Ship Energy Efficiency Management Plans for all ships. Greenhouse gases and air pollutants including carbon dioxide, nitrogen oxides, and sulfur oxides are of particular concern. Management of emissions is especially important in the regulated Emission Control Areas and at ports. Fuel outlays represent approximately 20 percent of costs. The industry's reliance on heavy fuel is of material concern due to intensifying GHG regulation and rising fuel costs. There are several ways that cruise lines can reduce their emissions: reduce overall energy use, scrub emissions before release into the air, or use alternative sources of energy. Reducing the overall energy use of a ship can be achieved by using new, more efficient models or by upgrading existing ones. Cruise operators can also plug into shore power when they are docked in order to avoid running on ship bunker fuel.

Accounting Metrics

SV0205-01. Gross global Scope 1 emissions

- .01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six greenhouse gases covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride).
 - Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO₂-e) calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for global warming potential factors is the IPCC's Second Assessment Report (1995).
 - Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.
 - Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) Climate Change Reporting Framework (CCRF).
- .02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development (WRI/WBCSD) in [The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition](#), March, 2004 (hereafter, the "GHG Protocol").
 - These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).
- .03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:
 - The Financial Control approach defined by the GHG Protocol and referenced by the [CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013](#) (hereafter, the "CDP Guidance").⁵
 - The approach detailed in Section 4.23 "Organizational boundary setting for GHG emissions reporting" of the Climate Disclosure Standards Board (CDSB) Climate Change Reporting Framework (CCRF).⁶
- .04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.
 - The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.
- .05 The registrant should discuss any change in its emissions from the previous fiscal year, such as if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

⁵ "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (p. 95).

⁶ This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements. *Climate Change Reporting Framework*, CDSB.

- .06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.
- .07 The registrant should discuss the calculation methodology for its emission disclosure, such as if data is from continuous emissions-monitoring systems (CEMS), engineering calculations, mass-balance calculations, etc.

SV0205-02. Air emissions for the following pollutants: NO_x (excluding N₂O), SO_x, particulate matter (PM), and volatile organic compounds (VOCs)

- .08 The registrant shall disclose its emissions released to the atmosphere of air pollutants associated with its activities:
- Direct air emissions from stationary or mobile sources that include, but are not limited to, ships, equipment at port sites, office buildings, truck fleets, and moveable equipment.
- .09 The registrant shall disclose emissions released to the atmosphere by emissions type. Substances include:
- Oxides of nitrogen (including NO and NO₂ and excluding N₂O) reported as NO_x;
 - Oxides of sulfur (SO₂ and SO₃) reported as SO_x;
 - Particulate matter (PM); reported as the sum of PM₁₀ and PM_{2.5}, or all particulates less than 10 micrometers in diameter;
 - Non-methane volatile organic compounds (VOCs) defined as any compound of carbon, excluding carbon monoxide, carbon dioxide, carbonic acid, metallic carbides or carbonates, ammonium carbonate, and methane, that participates in atmospheric photochemical reactions, except those designated by the EPA as having negligible photochemical reactivity.
- .10 This scope does not include CO₂, methane, and nitrous oxide, which are disclosed in SV0205-01, as Scope 1 GHG emissions.
- .11 Air emissions data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is aligned with the consolidation approach used for SV0205-01.
- .12 The registrant should discuss the calculation methodology for its emission disclosure, such as if data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

SV0205-03. Total energy consumed, percentage from heavy fuel oil, percentage from on-shore power supply (OPS)

- .13 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
- The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .14 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .15 When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- .16 The registrant shall calculate the percentage of fuel from heavy fuel oil as the energy content of heavy fuel oil consumed divided by the total energy consumed.
- .17 Heavy fuel oil is defined per U.S. Energy Information Administration as heavier oils that remain after distillate fuel oils and lighter hydrocarbons are distilled away in refinery operations and conform to ASTM Specifications D 396 and D 975 and Federal Specification VV-F-815C, including:
- No. 5 Residual fuel oil, a residual fuel oil of medium viscosity, also known as "Navy Special," and defined in Military Specification MIL-F-859E, including Amendment 2 (NATO Symbol F-770).
 - No. 6 Residual fuel oil, which includes Bunker C fuel oil.
- .18 The registrant shall disclose on-shore power supply (OPS) electricity consumption as a percentage of its total energy consumption.
- .19 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

SV0205-04. Median Fleet Energy Efficiency Operational Indicator (EEOI)

- .20 The registrant shall calculate the EEOI for each vessel in its fleet and report the median EEOI value in grams CO₂ per Available Lower Berth-Kilometer (ALB-Km).
- Energy Efficiency Operational Indicator is defined as the ratio of mass of CO₂ emitted per unit of transport work.
 - EEOI is calculated as the "Fuel Consumption" multiplied by "Carbon Conversion," divided by "Distance Sailed" multiplied by "Available Lower Berth."
 - Available Lower Berth is a measure of the standard capacity of a cruise ship, usually assuming two people per available cabin. It takes into account changes in fleet size, itineraries, and passenger capacity.
- .21 The registrant shall follow calculation methodologies outlined in IMO MEPC.1/Circ.684 Guidelines for Voluntary Use of the Ship Energy Efficiency Operational Indicator.⁷

Notes

Definitions

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Additional References

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⁷ http://www.imo.org/blast/blastDataHelper.asp?data_id=26531&filename=684.pdf

Ecological Impacts

Description

Cruise vacations offer unique access to pristine ocean waters and destinations with delicate environmental and cultural qualities. However, the sensitivity of these ecosystems is threatened by the scale of the resources consumed on board. Cruise ships hold thousands of passengers and provide luxury resort-level amenities and all the infrastructure of a floating city. This means handling passenger waste streams, supplying fresh water, generating electricity, and managing bilge and ballast water as part of their operations. Over the last two decades cruise ships have more than tripled their passenger capacity, and last year North American cruise lines carried about 17 million passengers. Despite the ships' vast size, current regulations allow them to dump untreated sewage once they are three miles from shore, where U.S. waters officially end. These factors combined mean that companies in this industry have to pay special attention to their impact on the ecosystems they interact with in order to preserve the splendor of their destinations and maintain their license to operate. Given the environmental externalities that can result from waste streams of this scale, companies in this industry can insulate themselves from future regulations, litigation, and limitations of their license to operate by voluntarily adopting environmental best practices.

Accounting Metrics

SV0205-05. Percentage of cruise duration spent in Particularly Sensitive Sea Areas (PSSA) or areas of protected conservation status or endangered species habitat

- .22 The registrant shall disclose the percentage of the cruise duration that is spent in Particularly Sensitive Sea Areas (PSSA), areas with protected conservation status, and areas of endangered species habitat, where:
- The percentage is calculated as the sum of the cruise duration spent in these three types of areas, divided by the registrant's total cruise duration.
 - The percentage of cruise duration in sensitive areas shall be calculated on the basis of time, not distance.
 - Cruise duration is defined as the entire period of time from initial embarkation to final disembarkation of the cruise, including time in port.
- .23 PSSAs are designated by the Marine Environment Protection Committee of the International Maritime Organization, in accordance with IMO Guidelines for the Identification and Designation of Particularly Sensitive Sea Areas (PSSAs) (resolution A.982(24)). The following PSSAs⁸ have been designated:
- [The Great Barrier Reef](#), Australia (designated a PSSA in 1990)
 - The Sabana-Camagüey Archipelago in Cuba (1997)
 - Malpelo Island, Colombia (2002)
 - The sea around the Florida Keys, United States (2002)
 - [The Wadden Sea](#), Denmark, Germany, Netherlands (2002)
 - Paracas National Reserve, Peru (2003)
 - Western European Waters (2004)
 - Extension of the existing Great Barrier Reef PSSA to include the Torres Strait (proposed by Australia and Papua New Guinea) (2005)
 - Canary Islands, Spain (2005)
 - [The Galapagos Archipelago](#), Ecuador (2005)
 - The Baltic Sea area, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, and Sweden (2005)
 - [The Papahānaumokuākea Marine National Monument](#), United States (2007)
 - The Strait of Bonifacio, France and Italy (2011)
 - The Saba Bank, in the northeastern Caribbean area of the Kingdom of the Netherlands (2012)
- .24 An area is considered to be of protected conservation status if it is located within:
- International Union for Conservation of Nature (IUCN) Protected Areas (categories I-VI).
 - Ramsar Wetlands of International Importance.

⁸ For further information on PSSAs, see www.pssa.imo.org

- UNESCO World Heritage Sites.
 - Biosphere Reserves recognized within the framework of UNESCO’s Man and Biosphere (MAB) Programme.
 - Natura 2000 sites.
 - Sites that meet the IUCN’s definition of a protected area: “A protected area is a clearly defined geographical space, recognized, dedicated, and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values.”⁹
 - These sites may be listed in the World Database of Protected Areas (WDPA) and mapped on ProtectedPlanet.net.
- .25 An area is considered to be an endangered species habitat if it is in or near areas where IUCN Red List of Threatened Species that are classified as Critically Endangered (CR) or Endangered (EN) are extant.
- A species is considered extant in an area if it is a resident, present during breeding or non-breeding season, or if it makes use of the area for passage.
- .26 For the purposes of this disclosure, “near” is defined as within five kilometers (km) of the boundary of an area of protected conservation status or an endangered species habitat.
- .27 The registrant may choose to separately identify cruise duration in areas with additional ecological, biodiversity, or conservation designations such as those listed by the [A-Z Guide of Areas of Biodiversity Importance](#) prepared by the United Nations Environment Programme’s World Conservation Monitoring Centre (UNEP-WCMC).
- .28 The registrant may choose to provide discussion around its cruise activities in protected areas or endangered species habitat that present low risk to biodiversity or ecosystem services. Additionally, the registrant may choose to provide similar discussion for cruise activities areas with no official designation of high biodiversity value but which present high biodiversity or ecosystem services risks.

SV0205-06. Percentage of fleet in compliance with International Convention for the Control and Management of Ships’ Ballast Water and Sediments

- .29 The registrant shall calculate the percentage as the number of ships in its fleet that are in full compliance with the International Maritime Organization’s (IMO) Convention for the Control and Management of Ships’ Ballast Water and Sediments (BWM Convention) divided by the total number of ships in its fleet.
- .30 A ship is considered in full compliance with the BWM Convention if, at a minimum, it has:
- A ballast water management system approved by the Flag Administration taking into account the guidelines for approval of ballast water management systems per IMO Regulation D-3;
 - A ship-specific Ballast Water Management Plan approved by the applicable Flag Administration;
 - A Ballast Water Record Book;
 - Ballast water exchange conforming with IMO Regulation D-1;
 - An approved ballast water treatment system per IMO Regulation D-2; and
 - An International Ballast Water Management Certificate.
- .31 Alternatively, for the purposes of this disclosure, a ship may demonstrate compliance with the BWM Convention if it has a U.S. Coast Guard (USCG)-approved ballast water treatment system (BWTS).
- .32 If a ship demonstrates that it uses water from a public water supply as ballast, discharges ballast water to a reception facility, or conducts no ballast water discharge, then for the purposes of this disclosure it is considered in compliance with the BWM Convention.

