



# Standards Outcome Review

SERVICES

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SASB Standards Development Team  
June 17, 2014

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# Executive Summary

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This report provides a reference and framework for the SASB Standards Council Services sector standards outcome review on June 24, 2014.

In the first quarter of 2014, SASB's Standards Development Team identified the material sustainability disclosure topics and related accounting metrics (herein after referred to as "issue(s)" and "metric(s)") that impact shareholder value in ten industries: Education, Professional Services, Hotels & Lodging, Casinos & Gambling, Restaurants, Leisure Facilities, Cruise Lines, Advertising & Marketing, Media Production & Distribution, and Cable & Satellite.

These issues and the associated metrics have subsequently been vetted by external stakeholders through the Industry Working Group (IWG). This process allowed for each issue and metric to be evaluated on the basis of materiality, investor interest, and cost-benefit analysis. Based on this feedback and additional research, on July 16 SASB will open a 90-day public comment period (PCP) on accounting standards for the ten industries.

This report provides the Standards Council with an update on SASB's evaluation of IWG feedback and additional evidence research, which form the basis for a revised set of issues and metrics for public comment. **Table I** (next page) shows the list of issues by industry that were presented to the IWG and SASB's initial assessment and process for revising each of those issues

**Section I: Issues for Reconsideration** focuses on issues that received relatively low IWG feedback and where SASB will reconsider evidence of materiality based on IWG feedback and internal SASB research.

**Section II: Issues with Weak Evidence of Materiality** provides SASB's review of, and response to, specific IWG feedback on issues for which there was general agreement about materiality, but where there were some reservations. **Section III** presents a summary of SASB's evidence research on and decision whether to include additional issues proposed by IWG participants.

**Appendix I** contains a draft list of issues that SASB will present for public comment on July 16, 2014.

**Appendix II** provides sample accounting metrics for the Education industry, for reference.

A supplement to this report provides a detailed materiality assessment of each disclosure topic by the IWG, and a list of all IWG comments on issues.

## Table I: Summary of IWG Feedback on Issues

	Education	Professional Services	Hotels & Lodging	Casinos & Gambling	Restaurants
<b>Environment</b>			Resource Efficiency	Resource Efficiency	Energy Management
					Water Management
					Waste Management
<b>Social Capital</b>	Quality of Education			Responsible Gambling	Food Safety
				Community Relations	Nutritional Content
<b>Human Capital</b>		Fair Labor Practices	Fair Labor Practices		Fair Labor Practices
		Employee Diversity & Inclusion			
<b>Business Model &amp; Innovation</b>			Responsible Lodging		
<b>Leadership &amp; Governance</b>	Transparent Marketing Practices		Competitive Behavior	Regulatory Capture & Political Influence	Supply Chain Management
		Professional Integrity		Business Ethics & Payments Transparency	

SASB's initial assessment and process for reviewing each issue, following IWG:

General agreement, with some reservations - Section I

Significant concerns, seeking additional evidence & inputs – Section I

Issue with weak evidence of interest – Section II

	Leisure Facilities	Cruise Lines	Advertising & Marketing	Media Production & Distribution	Cable & Satellite
Environment	Energy Management	Air Emissions & Fuel Management	Sustainable Marketing & Advertising Practices	Sustainable Publishing Practices	Energy Management
		Ecological Impacts			
Social Capital	Customer Safety	Passenger Safety		Content Guardianship	Diversity of Content
		Community Relations	Cultural Influence	Cultural Influence	Data Privacy & Security
			Advertising Integrity		
			Consumer Privacy & Data Security	Journalistic Integrity	
Human Capital	Fair Labor Practices	Fair Labor Practices		Labor Relations	
			Employee Diversity & Inclusion	Diversity & Inclusion	
Business Model & Innovation					Product Stewardship
Leadership & Governance		Accident & Safety Management			Pricing Transparency & Fair Marketing

SASB's initial assessment and process for reviewing each issue, following IWG:

General agreement, with some reservations - Section I

Significant concerns, seeking additional evidence & inputs – Section I

Issue with weak evidence of interest – Section II

# I. Disclosure Topics for Reconsideration

This section focuses on issues that received relatively low IWG feedback (less than 75 percent of respondents agreed that the issue is material) and where SASB is reconsidering evidence of materiality based on IWG feedback and internal SASB research. Issues are analyzed by industry, looking first at **evidence of interest** from SASB’s heat map and detailed IWG feedback and second at **evidence of financial impact** from existing research in industry briefs complemented by additional research. An **assessment** of both types of evidence is then provided, together with a final **recommendation** for inclusion or removal of the issue.