SV0205-07. Amount of ship waste discharged to the environment, percentage treated prior to discharge

- .33 The amount of waste shall be calculated in metric tons, where “ship waste discharged to the environment” is defined as anything used on board the ship (or intended for use on the ship) for which the registrant has no further use and which is discarded or released to the environment.
- The scope includes sewage, bilge water, ballast water, graywater, hazardous waste, used oil, food, packaging, other solid waste, etc.
 - This disclosure excludes any portions of waste that are reused or recycled by vendors or partners, as these are not discharged to the environment.

⁹ Dudley, N. (ed.) (2008) *Guidelines for Applying Protected Areas Management Categories*. IUCN: Gland, Switzerland. p.8-9.

- Portions of products and materials that are disposed of at sea or in landfills are included in the scope. Only the portions of reused and recycled products that are directly incorporated into new products, co-products, or by-products shall be excluded from the scope.
 - The scope excludes gaseous wastes.
- .34 The percentage treated prior to discharge shall be calculated as the weight of waste material that was treated by the registrant plus the weight of waste sent externally for treatment, divided by the total weight of waste material, where:
- For the purposes of this disclosure, incineration is not considered a treatment of solid waste, even if the incinerated waste may be legally discharged at sea.
 - Materials incinerated, including for energy recovery, shall be counted in the total amount of ship waste discharged to the environment, but not in the percentage treated. Energy recovery is defined as the use of combustible waste as a means to generate energy through direct incineration with or without other waste but with recovery of the heat.
 - Materials sent externally for treatment include those materials which are transferred to a third party for treatment or beneficial reuse prior to discharge, in accordance with industry best practices.

SV0205-08. Description of policies and procedures to maintain compliance with Annexes I-VI of the International Convention for the Prevention of Pollution from Ships (MARPOL)

- .35 The registrant shall provide a description of its policies and practices to maintain compliance with Annexes I-VI of MARPOL including, where relevant: employee training and awareness programs, internal mechanisms for reporting and following up on suspected violations, implementation of equipment and technology, inspections and audits, and third-party certification and verification of systems.
- .36 It may be relevant for the registrant to discuss participation in MARPOL compliance audits and/or certification programs and the U.S. Coast Guard’s Environmental Crimes Voluntary Disclosure Programs (including the use of a compliance management system).

Notes

Definitions

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Additional References

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Passenger Safety

Description

Cruise liners offer a variety of experiences to their customers, including elaborate shows, casinos, fine dining, indoor skydiving, spa treatments, swimming, and fitness facilities. Each activity comes with its own set of safety challenges and liabilities that cruise companies must navigate. Additionally, cruise companies operate a uniquely transitory service where they must provide all the safety oversight of a small city, including medical and security staff. Finally, passengers traveling internationally may be less aware of local customs and safety concerns, particularly given that they are sleeping on board a ship with all the comforts of home. Companies in this industry that provide oversight and education regarding international travel risk to passengers entering foreign countries will experience increased customer satisfaction and safety.

Accounting Metrics

SV0205-09. Number of (a) fatalities per million customers, (b) serious injuries per million customers, and (c) voyages with a gastrointestinal illness count exceeding 2%

- .37 The registrant shall disclose the total number of (a) fatalities and (b) serious injuries, each per million customers, where:
- "Fatalities" are defined as one or more deaths of customers or workers, by any cause.
 - "Serious injuries" are defined as injuries resulting in incapacitation for more than 72 hours commencing within seven days from the date of injury, consistent with the IMO Safety Code.¹⁰
- .38 The registrant shall disclose the total number of voyages on which the gastrointestinal illness count exceeded two percent of the total number of passengers and crew onboard.
- The U.S. Vessel Sanitation Program (VSP) defines gastrointestinal illness (GI illness) cases as those evaluated by the medical staff before the ship arrives at a U.S. port when sailing from a foreign port. The GI cases reported are totals for the entire voyage and do not represent the number of active (symptomatic) GI cases at any given port of call or at disembarkation.
 - Two percent of the total number of passengers and crew on board represents the threshold for which a separate notification is required by the cruise ship.

SV0205-10. Number of alleged crime incidents involving passengers or employees that are no longer under investigation by the FBI or foreign equivalent

- .39 The registrant shall disclose the total number of alleged crime incidents involving passengers or employees that are no longer under investigation by the Federal Bureau of Investigation (FBI) or foreign equivalent, where:
- "Alleged crimes" include homicide, suspicious death, a missing United States national, kidnapping, assault resulting in serious bodily injury, sexual assault, firing or tampering with a vessel, or theft of money and property in excess of \$10,000, consistent with the Cruise Vessel Security and Safety Act of 2010 (CVSSA), Pub. L. No. 111-207 (July 27, 2010) (codified at 46 U.S.C. Sections 3507, 3508).¹¹
 - "No longer under investigation" includes those alleged crimes that were reported and resulted in open investigations for which the investigation has been concluded. Open or pending investigations are excluded from this scope.
 - "Foreign equivalent" refers to the oversight authority for cruise ship criminal activity for cruise ships that do not embark or disembark in the United States.
- .40 The registrant shall obtain the crime data for cruise ships that embark and disembark in the United States from the U.S. Coast Guard website, which maintains the cruise line reporting statistics provided by the Federal Bureau of Investigation:
<http://www.uscg.mil/hq/cg2/cgis/CruiseLine.asp>
- .41 The registrant shall obtain the crime data for cruise ships that do not embark and disembark in the United States, and are therefore outside of the scope of the CVSSA, from the appropriate oversight authority for cruise ship criminal activity in the jurisdiction where the crimes occurred.

¹⁰ http://www.imo.org/blast/blastDataHelper.asp?data_id=22633&filename=A849%2820%29.pdf

¹¹ <http://www.uscg.mil/hq/cg2/cgis/CruiseLine.asp>

SV0205-11. Fleet average Center for Disease Control (Vessel Sanitation Program) inspection score, percentage failing

- .42 The registrant shall disclose the fleet average Center for Disease Control (Vessel Sanitation Program) inspection score.
- The fleet average is calculated as the sum of inspection scores for all inspected ships divided by the number of ships that were inspected. For ships that were inspected multiple times during the fiscal year, the average annual inspection score for that ship shall be included in the calculation of the fleet average score (i.e., the average of averages when multiple inspections occurred during the fiscal year).
 - The Vessel Sanitation Program applies to ships with more than 13 passengers that are either flagged in the U.S. or are foreign ships that have U.S. ports on their itineraries. Under the program, ships must follow guidelines for public health practices, submit to both scheduled and unannounced inspections, and report gastrointestinal illness outbreaks.
- .43 The registrant shall disclose the percentage of ships that failed inspections as conducted by any relevant regulatory oversight authority, where:
- Failing score for CDC Vessel Sanitation Program is 85 or less.
 - The percentage is calculated as the total number of ships that failed an inspection, divided by the total number of ships that were inspected. For ships that were inspected multiple times during the fiscal year, the lowest inspection score shall be included for that ship in the calculation.
 - The scope of disclosure is any ship that was inspected for public health, food safety, and/or environmental sanitation during the fiscal year. Examples of agencies that may have conducted such inspections include, but are not limited to, the U.S. CDC Vessel Sanitation Program, the World Health Organization, the Health Canada Cruise Ship Inspection program, the ANVISA program, or the SHIPSAN program.

Notes

Definitions

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Fair Labor Practices

Description

Cruise ships sail under many foreign flags. A ship's registration determines which country's labor laws apply to its staff. Foreign labor laws allow flexibility in many dimensions including pay, hours, fair treatment, and termination. Cruise employees live on the ship, where they have minimal living expenses and can travel to exciting destinations, but in return, they often make less than comparable U.S.-based hospitality workers and may have strenuous schedules. While housing is provided, it comes with the added strain of small living quarters that are sometimes shared, which can make it difficult to recuperate after a long day or escape a stressful work situation. The Maritime Labour Convention (MLC) 2006, also known as the seafarer's bill of rights, seeks to solve these issues by establishing minimum working and living standards for all seafarers working on ships flying the flags of ratifying countries as well as all ships that enter the harbors of those countries. With the changing standards, companies in the industry will have to ensure they are staying on top of, or ahead of, the requirements, both internally and through any external hiring agencies. In addition, the requirements of the MLC will increase labor costs for cruise line companies and could have a significant impact on profitability.

Accounting Metrics

SV0205-12. Percentage of ships in compliance with the Maritime Labour Convention

- .44 The registrant shall disclose the percentage of its ships that comply with the ILO's Maritime Labour Convention of 2006 (MLC),¹² where:
- For the purposes of this disclosure, compliance is defined as meeting the standards and requirements set forth in Titles 1-4 of the MLC, which include:
 - Title 1: Minimum requirements for seafarers to work on a ship
 - Title 2: Conditions of employment
 - Title 3: Accommodation, recreational facilities, food and catering
 - Title 4: Health protection, medical care, welfare and social security protection
- .45 The percentage shall be calculated as the number of ships that comply with Titles 1-4 of the MLC, divided by the total number of ships in the registrant's fleet.
- .46 The registrant may choose to disclose the percentage of its fleet that fly the flags of ratifying countries and are therefore subject to the requirements of the MLC.

Notes

Definitions

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¹² The Maritime Labour Convention 2006 (MLC 2006), adopted by the International Labour Organization (ILO), provides international working and living standards for all seafarers working on ships flying the flags of ratifying countries. The MLC officially came into force on August 20, 2013.

Accident & Safety Management

Description

Accident management is a paramount issue in the cruise line industry, given the nature of cruise travel and the extreme situations in which incidents can occur. Statistically, cruising is one of the safest forms of travel for vacationing. Anxious flyers gravitate to cruise vacations as a safer way to see exotic locations. However, the industry competes largely on customer experience and satisfaction, and given the scale of the ships and the vulnerability of passengers at sea, it may only take one mismanaged accident to shake consumer confidence in a company. Proper equipment maintenance, staff training, and use of the latest safety technology and methods can improve a cruise line's safety record and enhance the experience of its customers.

Accounting Metrics

SV0205-13. Average years at sea per Captain

- .47 The registrant shall disclose the average number of years at sea for its Captains, calculated as the total number of years of seafaring experience of all captains employed during the fiscal year divided by the number of Captains employed during the fiscal year.
- .48 The registrant may choose to discuss its policy on hiring and promoting Captains through various ranks internally, prior to achieving the role of Captain within the registrant's operations (e.g., progressing from Second Officer to First Officer and then Chief Officer up to Staff Captain before they can become Captains).

SV0205-14. Number of accidents and incidents

- .49 The registrant shall disclose the total number marine incidents and accidents in which its fleet was involved.
- .50 An accident or incident is defined, based on the U.S. Code of Federal Regulations 46 CFR 4.03-1 definition, as any event involving the registrant's vessels that includes:
 - Any accidental grounding, or any occurrence involving a vessel that results in damage by or to the vessel, its apparel, gear, or cargo, or injury or loss of life of any person; and includes, among other things, collisions; strandings; groundings; foundering; heavy weather damage; fires; explosions; failure of gear and equipment and any other damage that might affect or impair the seaworthiness, efficiency, or fitness of the vessel; or any incident involving significant harm to the environment (as defined in 46 CFR 4.03-65).