## 1. HOTELS & LODGING

### a. Responsible Lodging – remove

#### Evidence of Interest

##### Heat Map Tests

The heat map score is 40 out of 100, which is the lowest among the issues for this industry.

##### IWG Feedback

##### Issue priority

The average priority ranking of the issue was low, it was ranked 4<sup>th</sup> out of a total of four issues.

##### Issue materiality

Twenty out of the 28 IWG respondents (71 percent) agreed that the issue is material to the Hotel & Lodging industry. Eight respondents (29 percent) had reservations about the materiality of the issue, and none disagreed that the issue is material.

#### RESPONSES TO MATERIALITY OF RESPONSIBLE LODGING IN HOTELS & LODGING INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	8	5	7	20	71%
<b>No</b>	-	-	-	-	-
<b>Maybe</b>	4	2	2	8	29%

##### Comments from IWG respondents

While the issue description in the brief clearly stated the scope and definition of the issue, some respondents thought that the issue too broad and ambiguous. One correctly noted the “(n)eed to distinguish between philanthropic activity and support for preservation of biodiversity and heritage and supporting communities through the way a company does business.” The latter being the material issue.

Name	Response	Comment
Market Participant	Maybe	“As a former chief sustainability officer of a publicly-traded hotel company, I am drawn towards something called "responsible lodging." But the term is so broad that it is meaningless. Depending on what falls into "responsible lodging," I could come off the fence.”
Intermediary	Maybe	“It is an ambiguous term that lacks consistent definition and/or execution within the industry.”
Corporation	Yes	“Need to distinguish between philanthropic activity and support for preservation of biodiversity and heritage and supporting communities through the way a company does business. The former is good but the



		latter should be the focus of assessing a company's performance in this area.”
██████████ Corporation	Maybe	“I feel based on the accounting metrics disclosed in the "Brief", I don't feel the impact will be clearly quantified or justified.”
██████████ ██████████ Corporation	Maybe	“Just the fact that a facility is located in a site with high conservation value does not indicate whether it has any negative or positive impact on that site.”

**Evidence of Financial Impact**

Initial SASB Research (Excerpts of Industry Brief for IWGs)

An assessment by the International Union for Conservation of Nature (IUCN) details the lodging industry’s ecological impact on the Caribbean region. The majority of hotels in the region are situated within 800 meters of the ocean, suggesting that coastal locations are highly prized and valuable, due in large part to natural attractions. Healthy ecosystems, particularly on the coasts, are closely linked with economic and financial performance of local communities and businesses. A study of beach erosion in the Dominican Republic due to coral reef degradation suggests that local hotels could lose between \$52 and \$100 million over the next decade due to beach erosion. In Tobago and Saint Lucia, the direct and indirect impact from coral reef associated tourism was estimated to be at least \$250 million combined. Ensuring sustained life of the coral reefs is in the interest of the local tourism industry.

Consumer preferences for responsible lodging, as well as financial risk from the interaction between hotel operations and their social and natural environment, stress the importance of this sustainability issue. Some companies are adapting to developments in corporate sustainability. Hyatt Hotels has built a corporate responsibility platform called Hyatt Thrive, designed to improve community development in areas where the company operates. The four functional pillars of Hyatt Thrive are environmental sustainability, economic development and investment, education and personal advancement, and health and wellness. Many hoteliers are proactive about designing an experience that is inspired by the local culture. Al Maha Desert Resort and Spa, a popular Starwood hotel, is located within 225 square kilometers of the Dubai Desert Conservation Reserve and incorporate elements of traditional Bedouin camp.

There have been several instances of halted hotel and resort projects due to environmental concerns. For example in 2012, President Felipe Calderon cancelled the construction of a 9,400 acre tourist resort in Baja California, Mexico over concerns regarding potential damage to a nearby marine reserve. Environmentalists had been protesting the project for years alleging that it would threaten coral reefs which are home to more than 200 fish species. Active engagement with the community to minimize environmental impact of project and mitigate impact on the local community may reduce risk when developing hotels in ecologically sensitive areas.

To date, financial results from improving the sustainability of accommodations and revenue are mixed. A 2013 study of approximately 9,000 hotels by the Cornell University Center for Hospitality Research found that sustainability is overall revenue neutral for the industry, as some companies have seen revenue growth tied to improved sustainability, while others have seen revenue declines. However, sustainability issues may have greater impacts on other financial factors including operating risk.

Furthermore, in 2010, Jim Abrahamson, President of IHG Americas said, when asked about the company’s green strategy, “It’s become increasingly important for our customers who want their hotel stay to be with a company that really believes in sustainability. Also, being a leader in responsible business practices resonates with our employees (...) So having real leadership in sustainability—and commercializing those efforts—allows us to improve both our top-line and bottom-line performance.”

**Assessment**

- The main aspects of the issue are biodiversity and community relations.

- The effect of a loss of biodiversity is material to lodging facilities that attract leisure travelers. On their website, Intercontinental Hotels Group mentions, “Failing to address biodiversity risks can also undermine a company's reputation and have a negative impact on its financial performance.”
- Some hotels have assessed local economic impact which measures the benefits of additional jobs and commerce in the community due to establishment of a new hotel. However, the evidence of financial impact on hotels & lodging companies is not strong.
- Further analysis is needed to determine the all material aspects of the issue from a range of factors that are associated with responsible lodging like community relations, ecotourism, etc.

**Recommendation**

If the research reveals strong evidence of financial impact from mismanagement of community relations, the issue will focus on both biodiversity and community relations. If not, the biodiversity angle will form a new environmental issue for the industry.

**Recommendation**

To be determined

**b. Competitive Behavior** – move to watchlist

**Evidence of Interest**

Heat Map Tests

The issue received a high score of 80 out 100

IWG Feedback

*Issue priority*

The average ranking of the issue by IWG respondents was 3 out of 4 issues.

*Issue materiality*

Nineteen out of 28 respondents (68 percent) agreed that the issue is material to the industry. Only two respondents disagreed, and both were corporations.

RESPONSES TO MATERIALITY OF COMPETITIVE BEHAVIOR IN HOTELS & LODGING INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	7	6	6	19	68%
<b>No</b>	2	-	-	2	7%
<b>Maybe</b>	3	1	3	7	25%

*Comments from IWG respondents*

Similar to previous sectors, respondents were unclear about the definition of this issue and how it relates to sustainability. Others mentioned that this is more of an issue with online travel agencies (OTAs) rather than lodging providers.

Name	Response	Comment
██████████ <i>Corporation</i>	No	“Competitive behavior is more relevant to OTA and for lodging material is Privacy and Internet protocols and description of fines and settlements.”
██████████ <i>Intermediary</i>	Maybe	“I could be wrong, but I don't believe the practice is especially wide spread, and I don't foresee anti-competitive behavior spreading much in the future. Despite consolidation in the industry, travelers have many lodging choices, including non-publicly traded hotels. If there is collusion to keep prices artificially high, consumers will stay elsewhere.

		Any hotels engaging in this behavior will quickly see that it doesn't pay off."
██████████ <i>Intermediary</i>	Maybe	"Need to distinguish what is under the boundary of the OTAs versus the hotel companies. Also price fixing is highly subjective in service industries, since it is usually the opposite of undercutting the market (price gauging), need to ensure that lawsuits are not frivolous, and whether it will actually affect investor decisions."

## Evidence of Financial Impact

### Initial SASB Research (Excerpts of Industry Brief for IWGs)

There have been several recent investigations into price-fixing and other anti-competitive behavior among hotels and online booking agencies. In May 2013, a group of hotel companies, including Starwood and Marriott and travel websites were named in a U.S. price fixing class action alleging that the travel agencies and hotel operators colluded to maintain artificially high booking prices at hotels worldwide. The class would include customers who booked hotel rooms through the defendant's online portals from Jan 1, 2003 to May 1, 2013. The case is pending. Both Starwood and Marriott cite in their FY 2012 Form 10-Ks the potential of third party internet reservation channels to negatively impact bookings. In addition, Starwood mentions that the legality of certain provisions in their contracts with online agents is being challenged. An adverse outcome of the investigation may have a material impact on the company.