Note to SV0205-14

- .51 The registrant shall describe serious marine accidents, including their root causes, outcomes, and any corrective actions implemented in response.
- .52 A serious marine incident is defined, based on the U.S. Code of Federal Regulations 46 CFR 4.03-2 definition, as any event involving the registrant's vessels that results in:
 - A marine casualty or an accident that results in any of the following:
 - One or more deaths;
 - An injury to a crewmember, passenger, or other person that requires professional medical treatment beyond first aid, and, in the case of a person employed on board a vessel in commercial service, that renders the individual unfit to perform routine vessel duties;
 - Damage to property in excess of \$100,000;
 - Actual or constructive total loss of any self-propelled vessel of 100 gross tons or more.
 - A discharge of oil of 10,000 gallons or more whether or not it results from a marine casualty.
 - A discharge of a reportable quantity of a hazardous substance (per U.S. regulation) or a release of a reportable quantity of a hazardous substance into the environment (per U.S. regulation), whether or not it results from a marine casualty.

SV0205-15. Number of Conditions of Class or Recommendations

- .53 The registrant shall disclose the number of Conditions of Class or Recommendations it has received from a Flag Administration or a Recognized Organization (RO), such as a Classification Society, that has been delegated the authority to issue such findings.

- .54 Conditions of Class and Recommendations are understood to be interchangeable terms defined as requirements imposed by an Administration (or its delegate) that are to be carried out within a specific time limit in order to retain vessel Class and include:
- Repairs and/or renewals related to damages that affect Classification (e.g., grounding, structural damages, machinery damages, wastage over the allowable limits, etc.)
 - Supplementary survey requirements
 - Temporary repairs
- .55 The registrant shall disclose conditions of Class regardless of whether they resulted in withdrawal, suspension, or invalidation of a vessel's Class certificate.

SV0205-16. Number of port state control (1) deficiencies and (2) detentions

- .56 The registrant shall disclose the number of deficiencies it has received from regional port state control (PSC) organizations, where:
- A deficiency defined as a condition found not to be in compliance with the requirements of one or more of the following conventions:
 - International Convention for the Safety of Life at Sea (SOLAS);
 - International Convention on Load Lines (Load Lines);
 - International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocols of 1978 and 1997 relating thereto, as amended (MARPOL);
 - International Convention on Standards of Training, Certification, and Watchkeeping for Seafarers, 1978, as amended (STCW);
 - International Convention on Tonnage Measurement of Ships, 1969 (Tonnage); and
 - International Convention on the Control of Harmful Anti-Fouling Systems on Ships (AFS),
- .57 The registrant shall disclose the number of detentions it has received from regional port state control (PSC) organizations, where:
- A detention is defined as an intervention action taken by the port state when the condition of the ship or its crew does not correspond substantially with the applicable conventions to ensure that the ship will not sail until it can proceed to sea without presenting a danger to the ship or persons on board, or without presenting an unreasonable threat of harm to the marine environment, whether or not such action will affect the normal schedule of the departure of the ship.
- .58 The scope of disclosure includes deficiencies and detentions issued by PSC organizations that are signatories to memoranda of understanding (MoU) of regional port state control (i.e., Paris MoU, Tokyo MoU, Acuerdo de Viña del Mar, Caribbean MoU, Abuja MoU, Black Sea MoU, Mediterranean MoU, Indian Ocean MoU, or Riyadh MoU) or the U.S. Coast Guard (USCG) in the United States.

SV0205-17. Description of Safety Management System (SMS) to maintain compliance with the International Convention for the Safety of Life at Sea (SOLAS)

- .59 The registrant shall describe the implementation of a Safety Management System (SMS) that, at a minimum, allows the registrant to maintain compliance with the provisions of the SOLAS Convention.
- .60 An SMS refers to a structured and documented system enabling the registrant's personnel to implement effectively the registrant's safety and environmental protection policy and, at a minimum, ensures compliance with mandatory rules and regulations and that applicable codes, guidelines, and standards recommended by the registrant, Flag Administrations, classification societies, and maritime industry organizations are taken into account. SMSs should include the following functional requirements:
- A safety and environmental-protection policy;
 - Instructions and procedures to ensure safe operation of ships and protection of the environment in compliance with relevant international and flag state legislation;
 - Defined levels of authority and lines of communication between, and among, shore and shipboard personnel;
 - Procedures for reporting accidents and non-conformities with the provisions of this IMO codes;
 - Procedures to prepare for and respond to emergency situations; and
 - Procedures for internal audits and management reviews.
- .61 The registrant may choose to disclose how its SMS maintains standards for the safe construction, equipment, and operations of ships beyond the minimum requirements in the SOLAS Convention.

Notes

Definitions

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Additional References

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Advertising & Marketing

SICST™ #SV0301

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Advertising & Marketing Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

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The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

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SASB Sustainability Accounting Standard

Advertising & Marketing (SV0301)

Industry Description

The Advertising & Marketing industry is comprised of companies that create content for use in media, display, or direct mail advertising and provide related services including market research. Advertising and marketing companies are engaged primarily by businesses selling consumer products, entertainment, financial services, technology, and telecommunications. The industry works intimately with the media to reach audiences and drive advertising revenue. New media has come to the forefront of the industry as traditional media campaigns are losing their efficacy. Digital tools, such as social media, have become essential to accurate demographic targeting. Digital media also has made it easier to acquire reliable performance metrics, increased the number of affordable alternatives to agencies, and offered higher margins.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Advertising Integrity	Amount of legal and regulatory fines and settlements associated with false, deceptive, or unfair advertising ¹	Quantitative	U.S. Dollars (\$)	SV0301-01
	Percentage of campaigns that adhere to the standards of the Advertising Self-Regulatory Council's (ASRC) and/or Children's Food and Beverage Advertising Initiative's (CFBAI) voluntary self-regulatory programs and policies, percentage reviewed	Quantitative	Percentage (%) by revenue	SV0301-02
	Percentage of campaigns that promote regulated products or substances	Quantitative	Percentage (%) by revenue	SV0301-03
	Percentage of campaigns that adhere to the Word of Mouth Marketing Association's (WOMMA) Standards of Conduct	Quantitative	Percentage (%) by revenue	SV0301-04
Data Privacy	Discussion of policies and practices relating to behavioral advertising and consumer privacy	Discussion and Analysis	n/a	SV0301-05
	Percentage of digital campaigns that use consumer information to target custom audiences, percentage of consumer information collected that is based on informed consent	Quantitative	Percentage (%) by revenue	SV0301-06
	Amount of legal and regulatory fines and settlements associated with consumer privacy ²	Quantitative	U.S. Dollars (\$)	SV0301-07
Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others	Quantitative	Percentage (%)	SV0301-08

¹ Note to SV0301-01 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

² Note to SV0301-07 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Median reach of advertisements and marketing campaigns ³	Quantitative	Number	SV0301-A
Median frequency of exposures ⁴	Quantitative	Number	SV0301-B
Number of exposures to advertisements or marketing campaigns ⁵	Quantitative	Number	SV0301-C
Number of employees	Quantitative	Number	SV0301-D

³ "Reach" refers to the percentage of consumers in the target audience that are exposed to a particular advertisement in the stated period of time.

"Target audience" refers to the group of people toward whom advertisements are aimed.

⁴ "Frequency" refers to the number of times targeted consumers are exposed to advertisements or marketing campaigns in the stated period of time.

⁵ "Exposures" refers to the opportunities that a viewer, listener, or reader had to see or hear an advertisement (also known as "impressions" for online marketing).

Advertising Integrity

Description

Advertising campaigns make product claims aimed at winning customers by demonstrating a competitive advantage. The Federal Trade Commission (FTC) has oversight on the truthfulness of advertising, and that includes holding advertising agencies accountable. The FTC dictates that advertising agencies have a responsibility to independently vet the credibility of advertising claims, and they may not rely on the advertiser's assurance. The line between highlighting the benefits of a product and overstating them in a way that regulators would deem to be untruthful is a fine one. Avoiding the gray area of truth will help companies avoid being caught in unproductive, costly litigation and prevent campaigns from being banned. There are risks associated with advertising regulated products and advertising to vulnerable audiences, such as children. Advertising agencies could suffer reputational risk as a result of legal or regulatory action or from undertaking work that may be challenged by consumer groups or considered controversial.

Accounting Metrics

SV0301-01. Amount of legal and regulatory fines and settlements associated with false, deceptive, or unfair advertising

- .01 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to false, deceptive, or unfair advertising, including, but not limited to, violations of the Federal Trade Commission Act, including all instances of non-compliance with associated Rules, Guides, or Policy Statements, where:
- The Federal Trade Commission Act (15 U.S.C §§ 41-58, as amended) requires that (1) advertising must be truthful and non-deceptive; (2) advertisers must have evidence to back up their claims; and (3) advertisements cannot be unfair.
 - Rules are issued by the FTC pursuant to Section 5 of the FTC Act when it has reason to believe that certain unfair or deceptive acts or practices are prevalent in an industry (15 U.S.C. § 57a(a)(1)(B)). In addition, the Commission promulgates rules pursuant to specific statutes, which are designed to further particular policy goals.
 - Guides are "administrative interpretations of laws administered by the Commission" (16 C.F.R. § 1.5). Although guides do not have the force and effect of law, if a person or company fails to comply with a guide, the Commission might bring an enforcement action alleging an unfair or deceptive practice in violation of the FTC Act. Examples of Guides include, among others, the Guides for the Use of Environmental Marketing Claims (16 C.F.R. § 260) (i.e., Green Guides) and the FTC's Guides Concerning the Use of Endorsements and Testimonials in Advertising (16 C.F.R. § 255).
 - Policy Statements are written documents "issued by the Commission concerning its future enforcement plans, goals, and objectives with respect to a particular industry or practice. The statements usually describe either the circumstances in which the Commission will use its discretion to take corrective action or the means by which such action will be pursued. It may also provide an interpretation of a law or rule. The commission issues enforcement policy statements under its general legal authority or, in some cases, pursuant to specific statutes, when it believe that such statements are in the public interest."⁶ Policy Statements are available on the FTC website: <http://www.ftc.gov/policy/policy-statements>. Examples of relevant Policy Statements include, among others:
 - FTC's Unfairness Policy Statement,⁷ which states that an advertisement or business practice is unfair if it causes or is likely to cause substantial consumer injury that consumers could not reasonably avoid and that is not outweighed by the benefit to consumers or competition
 - FTC's Deception Policy Statement,⁸ which states that an ad is deceptive if it contains a statement — or omits information — that is likely to mislead consumers acting reasonably under the circumstances and is "material," or important to a consumer's decision to buy or use the product.⁹

⁶ ABA Section of Antitrust Law, "Consumer Protection Law Developments" (2009)

⁷ See *FTC Policy Statement on Unfairness, appended to International Harvester Co.*, 104 F.T.C. 949, 1070 (1984), also available at www.ftc.gov/bcp/policystmt/ad-unfair.htm

⁸ See *FTC Policy Statement on Deception, appended to Cliffdale Associates, Inc.*, 103 F.T.C. 110, 174 ("Deception Policy Statement"), also available at www.ftc.gov/bcp/policystmt/ad-decept.htm

⁹ FTC. ".com Disclosures: How to Make Effective Disclosures in Digital Advertising," March 2013 (Available online: <http://business.ftc.gov/documents/bus41-dot-com-disclosures-information-about-online-advertising>)

- FTC’s Policy Statement regarding Advertising Substantiation,¹⁰ which established that advertisers could no longer make statements without a “reasonable basis” for their claims, and that all claim substantiation must occur prior to the advertisement and cannot later be established through post-advertisement testing.¹¹
- FTC’s Enforcement Policy Statement on Food Advertising,¹² which provides guidance regarding its enforcement policy with respect to the use of nutrient content and health claims in food advertising.
- FTC cases and proceedings are in a public database available [here](#), and in-depth legal resources on FTC rules and laws are available [here](#).

SV0301-02. Percentage of campaigns that adhere to the standards of the Advertising Self-Regulatory Council’s (ASRC) and Children’s Food and Beverage Advertising Initiative’s (CFBAI) voluntary self-regulatory programs and policies, percentage reviewed

- .02 The registrant shall disclose the percentage of its advertising and marketing campaigns that adhere to the voluntary self-regulatory programs and policies of the ASRC and CFBAI, which are directed at performance of advertisers (e.g., the clients of advertising agencies).
- The scope of disclosure is all advertising and marketing campaigns and associated recommendations by the registrant (e.g., placement of the ad), including those prepared for CFBAI members and non-members.
- .03 The Advertising Self-Regulatory Council (ASRC) provides guidance and sets standards of truth and accuracy for national advertisers, and is administered by the Council of Better Business Bureaus. ASRC sets policies and procedures for the following self-regulatory entities:
- National Advertising Division (NAD), Children’s Advertising Review Unit (CARU), and Electronic Retailing Self-Regulation Program (ERSP) are the investigative arms of the ASRC’s voluntary self-regulation program, responsible for receiving or initiating, evaluating, investigating, and resolving complaints or questions from any source involving the truth or accuracy of national advertising, or in the case of CARU, consistency with CARU’s Self-Regulatory Program for Children’s Advertising.¹³
 - Online Interest-Based Accountability Program (Accountability Program) monitors entities engaged in online behavioral advertising (OBA) to ensure compliance with the Self-Regulatory Principles for Online Behavioral Advertising
- .04 The Children’s Food and Beverage Advertising Initiative (CFBAI)¹⁴ is a self-regulatory initiative for advertising food and beverage products to children under age 12. CFBAI is a National Partner Program of the Council of Better Business Bureaus. Under the CFBAI Core Principles, member companies (i.e., clients of advertising agencies) agree to:
- Devote 100 percent of their child-directed advertising to better-for-you foods, or to not engage in child-directed advertising of food and beverages;*
 - Follow the CFBAI category-specific uniform nutrition criteria to govern what foods they may advertise to children;*
 - Limit the use of third-party licensed characters, celebrities, and movie tie-ins in child-directed advertising, consistent with the company’s advertising commitment;*
 - Not pay for or actively seek to place their food and beverage products in the program/editorial content of any medium that is child-directed for the purpose of promoting the sale of those products;*
 - Include only the company’s better-for-you foods or healthy dietary choices in interactive games that incorporate a company’s food products;* and
 - Not advertise their branded foods to children in elementary schools (this limitation does not apply to charitable fundraising, displays of food products, public-service messaging, or items given to school administrators).*
- * The role of advertising agencies in meeting these CFBAI guidelines is different from the role of the member companies (i.e., advertisers). Advertising agencies may recommend advertising campaign content and may recommend placement of advertising campaigns, which adhere or do not adhere to these standards, for CFBAI member companies and non-member companies. For the purpose of this disclosure, it is the registrant-prepared advertising campaign content and recommendations by the registrant for advertisement placement that are evaluated for adherence to the standards.*

¹⁰ See *FTC Policy Statement on Advertising Substantiation*, appended to *Thompson Medical Co.*, 104 F.T.C. 648, 839 (1984), *aff’d*, 791 F.2d 189 (D.C. Cir. 1986), also available at www.ftc.gov/bcp/guides/ad3subst.htm

¹¹ <http://www.kilpatricktownsend.com/~media/Files/articles/LPearsonAdvertisingBasics.ashx>

¹² <http://www.ftc.gov/enforcement-policy-statement-on-food-advertising>

¹³ <http://www.caru.org/guidelines/guidelines.pdf>

¹⁴ The Council of Better Business Bureaus and 10 leading food and beverage companies launched the Children’s Food and Beverage Advertising Initiative in November 2006. The goal of the Initiative is to shift the mix of advertising primarily directed to children (“child-directed advertising”) to encourage healthier dietary choices and healthy lifestyles. Currently, the CFBAI has 17 participants that represent about 80 percent of child-directed TV food advertising.

- .05 The registrant shall disclose the percentage of its advertising and marketing campaigns that were reviewed by ASRC and/or CFBAI. For registrants whose advertisements were not monitored or reviewed by ASRC or CFBAI, this shall be explicitly stated.

SV0301-03. Percentage of campaigns that promote regulated products or substances

- .06 The registrant shall disclose the percentage of its advertising and marketing campaigns that promote regulated products or substances, where:
- Regulated products or substances include:
 - Alcohol (27 CFR 4.64, 27 CFR 5.65, and 27 CFR 7.54)
 - Appliances, with respect to labeling and environmental claims (FTC Green Guides and Appliance Labeling Rule).
 - Automobiles (FTC Used Car Rule, FTC Privacy Rule)
 - Clothing and Textiles that include “Made in the U.S.A.” claims (FTC Made in the U.S.A. Standard)
 - Finance, including businesses that provide credit or loans to customers (FTC Credit Practices Rule, Privacy of Consumer Financial Information and Financial Privacy Requirements Rules of the Gramm-Leach-Bliley Act)
 - Franchises (FTC’s Franchise Rule and Business Opportunity Rule)
 - Jewelry, including platinum jewelry, diamonds, gemstones, and pearls (FTC Jewelry Guides)
 - Real Estate and Mortgages (Privacy of Consumer Financial Information and Financial Privacy Requirements Rules of the Gramm-Leach-Bliley Act)
 - Tobacco (Federal Cigarette Labeling and Advertising Act, 15 U.S.C. §§ 1331-1340, and Family Smoking Prevention and Tobacco Control Act)
 - Dietary Supplements (FTC Law to Dietary Supplement Advertising)
- .07 The percentage is calculated as the total revenue generated from advertising and marketing campaigns that promote regulated products or substances divided by the total revenue from all advertising and marketing campaigns.
- .08 The registrant may choose to discuss its approach to managing potential impacts from specific rules, prohibitions, media restrictions, labeling disclosures, and warning requirements applicable to advertising for certain products (e.g., bans on outdoor advertisements for tobacco products in the U.S. and E.U.).

SV0301-04. Percentage of campaigns that adhere to the Word of Mouth Marketing Association’s (WOMMA) Standards of Conduct

- .09 The registrant shall disclose the percentage of its advertising and marketing campaigns that comply with the Word of Mouth Marketing Association’s (WOMMA) Standards of Conduct, which are directed at performance of advertisers (e.g., the clients of advertising agencies).
- The scope of disclosure is all advertising and marketing campaigns and associated recommendations by the registrant, including those prepared for WOMMA members and non-members.
- .10 The WOMMA Standards of Conduct include:
- *Standard 1* – Disclosure of identity
 - *Standard 2* – Disclosure of consideration or compensation received
 - *Standard 3* – Disclosure of relationship
 - *Standard 4* – Compliance with FTC Guides
 - *Standard 5* – Genuine honesty in communication
 - *Standard 6* – Respect for venue
 - *Standard 7* – Marketing with children and adolescents
 - *Standard 8* – Compliance with media-specific rules
- .11 The role of advertising agencies in adhering to the WOMMA Standards of Conduct is different from the role of the member companies (i.e., advertisers), but is integral to the ultimate compliance with the Standards. The WOMMA Standards of Conduct are written for advertisers (i.e., clients of advertising agencies) to require their representatives (e.g., advertising agencies) to comply with the standards. Advertising agencies may recommend advertising campaign content and may recommend placement of advertising campaigns, which adhere or do not adhere to these standards, for WOMMA member companies and non-member companies. For the purpose of this disclosure, it is the registrant-prepared advertising campaign content and recommendations by the registrant that are evaluated for adherence to the standards.
- .12 The percentage is calculated as the total revenue generated from advertising and marketing campaigns that adhere to the WOMMA Standards of Conduct divided by the total revenue from all advertising and marketing campaigns.

Notes

Definitions

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Additional References

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Data Privacy

Description

New innovations around data use in this industry can result in higher advertising and marketing efficiencies through targeted ads. However, there is also a risk associated with using highly detailed consumer data. Consumers have mixed feelings about whether personal data use adds a higher level of customer service and satisfaction or constitutes an invasion of privacy, particularly when customers are unaware that their information is being distributed or sold. Companies in this industry must operate within laws and regulations that govern consumer protection, data protection, and information security. Legislation on these issues is still evolving and is heavily scrutinized by lawmakers and consumers. Breaches of current regulations, or the creation of new regulations, could have a material effect on advertising and marketing agencies.

Accounting Metrics

SV0301-05. Discussion of policies and practices relating to behavioral advertising and consumer privacy

- .13 The registrant shall describe the nature, scope, and implementation of its policies and practices related to privacy of consumer information, with a specific focus on how they address the collection, usage, and retention of consumers' personally identifiable information and the registrant's approach to behavioral advertising, where:
- Consumer information includes information that pertains to a user's attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers' online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Behavioral advertising makes use of data that was the product of tracking, measuring, and recording individual behaviors such as consumers' online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual's physical location.
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.¹⁵
- .14 With respect to behavioral advertising, the registrant should describe how it addresses the following principles, described by the cross-industry [Self-Regulatory Principles for Online Behavioral Advertising](#):
- Education – participation in educational efforts for consumers about behavioral online advertising
 - Transparency – clearly disclosing information about data collection and data-use practices
 - Consumer control – allowing users to choose whether data is collected or transferred to non-affiliates
 - Data security – providing basic security provisions and having clear policies relating to retention of consumer information
 - Material changes – obtaining consent before applying changes to policies that are less restrictive than existing ones
 - Sensitive data – abiding by the Children's Online Privacy Protection Act and handling consumer data such as financial information, Social Security numbers, and medical information
 - Accountability – participation in self-regulatory organizations such as the Direct Marketing Association