In a separate case in August 2013, the UK Office of Fair Trading (OFT) accused InterContinental Hotels Group (IHG), Booking.com, and Expedia, Inc. of anti-competitive behavior via vertical price fixing. The OFT alleged that IHG had made separate agreements with Booking.com and Expedia to restrict bookings from reservations sites that offered a deeper discount. According to the claimant, hotels admitted to being put under pressure by major online booking sites to keep out smaller agencies that are able to offer lower room rates by reducing commission. According to one source, the OFT can fine companies up to ten percent of annual turnover if found guilty of fixing prices.

Earlier in 2005, six international luxury hotels in Paris were fined by the French Competition Council for allegedly artificially raising hotel room rates. Average prices at one point exceeded €700 per night, which was above average rates. The hotels were fined a total of €709,000 by the court.

### Assessment

- There may be a need to change the issue name to more closely reflect the issue of antitrust.
- The dynamics of online booking through company websites and travel agencies are changing the competitive landscape, however further analysis is required to determine if and what kinds of anti-trust behavior is prevalent in the industry.
- The abovementioned U.S. price fixing class action suit alleging collusion between major hotel brands and online travel agents was dismissed by a judge due to allegation being limited to the elimination of intrabrand competition rather than interbrand competition.
- The aforementioned OFT investigation into antitrust violations did not result in any known fines.
- OTAs do not belong to the Hotels & Lodging industry. OTAs like Priceline are classified under Internet Media & Services industry in Technology & Communications sector.
- The industry does not exhibit the typical characteristics associated with higher likelihood of antitrust behavior. However, since the recent cases (above) involve online travel agents (OTAs) that have changed the landscape of the industry, the issue may be regarded as emerging.

### Recommendation

- Move to watch list
- Determine if this is within the scope of the industry

## 2. RESTAURANTS

### a. Energy Management – keep

#### Evidence of Interest

##### Heat Map Tests

Energy Management received a heat map score of 30 out of 100, the lowest out of seven issues for this industry.

##### IWG Feedback

##### Issue priority

The average ranking of the issue is 5<sup>th</sup> out of seven issues, just ahead of Water Management and Waste Management.

##### Issue materiality

Ten out of 14 respondents (71 percent) agreed that the issue is material to the industry. Two respondents disagreed and two had reservations about the materiality of the issue. The two corporate respondents were split on the materiality of the issue, while most market participants considered the issue to be material.

#### RESPONSES TO MATERIALITY OF ENERGY MANAGEMENT IN RESTAURANTS INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	5	4	10	71%
<b>No</b>	1	1	-	2	14%
<b>Maybe</b>	-	1	1	2	14%

##### Comments from IWG respondents

There was no consensus among respondents on the financial benefits of managing energy use. Respondents pointed out that the energy consumption is greatest in the supply chain during food production. One corporate respondent thought that the issue could become material as utility costs rise.

Name	Response	Comment
██████████ Corporation	Yes	“Energy management is the most tangible of all impacts for businesses today. Even in the midst of low natural gas prices, companies (including Darden) are finding 10-20% in savings that can greatly impact the bottom line. By utilizing new technologies, restaurants are becoming more efficient and effective and thereby reducing costs for the guest and enhancing profitability. When utility costs rise, however, the materiality of energy management becomes increasingly material for investors.”
██████████ Corporation	No	“Although a potential driver of financial savings, the actual total energy cost is not sufficient such that the savings will make enough impact in the time period required to attain them. This could change as energy costs increase and/or reliability changes and/or usage reduction strategies evolve.”
██████████ Market Participant	No	“Although energy consumption plays a role in a company's operations, the costs associated are far less than for other industries, and increases in energy efficiency can only partly be passed on to consumers. Issues in the supply chain, food safety and nutrition are more forward looking and can have damages on profits and reputation.”