¹⁵ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- .15 The registrant shall describe the information “life cycle” (i.e., collection, use, retention, processing, disclosure, and destruction) and how information-handling practices at each stage may affect individuals’ privacy.
- With respect to data collection, it may be relevant for the registrant to discuss which data or types of data are collected without consent of an individual, which require opt-in consent, and which require opt-out action from the individual.
 - With respect to usage of data, it may be relevant for the registrant to discuss which data or types of data are used by the registrant internally and under what circumstances the registrant shares, sells, rents, or otherwise distributes data or information to third parties.
 - With respect to retention, it may be relevant for the registrant to discuss which data or types of data it retains, the length of time of retention, and practices used to ensure that data is stored securely.
- .16 The registrant shall discuss the degree to which its policies and practices address similar issues as those outlined in the [OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 \(M-03-22\)](#), including use of Privacy Impact Assessments (PIAs)¹⁶, where:
- Privacy Impact Assessment is an analysis of how information is handled that ensures handling conforms to applicable legal, regulatory, and policy requirements regarding privacy; determines the risks and effects of collecting, maintaining, and disseminating information in identifiable form in an electronic information system; and examines and evaluates protections and alternative processes for handling information to mitigate potential privacy risks.
 - As outlined by OMB M-03-22, PIAs must analyze and describe: (a) what information is to be collected, (b) why the information is being collected, (c) the intended use of the information, (d) with whom the information will be shared, (e) what opportunities individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), and how individuals can grant consent, and (f) how the information will be secured, among other government-specific requirements.
- .17 The registrant shall discuss how its policies and practices related to privacy of consumer information address children’s privacy, which at a minimum includes the provisions of the Children’s Online Privacy Protection Act (COPPA).
- .18 The registrant may choose to discuss its privacy policies in terms of how it complies with the Word of Mouth Marketing Association’s (WOMMA) privacy guidance, available online at: <http://www.womma.org/ethics/privacy-guide>

SV0301-06. Percentage of digital campaigns that use consumer information to target custom audiences, percentage of consumer information collected that is based on informed consent

- .19 The registrant shall indicate the percentage of its digital advertising and marketing campaigns that use consumer information to target custom audiences, where:
- Digital campaigns are defined as advertising campaigns delivered online, including through mobile devices or Internet-based TV services.
 - “Custom audiences” are defined as individuals to whom advertisers target their advertisements based on behavioral data (e.g., interest-based advertising, using the pattern of web pages visited to infer interest).
 - Consumer information includes information that pertains to a user’s attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population.
 - Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Online behavioral advertising (OBA) uses information collected across multiple unaffiliated websites to predict a user’s preferences and display ads most likely to interest consumers.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers’ online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and

¹⁶ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

tracking of an individual's physical location.

- .20 The registrant shall indicate the percentage of consumer information collected that is based on informed consent, where:
 - Informed consent refers to the consent of consumers whose information is used, obtained directly by the registrant.
- .21 The registrant may choose to discuss what type of consumer information is collected and the extent of data collected from different groups.

SV0301-07. Amount of legal and regulatory fines and settlements associated with consumer privacy

- .22 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to consumer privacy, including, but not limited to, violations of the Children's Online Privacy Protection Act (COPPA), Directive 2002/58/EC (ePrivacy Directive), the U.S.-E.U. Safe Harbor Program, and the Federal Trade Commission Privacy Act.
- .23 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **SV0301-07**

- .24 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., unauthorized monitoring, sharing of data, children's privacy, etc.) of fines and settlements.
- .25 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.
- .26 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

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Diversity & Inclusion

Description

Competitive advantage in the Advertising & Marketing industry is derived from creative, cutting-edge ideas. Companies in this industry aim to attract top talent as inputs in creating the most profitable campaigns. Due to the global nature of the industry, a diverse talent pool may be better suited to effectively reach target demographics. Companies with a diverse workforce may be able to create and deliver advertising and marketing content that appeals to a broader audience. These companies will be better positioned to attract and retain clients if their campaigns have mass appeal.

Accounting Metrics

SV0301-08. Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others.

.27 The registrant should summarize and disclose employee representation by employee category in the following table format:

Employee Category	Gender (%)			Race and Ethnicity (%)					
	Male	Female	NA*	White	Black or African American	Hispanic or Latino	Asian	Other^	NA*
Executives/Sr. Managers									
All Others									

*NA = not available/not disclosed

^Other includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications

- .28 The registrant shall classify its employees according to the U.S. Equal Employment Opportunity Commission [EEO-1 Job Classification Guide](#) into the following two categories: Executives/Sr. Managers and All Others (i.e., other EEO-1 categories, including mid-level managers, professionals, technicians, sales, admin support, and service workers).
- .29 The registrant shall categorize the gender of its employees as: male, female, or not disclosed/available.
- .30 The registrant shall classify the racial/ethnic group of its employees in the following categories, using the same definitions employed for the registrant's [EEO-1 Report](#): White, Black or African American, Hispanic or Latino, Asian, and Other (which includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications), or not disclosed/available.
- .31 Where racial/ethnic group and/or gender representation percentages are significantly influenced by the country or region where the workforce is located, the registrant shall provide contextual disclosure to ensure proper interpretation of results.
- Where relevant, the registrant may provide supplemental breakdown of gender and racial/ethnic group representation by country or region.

Notes

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Additional References

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Media Production & Distribution

SICST™ #SV0302

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Media Production & Distribution

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

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SASB Sustainability Accounting Standard

Media Production & Distribution (SV0302)

Industry Description

The Media Production & Distribution industry is comprised by companies in the motion picture, television and music production, and distribution segments, as well as companies involved in publishing and local television and radio broadcasting operations. Some companies in the industry earn 100 percent of their revenue from one of the industry functions, such as publishers, or they may participate in multiple aspects of the industry. Companies in this industry earn revenue from selling advertising or circulation.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Environmental Footprint of Publishing Practices	Amount of paper purchased, percentage third-party certified to an environmental standard	Quantitative	Tons, Percentage (%)	SV0302-01
Journalistic Integrity	Amount of legal damages awarded in lawsuits involving libel or slander ¹	Quantitative	U.S. Dollars (\$)	SV0302-02
	Fact-checking expenses as a percentage of news production costs ²	Quantitative	Percentage (%)	SV0302-03
	Discussion of management approach to ensuring: (a) truthfulness, accuracy, objectivity, fairness, and accountability, (b) independence of content and/or transparency of potential bias, and (c) protection of privacy and limitation of harm	Discussion and Analysis	n/a	SV0302-04
IP Protection & Licensing	Number of copyright infringement cases, number successful, and number as copyright owner	Quantitative	Number	SV0302-05
	Discussion of management approach to assuring IP protection	Discussion and Analysis	n/a	SV0302-06
Data Privacy & Advertising Standards	Discussion of policies and practices relating to behavioral advertising and consumer privacy	Discussion and Analysis	n/a	SV0302-07
	Percentage of users whose consumer information is collected for secondary purposes, percentage who have opted in	Quantitative	Percentage (%)	SV0302-08
	Amount of legal and regulatory fines and settlements associated with consumer privacy ³	Quantitative	U.S. Dollars (\$)	SV0302-09

¹ Note to SV0302-02 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

² Note to SV0302-03 – Disclosure shall include a discussion of mechanisms in place to recognize and address errors and need for corrections.

³ Note to SV0302-09 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Topic	Accounting Metric	Category	Unit of Measure	Code
Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others	Quantitative	Percentage (%)	SV0302-10

Table 2. Activity Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of recipients of media in the US, and number as (1) households for broadcast TV, (2) subscribers for cable networks, and (3) circulation for magazines and newspapers ⁴	Quantitative	Number	SV0302-A
Number of monthly (1) domestic unique visitors, and (2) webpage views, for online media	Quantitative	Millions of visitors per month, Millions of page views per month	SV0302-B
Number of media publications produced in any format ⁵	Quantitative	Number	SV0302-C

⁴ "Recipients of media" includes viewership, listenership, and readership, as measured by Nielsen and Arbitron for television and radio and through sales for newspapers and publications.

⁵ Media publications include book titles, movies, television programs, newspapers, blogs, and radio programs, among others.

Environmental Footprint of Publishing Practices

Description

The form in which media is communicated can have an effect on the environment through the use of raw materials as well as product use-phase impacts such as electricity usage and disposal. This plays out in the media production and distribution industry most directly through paper used for publishing newspapers, magazines, and books. Heavy paper use exposes a company to commodity price risks and regulations that capture the environmental externalities of natural resource consumption. As media consumers shift from paper subscriptions to digital options, business models that offer attractive paperless options will be more competitive. Finally, proactively securing a supply chain that incorporates environmentally sustainable practices such as maximized recycled content and fiber sourced from Forest Stewardship Council (FSC) certified forest operations will create a more resilient business model.

Accounting Metrics

SV0302-01. Amount of paper purchased, percentage third-party certified to an environmental standard

- .01 The registrant shall calculate and disclose the amount of paper purchased (in metric tons) during the fiscal year for any use, including raw materials for books, magazines, and newspapers as well as materials used for office operations.
- .02 The percentage certified to an environmental standard shall be calculated as the weight of paper products purchased that were third-party certified to an environmental standard divided by the total weight of paper products purchased.
- .03 Third-party environmental standards are defined as those which address (a) the chain of custody of paper to assure that virgin fibers originate from sustainably managed forests and not from old-growth forests, (b) recycled content of paper, and/or (c) paper processing operations with respect to use of chlorine. Example standards include:
 - Forest Stewardship Council (FSC),
 - Sustainable Forestry Initiative (SFI),
 - Program for the Endorsement of Forest Certification (PEFC),
 - Canadian Standards Association (CSA)
- .04 The registrant shall disclose the standard(s) to which its paper has been certified.

Notes

Definitions

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Additional References

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Journalistic Integrity

Description

Journalistic integrity relates to fair portrayal and sourcing of business and political news, fair and transparent sponsorship, and conflict of interest disclosure. Federal law and FCC regulations require that broadcast stations identify programming sponsors any time they receive money, service, or other “valuable considerations” in exchange for transmitting content. Embedded advertising such as product placement or product integration has raised concerns from viewers who see it as intrusive and misleading. Audiences rely on journalists for accurate and timely information on current events. In order to protect their reputations and ensure they are not misleading the public, news media outlets share a set of principles that focus on truthfulness, accuracy, and objectivity. If sources are not properly screened, or information is not obtained legally, news outlets can face heavy public scrutiny and legal consequences.

Accounting Metrics

SV0302-02. Amount of legal damages awarded in lawsuits involving libel or slander

- .05 The registrant shall disclose the amount (excluding legal fees) of compensatory and punitive damages awarded against it in lawsuits involving libel or slander, where:
- Libel is governed by state law and is therefore defined by the state with jurisdiction over a given incident. For example, California Civil Code §45 defines libel as a false and unprivileged publication by writing, printing, picture, effigy, or other fixed representation to the eye, which exposes any person to hatred, contempt, ridicule, or obloquy, or which causes him to be shunned or avoided, or which has a tendency to injure him in his occupation.
 - Slander is governed by state law and is therefore defined by the state with jurisdiction over a given incident. For example, California Civil Code §46 defines slander as a false and unprivileged publication, orally uttered, including by radio or any mechanical or other means, which: charges any person with crime or with having been indicted, convicted, or punished for crime; imputes in him the present existence of an infectious, contagious, or loathsome disease; tends directly to injure him in respect to his office, profession, trade, or business, either by imputing to him general disqualification in those respects which the office or other occupation peculiarly requires or by imputing something with reference to his office, profession, trade, or business that has a natural tendency to lessen its profits; imputes to him impotence or a want of chastity; or which, by natural consequence, causes actual damage.
- .06 The amount should reflect damages awarded during the fiscal year, even if the case is pending an appeal process.

Note to **SV0302-02**

- .07 The registrant shall briefly describe the nature (e.g., libel or slander) and context (e.g., inaccurate data from source, etc.) of the lawsuits that resulted in damages.
- .08 The registrant shall describe any corrective actions it has implemented as a result of unfavorable rulings in lawsuits involving customer safety. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0302-03. Fact-checking expenses as a percentage of news production costs

- .09 The registrant shall disclose fact-checking expenses as a percentage of total programming expenses associated with news production, where fact-checking expenses refer to actions taken to verify the factual accuracy of information before publication.
- .10 Fact-checking procedures include any systems in place to verify facts, including, but not limited to, review of information by editors, lawyers, and paid fact-checking personnel before media is broadcast to the public.
- .11 The scope of this disclosure includes all forms of the registrant’s media services that provide news programming, such as television, radio, internet, print media, etc.

Note to **SV0302-03**

- .12 The registrant shall discuss the nature of its mechanisms in place to recognize and address errors and the need for corrections.

SV0302-04. Discussion of management approach to ensuring: (a) truthfulness, accuracy, objectivity, fairness, and accountability, (b) independence of content and/or transparency of potential bias, and (c) protection of privacy and limitation of harm

- .13 The scope of this disclosure is all news programming produced or distributed by the registrant (e.g., international, national, and regional news as well as political news, financial news, entertainment news, etc.) across all forms of produced media (e.g., television, radio, Internet, etc.).
- .14 The registrant shall discuss its approach to ensuring the journalistic principles of truthfulness, accuracy, objectivity, fairness, and accountability, including:
- Policies to assure that copyright protection is maintained across the registrant’s produced media, such that all disseminated content acknowledges and respects the intellectual property rights of all authors.⁶
 - Policies to address corruption and any related codes of conduct.
- .15 The registrant shall discuss its approach to ensuring the journalistic principles of independence of content and/or transparency of potential bias, including:
- Disclosure and transparency around sponsorship identification, paid product placement, and political advertising as well as media ownership concentration, among others.
 - Policies and processes to ensure editorial independence from the influence of government, business, or interest groups. Where potential bias may exist, the registrant shall discuss its approach to transparently disclosing that bias.
 - Approach to receiving benefits, including, for example, inducement, charging for coverage, and, in the case of journalists, paying sources illicitly for news content.
- .16 The registrant shall discuss its approach to ensuring the journalistic principles of protection of privacy and limitation of harm, including:
- Privacy of people (especially children) that may appear or be referred to in content
 - Privacy in gathering content and undertaking business activities (for example, confidentiality of sources, protecting sources’ privacy when taken to court, and violation of privacy during news gathering).
 - Privacy in agreements for information provided by sources (e.g., on-the-record, off-record, Chatham House Rule, or embargos).

Notes

Definitions

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Additional References

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⁶ GRI, G4 Media Sector Supplement

IP Protection & Licensing

Description

Trademark, copyright, patent, and other intellectual property (IP) laws are of paramount importance to companies in the Media Production & Distribution industry. In the U.S., the industry benefits from strong IP protection laws, such as the copyright term for authored works, which extends 70 years beyond the life of the author. However, IP protection can sometimes be used as a strategy to restrict competition. Management of the interconnection between IP and anti-competitive business practices is an important governance issue with potential material impact for media companies due to monetary fines and restriction of activities resulting from legal and regulatory actions.

Accounting Metrics

SV0302-05. Number of copyright infringement cases, number successful, and number as copyright owner

- .17 The registrant shall disclose the number of copyright infringement cases in which it was involved, where:
- Copyright infringement occurs when a copyrighted work is reproduced, distributed, performed, publicly displayed, or made into a derivative work without the permission of the copyright owner.
 - Copyright owner is defined as the person or entity who retains legal control over all (or some) of the rights granted under copyright law, usually the author of the work.
- .18 The registrant shall disclose the number of successful copyright infringement cases in which it was involved, where:
- Success is defined as the instances where a liability and damages or permanent injunction (if included) decision is made in favor of the registrant. Success encompasses findings made in summary judgment, trial by jury, and bench awards.
- .19 The registrant shall disclose the number of successful copyright infringement cases in which it was involved as copyright owner.
- .20 The scope of disclosure includes cases that were adjudicated during the fiscal year even if the decision is under appeal.

SV0302-06. Discussion of management approach to assuring IP protection.

- .21 The registrant shall discuss its approach to protection of its intellectual property (IP), where:
- The scope of this disclosure includes legal and non-compliance-based approaches to IP protection.
 - Examples of legal approaches to IP protection include reliance on patent, copyright, trademark and trade secret laws and licenses and other agreements with its employees, customers, suppliers and other parties to establish and maintain its intellectual property rights in content, technology, and products and services used to conduct its businesses.
 - Examples of non-compliance-based approaches to IP protection include, but are not limited to, licensing agreements with entities that may otherwise pirate materials, adjusted pricing structures in markets with less stringent IP protection, and developing new technologies that encourage legitimate media purchases to be favored over pirated materials.
- .22 The registrant may choose to discuss risks and opportunities associated with technological developments that enable high-definition broadcast television without a cable subscription, and which satisfy the requirement under copyright law that the transmissions be private performances (such as Internet or other streaming services, or consumer-owned antennas that capture signals for private use).

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Data Privacy & Advertising Standards

Description

One of the main sources of revenue for the industry is advertising. Advertising reaches consumers through placement in various forms of media. New innovations around data use in this industry can result in higher advertising efficiencies through targeted ads. Industry players collect information about their subscribers and viewers. While this enables targeted advertising, there is risk associated with collecting detailed consumer data. Consumers have mixed feelings about whether personal data use adds a higher level of customer service and satisfaction or constitutes an invasion of privacy, particularly when customers are unaware that their information is being distributed or sold. Companies in this industry must operate within laws and regulations that govern consumer protection, data protection, and information security. Legislation on these issues is still evolving and is heavily scrutinized by lawmakers and consumers. Breaches of current regulations, or the creation of new regulations, could have a material effect on media production and distribution companies.

Accounting Metrics

SV0302-07. Discussion of policies and practices relating to behavioral advertising and consumer privacy

- .23 The registrant shall describe the nature, scope, and implementation of its policies and practices related to the privacy of consumer information, with a specific focus on how they address the collection, usage, and retention of consumers' personally identifiable information and the registrant's approach to behavioral advertising, where:
- Consumer information includes information that pertains to a user's attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers' online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Behavioral advertising makes use of data that was the product of tracking, measuring, and recording individual behaviors such as consumers' online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual's physical location.
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁷
- .24 With respect to behavioral advertising, the registrant should describe how it addresses the following principles, described by the cross-industry [Self-Regulatory Principles for Online Behavioral Advertising](#):
- Education – participation in educational efforts for consumers about behavioral online advertising
 - Transparency – clearly disclosing information about data collection and data-use practices
 - Consumer control – allowing users to choose whether data is collected or transferred to non-affiliates
 - Data security – providing basic security provisions and having clear policies relating to retention of consumer information
 - Material changes – obtaining consent before applying changes to policies that are less restrictive than existing ones
 - Sensitive data – abiding by the Children's Online Privacy Protection Act and handling consumer data such as financial information, Social Security numbers, and medical information

⁷ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- Accountability – participation in self-regulatory organizations such as the Direct Marketing Association
- .25 The registrant shall describe the information “life cycle” (i.e., collection, use, retention, processing, disclosure, and destruction) and how information-handling practices at each stage may affect individuals’ privacy.
- With respect to data collection, it may be relevant for the registrant to discuss which data or types of data are collected without consent of an individual, which require opt-in consent, and which require opt-out action from the individual.
 - With respect to the usage of data, it may be relevant for the registrant to discuss which data or types of data are used by the registrant internally and under which circumstances the registrant shares, sells, rents, or otherwise distributes data or information to third parties.
 - With respect to retention, it may be relevant for the registrant to discuss which data or types of data it retains, the length of time of retention, and practices used to ensure that data is stored securely.
- .26 The registrant shall discuss the degree to which its policies and practices address similar issues as those outlined in the [OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 \(M-03-22\)](#), including use of Privacy Impact Assessments (PIAs)⁸, where:
- Privacy Impact Assessment is an analysis of how information is handled that ensures handling conforms to applicable legal, regulatory, and policy requirements regarding privacy; determines the risks and effects of collecting, maintaining, and disseminating information in identifiable form in an electronic information system; and examines and evaluates protections and alternative processes for handling information to mitigate potential privacy risks.
 - As outlined by OMB M-03-22, PIAs must analyze and describe: (a) what information is to be collected, (b) why the information is being collected, (c) the intended use of the information, (d) with whom the information will be shared, (e) what opportunities individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), and how individuals can grant consent, and (f) how the information will be secured, among other government-specific requirements.
- .27 The registrant shall discuss how its policies and practices related to privacy of consumer information address children’s privacy, which at a minimum includes the provisions of the Children’s Online Privacy Protection Act (COPPA).

SV0302-08. Percentage of users whose customer information is collected for secondary purposes, percentage who have opted in

- .28 The registrant shall indicate the percentage of customers whose customer information is collected for its own secondary use or for transfer to a third party, where:
- Customer information includes information that pertains to a user’s attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers’ online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual’s physical location.
 - “Secondary purpose” is defined as the intentional use of data by the registrant (i.e., not a breach of security) that is outside the primary purpose for which the data was collected. Examples of secondary uses include, but are not limited to, selling targeted ads, selling aggregated behavioral or location data, improving the registrant’s own product and service offerings, and transferring data or information to a third party through sale, rental, or sharing.
- .29 Of the users whose customer information is collected for secondary use or transfer to third parties, the registrant shall indicate the percentage that provided opt-in consent, where:
- Opt-in is defined as express affirmative consent required to use or share content.

⁸ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- .30 The registrant may choose to discuss what type of customer information is collected, the extent of data collected from different groups, and/or the types of secondary uses for which demographic data is collected.

SV0302-09. Amount of legal and regulatory fines and settlements associated with consumer privacy

- .31 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to consumer privacy, including, but not limited to, violations of the Children’s Online Privacy Protection Act (COPPA), Directive 2002/58/EC (ePrivacy Directive), the U.S.-E.U. Safe Harbor Program, and the Federal Trade Commission Privacy Act.
- .32 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **SV0302-09**

- .33 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., unauthorized monitoring, sharing of data, children’s privacy, etc.) of fines and settlements.
- .34 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.
- .35 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant’s ability to maintain data privacy and security.

Notes

Definitions

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Additional References

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Diversity & Inclusion

Description

The Media Production & Distribution industry has a profound ability to influence the way culture evolves. The industry is heavily scrutinized for its effect on issues including gender roles, diversity, ideas of beauty, and promoting stereotypes. As such, on- and off-screen diversity is a strength for media production and distribution companies. Companies with a diverse workforce may be able to create and deliver media content that appeals to a broader range of audiences. This could result in additional revenue from previously underrepresented population groups such as women and minorities, which would strengthen companies' reputations and brand value. Additionally, companies in the industry have the most flexible regulations regarding employment discrimination due to the bona fide occupational qualification provision. Evolution of the regulatory environment towards more stringent diversity requirements would make companies more exposed to litigation, resulting in extraordinary expenses and contingent liabilities.

Accounting Metrics

SV0302-10. Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others.

.36 The registrant should summarize and disclose employee representation by employee category in the following table format:

Employee Category	Gender (%)			Race and Ethnicity (%)					
	Male	Female	NA*	White	Black or African American	Hispanic or Latino	Asian	Other^	NA*
Executives/Sr. Managers									
All Others									

*NA = not available/not disclosed

^Other includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications

- .37 The registrant shall classify its employees according to the U.S. Equal Employment Opportunity Commission [EEO-1 Job Classification Guide](#) into the following two categories: Executives/Sr. Managers and All Others (i.e., other EEO-1 categories, including mid-level managers, professionals, technicians, sales, admin support, and service workers).
- .38 The registrant shall categorize the gender of its employees as: male, female, or not disclosed/available.
- .39 The registrant shall classify the racial/ethnic group of its employees in the following categories, using the same definitions employed for the registrant's [EEO-1 Report](#): White, Black or African American, Hispanic or Latino, Asian, and Other (which includes American Indian or Alaska Native, Native Hawaiian or Other Pacific Islander, and "two or more races" classifications), or not disclosed/available.
- .40 Where racial/ethnic group and/or gender representation percentages are significantly influenced by the country or region where the workforce is located, the registrant shall provide contextual disclosure to ensure proper interpretation of results.
- Where relevant, the registrant may provide supplemental breakdown of gender and racial/ethnic group representation by country or region.

Notes

Definitions

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Additional References

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Cable & Satellite

SICST™ #SV0303

Prepared by the
Sustainability Accounting Standards Board ®

July 2014
Exposure Draft for Public Comment



Cable & Satellite

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders.

The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

About this Standard

This Standard is an exposure draft presented for public review and comment. This version is not intended for implementation.

The public comment period lasts for 90 days, beginning on Wednesday, July 16, 2014, and ending on Tuesday, October 14, 2014. This Standard is subject to change thereafter.

For instructions on providing comments to SASB, please [click here](#).

For an introduction to SASB Standards, please [click here](#).

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SASB Sustainability Accounting Standard

Cable & Satellite (SV0303)

Industry Description

The Cable & Satellite industry is comprised of companies that provide various cable and satellite services, including television video services, wired Internet services, radio services, and telephone services on a subscription basis throughout the United States. Cable providers distribute television programming from cable networks to subscribers. They typically provide consumers with video services, high-speed Internet, and telephone services over the Internet (VoIP). These services are traditionally bundled into packages that provide subscribers with easier billing compared to paying for services separately. Satellite companies distribute TV programming through broadcasting satellites orbiting the earth or through ground stations.

Table 1. Material Sustainability Topics & Accounting Metrics

Topic	Accounting Metric	Category	Unit of Measure	Code
Energy Management & Vehicle Efficiency	Total energy consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	SV0303-01
	Average fuel economy of vehicle fleet	Quantitative	Miles per gallon (mpg)	SV0303-02
Data Privacy & Security	Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information	Discussion and Analysis	n/a	SV0303-03
	Percentage of users whose customer information is collected for secondary purposes, percentage who have opted in	Quantitative	Percentage (%)	SV0303-04
	Amount of legal and regulatory fines and settlements associated with customer privacy ¹	Quantitative	U.S. dollars (\$)	SV0303-05
	Number of government or law enforcement requests for customer information, percentage resulting in disclosure	Quantitative	Number, percentage (%)	SV0303-06
	Number of data security breaches, percentage involving customers' personally identifiable information ²	Quantitative	Number, percentage (%)	SV0303-07
	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	n/a	SV0303-08
Managing Systemic Risks from Technology Disruptions	(1) Average Interruption Frequency and (2) Average Interruption Duration ³	Quantitative	Disruptions per customer, Hours per customer	SV0303-09
	Description of systems to provide unimpeded service during service interruptions	Discussion and Analysis	n/a	SV0303-10

¹ Note to SV0303-05 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

² Note to SV0303-07 – Disclosure shall include a description of corrective actions implemented in response to data security incidents or threats

³ Note to SV0303-09 – Disclosure shall include a description of each significant performance issue or service disruption and any corrective actions taken to prevent future disruptions

Topic	Accounting Metric	Category	Unit of Measure	Code
Competitive Behavior	Amount of legal and regulatory fines and settlements associated with anti-competitive practices ⁴	Quantitative	U.S. dollars (\$)	SV0303-11
	Discussion of risks and opportunities associated with net neutrality regulation	Discussion & Analysis	n/a	SV0303-12

Table 2. Activity Level Metrics

Accounting Metric	Category	Unit of Measure	Code
Number of total customer relationships, number by service type: (1) video subscriber, (2) high-speed data subscriber, and (3) voice subscriber	Quantitative	Number	SV0303-A

⁴ Note to SV0303-11 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events

Energy Management & Vehicle Efficiency

Description

Management of a company's energy infrastructure matters to the cable and satellite industry. There are significant material environmental and financial opportunities as companies aim to better manage energy usage across their operations. Electricity usage, particularly within data centers, and fuel consumption related to operating large fleets of customer service vehicles are concerns for companies in the Cable & Satellite industry. Many companies in this sector also maintain large commercial vehicle fleets necessary for product installation and customer service care, which represent a significant portion of the company's overall carbon footprint.

Accounting Metrics

SV0303-01. Total energy consumed, percentage renewable

- .01 The registrant shall disclose total energy consumption from all sources as an aggregate figure in gigajoules or their multiples.
 - The scope includes energy purchased from sources external to the organization or produced by the organization itself (self-generated).
 - The scope includes only energy consumed by entities owned or controlled by the organization.
 - The scope includes energy from all sources including direct fuel usage, purchased electricity, and heating, cooling, and steam energy.
- .02 In calculating energy consumption from fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).
- .03 When reporting self-generated energy consumption, the registrant shall not double-count fuel consumption. For example, if a registrant generates electricity from natural gas and then consumes the generated electricity, the energy consumption is counted once as energy from fuel consumption.
- .04 The registrant shall disclose renewable energy consumption as a percentage of its total energy consumption.
 - The scope of renewable energy includes the renewable energy the registrant directly produces, purchases through a renewable power purchase agreement (PPA) which explicitly includes renewable energy certificates (RECs), or for which Green-e Energy Certified RECs are paired with grid electricity. For all renewable energy consumed as electricity in this manner, RECs must be retired on behalf of the registrant to be claimed as renewable energy as part of this disclosure.
 - For any renewable electricity generated on-site, any RECs must be retained (i.e., not sold) and retired on behalf of the registrant in order for the registrant to claim the renewable energy;
 - For renewable PPAs, the agreement must explicitly include and convey that RECs be retained and retired on behalf of the registrant in order for the registrant to claim the renewable energy.
 - The renewable portion of the electricity grid mix that is outside of the control or influence of the registrant is excluded from disclosure.⁵
- .05 Renewable energy is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.
 - For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:
 - Energy from hydro sources that are certified by the Low Impact Hydropower Institute
 - Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard
- .06 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels) and conversion of kWh to gigajoules (including for electricity from solar or wind energy).

SV0303-02. Average fuel economy of vehicle fleet

- .07 The registrant shall disclose the average fuel economy of its passenger and light-duty fleet in miles per gallon (mpg), based on actual fuel consumption and mileage driven (i.e. not based on design parameters).
- .08 Fuel consumption shall be estimated using combined mileage of all fleet vehicles and aggregated fuel consumption.

⁵ SASB recognizes that RECs reflect the environmental attributes of renewable energy that has been introduced to the grid, and that a premium has been paid by the purchaser of the REC to enable generation of renewable energy beyond any renewable energy already in the grid mix absent the market for RECs.

- .09 Acceptable methods for calculating fleet mileage include mileage logs, odometer readings, GPS route mapping, or other means to determine the actual mileage driven by the fleet vehicles.
- .10 Acceptable methods for calculating fuel consumption include fuel purchases made during the year plus any inventory at the start of the year, minus any fuel inventory at the end of the year; or fuel consumption tracked by vehicle or through expenses reports.

Notes

Definitions

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Additional References

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Data Privacy & Security

Description

With access to large amounts of customer data, cable and satellite companies have a duty to properly use and maintain this confidential data within the scope of the law. This includes using data properly and avoiding violations of privacy, as well as following laws relating to the storing of this sensitive information. Companies may face significant reputational harm if violations continue. Recent examples of cyber-attacks on critical infrastructure both in the U.S. and abroad illustrate the need for enhanced network security. As the providers of critical infrastructure, companies in this industry will face an increasing threat to shareholder value associated with data security, including potential costs associated with regulatory compliance or addressing security breaches, reputational damage, and lost revenues and market share.

Accounting Metrics

SV0303-03. Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information

- .11 The registrant shall describe the nature, scope, and implementation of its policies and practices related to customer privacy, with a specific focus on the how they address the collection, usage, and retention of customer information, demographic data, customer behavioral data, location data from cellphone usage, and personally identifiable information, where:
 - Customer information includes information that pertains to a user’s attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers’ online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual’s physical location.
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual’s identity, such as name, Social Security number, date and place of birth, mother’s maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁶
- .12 The registrant shall describe the information “life cycle” (i.e., collection, use, retention, processing, disclosure, and destruction) and how information handling practices at each stage may affect individuals’ privacy.
 - With respect to data collection, it may be relevant for the registrant to discuss which data or types of data are collected without consent of an individual, which require opt-in consent, and which require opt-out action from the individual.
 - With respect to usage of data, it may be relevant for the registrant to discuss which data or types of data are used by the registrant internally, and under which circumstances the registrant shares, sells, rents, or otherwise distributes data or information to third parties.
 - With respect to retention, it may be relevant for the registrant to discuss which data or types of data it retains, the length of time of retention, and practices used to ensure that data is stored securely.
- .13 The registrant shall discuss the degree to which its policies and practices address similar issues as those outlined in the [OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002 \(M-03-22\)](#), including use of Privacy Impact Assessments (PIAs), where:

⁶ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- Privacy Impact Assessment is an analysis of how information is handled that ensures handling conforms to applicable legal, regulatory, and policy requirements regarding privacy; determines the risks and effects of collecting, maintaining and disseminating information in identifiable form in an electronic information system; and examines and evaluates protections and alternative processes for handling information to mitigate potential privacy risks.
- As outlined by OMB M-03-22, PIAs must analyze and describe: (a) what information is to be collected, (b) why the information is being collected, (c) intended use of the information, (d) with whom the information will be shared, (e) what opportunities individuals have to decline to provide information (i.e., where providing information is voluntary) or to consent to particular uses of the information (other than required or authorized uses), and how individuals can grant consent, and (f) how the information will be secured, among other government-specific requirements.

.14 The registrant shall discuss how its policies and practices related to privacy of customer information address children’s privacy, which at a minimum includes the provisions of the Children’s Online Privacy Protection Act (COPPA).

SV0303-04. Percentage of users whose customer information is collected for secondary purposes, percentage who have opted in

.15 The registrant shall indicate the percentage of customers whose customer information is collected for its own secondary use or for transfer to a third party, where:

- Customer information includes information that pertains to a user’s attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
- Demographic data is defined as the quantifiable statistics that identify and distinguish a given population. Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
- Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers’ online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
- Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual’s physical location.
- “Secondary purpose” is defined as the intentional use of data by the registrant (i.e., not a breach of security) that is outside the primary purpose for which the data was collected. Examples of secondary uses include, but are not limited to, selling targeted ads, selling aggregated behavioral or location data, improving the registrant’s own product and service offerings, and transferring data or information to a third party through sale, rental, or sharing.

.16 Of the users whose customer information is collected for secondary use or transfer to third parties, the registrant shall indicate the percentage that provided opt-in consent, where:

- Opt-in is defined as express affirmative consent required to use or share content.

.17 The registrant may choose to discuss what type of customer information is collected, the extent of data collected from different groups, and/or the types of secondary uses for which demographic data is collected.

SV0303-05. Amount of legal and regulatory fines and settlements associated with customer privacy

.18 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with incidents relating to customer privacy, including, but not limited to, violations of the Children’s Online Privacy Protection Act, Directive 2002/58/EC (ePrivacy Directive), the U.S.-E.U. Safe Harbor Program, and the Federal Trade Commission Privacy Act.

.19 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **SV0303-05**

- .20 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., unauthorized monitoring, sharing of data, children’s privacy, etc.) of fines and settlements.
- .21 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.
- .22 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant’s ability to maintain data privacy and security.

SV0303-06. Number of government or law enforcement requests for customer information, percentage resulting in disclosure

- .23 The registrant shall disclose the number of requests for customer information received from government or law enforcement agencies during the reporting year and the percentage of requests with which it complied, where:
 - Customer information includes information that pertains to a user’s attributes or actions, including, but not limited to, records of communications, content of communications, demographic data, behavioral data, location data, or personally identifiable information.
 - Demographic data is defined as the quantifiable statistics that identify and distinguish a given population.
 - Examples of demographic data include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, and employment status.
 - Behavioral data is defined as the product of tracking, measuring, and recording individual behaviors such as consumers’ online browsing patterns, buying habits, brand preferences, and product usage patterns, among others.
 - Location data is defined as data describing the physical location or movement patterns of an individual, such as Global Positioning System coordinates or other related data that would enable identifying and tracking of an individual’s physical location.
 - Personally Identifiable Information (PII) is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual’s identity, such as name, Social Security number, date and place of birth, mother’s maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁷
- .24 The percentage resulting in disclosure shall include requests that resulted in full or partial compliance with the disclosure request.
- .25 The scope of this disclosure includes aggregated, de-identified, and anonymized data, which is intended to prevent the recipient from reconfiguring the data to identify an individual’s actions or identity.
 - The registrant may choose to discuss whether these characteristics apply to a portion of its data releases if this discussion would provide necessary context for interpretation of the registrant disclosure.
- .26 The registrant may choose to describe its policy for determining whether to comply with a request for customer data, including under which conditions it will release customer data, which requirements must be met in the request, and the level of management approval required.
- .27 The registrant may choose to describe its policy for notifying customers about such requests, including the timing of notification.

SV0303-07. Number of data security breaches, percentage involving customers’ personally identifiable information

- .28 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.
- .29 The scope of disclosure shall be limited to data security breaches, cybersecurity risks, and incidents that resulted in the registrant’s business processes deviating from its expected outcomes for confidentiality, integrity, and availability.
 - The scope of disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from people, process, or technology deficiencies or failures.
 - The scope of disclosure shall exclude disruptions of service due to equipment failures.

⁷ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- .30 The registrant shall disclose the percentage of data security breaches in which customers' personally identifiable information was breached, where:
- Personally Identifiable Information is defined as any information about an individual maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.⁸
 - The scope of disclosure is limited to breaches in which customers were notified of the breach, either as required by state law or voluntarily by the registrant.
 - Disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired.
 - The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise such investigation.
- .31 Disclosure shall be additional but complementary to the U.S. Security and Exchange Commission's (SEC) [CF Disclosure Guidance: Topic No. 2, Cybersecurity](#).
- At a minimum, this includes when the costs or other consequences associated with one or more known incidents – or the risk of potential incidents – represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition, or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

Note to **SV0303-07**

- .32 The registrant shall describe the corrective actions taken in response to specific incidents, such as changes in operations, management, processes, products, business partners, training, or technology.
- .33 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

SV0303-08. Discussion of management approach to identifying and addressing data security risks

- .34 The registrant shall identify vulnerabilities in its information systems that pose a data security threat, where:
- A data security threat is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the nation through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.
 - Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, or implementation that could be exploited by a data security threat source.
- .35 The registrant shall describe how it addresses the threats and vulnerabilities it has identified, including, but not limited to, operational procedures, management processes, structure of products, selection of business partners, employee training, or use of technology.
- .36 The registrant should discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.
- .37 Disclosure shall be additional but complementary to the disclosure of preparation, detection, containment, and post-incident activity according to the U.S. Security and Exchange Commission's (SEC) [CF Disclosure Guidance: Topic No. 2, Cybersecurity](#).
- At a minimum, this includes when the costs or other consequences associated with one or more known incidents – or the risk of potential incidents – represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).
- .38 All disclosure shall be sufficient such that it is specific to the risks the registrant faces, but disclosure itself will not compromise the registrant's ability to maintain data privacy and security.

⁸ GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

- .39 The registrant may choose to describe the degree to which its management approach is aligned with an external standard or framework for managing data security, such as:
- ISO/IEC 27001:2013 – Information technology – Security techniques – Information security management systems – Requirements
 - “[Framework for Improving Critical Infrastructure Cybersecurity, Version 1.0](#),” February 12, 2014, National Institute of Standards and Technology (NIST)

Notes

Definitions

NIST-defined attack vectors:

- External/Removable Media – an attack executed from removable media or a peripheral device—for example, malicious code spreading onto a system from an infected USB flash drive.
- Attrition – an attack that employs brute force methods to compromise, degrade, or destroy systems, networks, or services (e.g., a DDoS intended to impair or deny access to a service or application; a brute-force attack against authentication mechanisms, such as passwords, captchas, or digital signatures).
- Web – an attack executed from a website or web-based application—for example, a cross-site scripting attack used to steal credentials or a redirect to a site that exploits browser vulnerability and installs malware.
- Email – an attack executed via an email message or attachment—for example, exploit code disguised as an attached document or a link to a malicious website in the body of an email message.
- Improper Usage – any incident resulting from violation of an organization’s acceptable usage policies by an authorized user, excluding the above categories; for example, a user installs file-sharing software, leading to the loss of sensitive data, or a user performs illegal activities on a system.
- Loss or Theft of Equipment – the loss or theft of a computing device or media used by the organization, such as a laptop or smartphone.
- Other – an attack that does not fit into any of the above categories.

Additional References

The NIST 800 Series is a set of documents that describe United States federal government computer security policies, procedures, and guidelines. [NIST](#) (National Institute of Standards and Technology) is a unit of the Commerce Department. The documents are available free of charge, and can be useful to businesses and educational institutions, as well as to government agencies. (Available online at: <http://csrc.nist.gov/publications/PubsSPs.html>). See, for example, NIST Special Publication 800-122, Guide to Protecting the Confidentiality of Personally Identifiable Information (PII).

GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

Managing Systemic Risks from Technology Disruptions

Description

Systemic or economy-wide disruption may be created if the network infrastructure of cable and satellite companies is unreliable and prone to business continuity risks. As the frequency of extreme weather events associated with climate change increases, these companies will face growing physical threats to network infrastructure, with potentially significant social or systemic impacts. In the absence of resilient and reliable infrastructure, companies may face lost revenue associated with service outages and unplanned capital expenditures to repair damaged or compromised equipment.

Accounting Metrics

SV0303-09. (1) Average Interruption Frequency and (2) Average Interruption Duration

- .40 Average Interruption Frequency is calculated as the total number of customer interruptions divided by the total number of customers served, where:
- The number of customer interruptions is the sum, for all interruptions, of the number of customer accounts that experienced an interruption in service during each incident (i.e., counting customer accounts multiple times if they experienced multiple service interruptions throughout the year).
 - The number of customers served is the number of unique customer accounts with active service during the fiscal year.
- .41 Average Interruption Duration is calculated as the total customer interruption duration divided by the total number of customers served, where:
- The customer interruption duration is the sum, for all interruptions, of the total downtime of each interruption multiplied by the number of customer accounts affected by each interruption.
 - The number of customers served is the number of unique accounts with active service during the fiscal year.
- .42 The scope of this disclosure is all forms of cable and satellite service (e.g., television, Internet, and phone service).

Note to SV0303-09

- .43 For each significant service interruption, the registrant shall disclose the duration of the disruption, the extent of impact, and the root cause, as well as any corrective actions taken to prevent future disruptions.
- Where relevant, the registrant shall indicate costs incurred, such as those due to organizational change, training, or technology expenditures required for remediation, lost revenues, payment of warranties, or costs associated with breach of contract.
- .44 A service interruption is considered significant if it meets the thresholds set forth in Part 4 of the U.S. Federal Communication Commission's (FCC) rules (47 C.F.R. Part 4) for reporting as part of the Network Outage Reporting System (NORS).

SV0303-10. Description of systems to provide unimpeded service during service interruptions

- .45 The registrant shall discuss potential business continuity risks associated with technology disruptions affecting operations. Examples of disruptions include, but are not limited to, those caused by technical failures, programming errors, cyber-attacks, weather events, or natural disasters at hosting facilities.
- .46 The registrant shall discuss measures to address business continuity risks, including an identification of critical business operations and redundancies or other measures implemented to enhance resilience of the system or to reduce impact, including insurance against loss.
- .47 The registrant should discuss the estimated amount of potential loss, the probability of that loss, and the associated timeframe. These estimates may be based on insurance figures or other third-party or internal assessments of potential loss.

Notes

Definitions

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Additional References

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Competitive Behavior

Description

The Cable & Satellite industry is highly concentrated, with trends toward further consolidation. Large-scale infrastructure requirements for communications also create barriers to entry and contribute further to creating natural monopolies, resulting in a few dominant market players. Cable and satellite companies, therefore, face heightened risks from anti-trust laws and customer and regulatory concerns over practices affecting pricing, contracts, network neutrality, and access to services. Competitive business practices are an important governance issue for the industry. Companies face potential material impacts from the erosion of consumer confidence and government action. These risks present challenges to future revenue growth and may limit the ability to grow by acquisitions.

Accounting Metrics

SV0303-11. Amount of legal and regulatory fines and settlements associated with anti-competitive practices

- .48 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with anti-competitive behavior, such as those related to enforcement of U.S. laws and regulations on price-fixing, anti-trust behavior (e.g., exclusivity contracts), patent misuse, or network effects, as well as those related to bundling of services and products to limit competition, including violations of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914.
- .49 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to SV0303-11

- .50 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., price-fixing, patent misuse, anti-trust, etc.) of fines and settlements.
- .51 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

SV0303-12. Discussion of risks and opportunities associated with net neutrality regulation

- .52 The registrant shall discuss risks and opportunities associated with net neutrality regulation, where:
 - “Net neutrality” means applying common carrier rules to the Internet, which would prohibit the owner of a network that holds itself out to all-comers from discriminating against information by halting, slowing, or otherwise tampering with the transfer of any data (except for legitimate network management purposes, such as easing congestion or blocking spam).⁹

Notes

Definitions

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Additional References

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⁹ <https://www.aclu.org/net-neutrality>