<p>Market Participant</p>	<p>Maybe</p>	<p>"I view the energy use of restaurants to be synonymous with many other industries/business models, and not convinced it is material to investors."</p>
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**Evidence of Financial Impact**

Initial SASB Research (Excerpts of Industry Brief for IWGs)

The use of energy efficient appliances can be a source of significant savings, and investments can pay off in a relatively short amount of time. KFC, a subsidiary of Yum! Brands, replaced over 5,000 ovens with ENERGY STAR Blodgett ovens that saved franchise owners approximately \$600 per oven annually, resulting in total savings of approximately \$3 million per year. This illustrates how energy efficiency improvements, especially when implemented in large scale at company operated stores, can generate significant savings for restaurant companies.

The issue of energy efficiency has been garnering support from major players, and many have set energy efficiency goals. In 2008, Starbucks set a goal of reducing electricity use by 25 percent in company-owned stores by 2015. Similarly, Darden Restaurant and Yum! Brands, both of which comprises of multiple restaurants brands, set goals of reducing per restaurant energy use by 15 percent by 2015. ,

Restaurant operators are materially impacted not only by the intensity of energy use but also by their energy mix. Adding renewable energy to the mix reduces risks of price volatility due to carbon tax. Companies can reduce their indirect greenhouse gas emissions by sourcing energy from alternative, clean sources. In 2013, Starbucks was ranked at no. 9 in EPA's Green Power Partnership Top Partner Rankings. Organizations can meet EPA Partnership requirements by using any combination of Renewable Energy Certificates, on-site generation, and utility green power products. Starbucks used 592,462 MWh of green power, which constituted 70 percent of their annual electricity use.

**Assessment**

- Major brands report that energy costs range between 0 to 5 percent of their operational spending. Brands which own and operate most or all of their locations report the range of energy cost between 5 to 10 percent.
- Reporting guidelines for the industry could include "operational control" as the scope of reporting as many companies report on locations under "operational control".

**Recommendation**

Combine energy and water management into one Energy and Water management issue.

**b. Water Management** – keep

**Evidence of Interest**

Heat Map Tests

Water Management received a heat map score of 35 out of 100, tied with Waste Management and Supply Chain Management.

IWG Feedback

*Issue priority*

The average ranking of the issue is 6<sup>th</sup> out of seven issues.

*Issue materiality*

Ten out of 14 respondents (71 percent) agreed that Water Management is a material issue. Two respondents disagreed and two had reservations about the materiality of the issue.

## RESPONSES TO MATERIALITY OF WATER MANAGEMENT IN RESTAURANTS INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	5	4	10	71%
<b>No</b>	1	-	1	2	14%
<b>Maybe</b>	-	2	-	2	14%

### Comments from IWG respondents

Similar to Energy Management, respondents acknowledged that more water is used for food production than food preparation. However, most agreed that water is mostly a risk to the supply chain.

Name	Response	Comment
██████████ Market Participant	Maybe	"This may be a material issue for some (e.g. Starbucks) restaurants with high water usage levels. I would need to learn more before labeling this issue as material."
██████████ Market Participant	Maybe	"Water impacts both the supply chain and the operations of the company, and so water quality and quantity is essential to ensuring that companies have access to the inputs they need."

### Evidence of Financial Impact

#### Initial SASB Research (Excerpts of Industry Brief for IWGs)

Increasing water efficiency in restaurants impacts the bottom line in a number of ways: reduced cost of water and wastewater services; and reduced energy costs. Industry estimates suggest that implementing water-efficient practices in commercial facilities can decrease operating costs by an average of 11 percent and energy and water use by 10 and 15 percent, respectively.

Similar to energy efficiency investments, water efficiency projects can have relatively short payback periods. A Boston University cafeteria reduced its water use by 63 percent by installing high-efficiency pre-rinse spray valves. The EPA estimates that the simple payback period for high-efficiency pre-rinse spray valves could be as short as one month. These benefits seem evident to restaurateurs – according to NRA estimates, between 29 percent and 50 percent of operators installed water-saving equipment or fixtures in 2012 with another 60 percent of fine-dining operators, 55 percent of casual-dining operators, and just about half of operators in other segments planned upgrades for 2013.

In 2005, Yum! Brands set a target of 10 percent reduction in water consumption in company-owned restaurants by 2015. In order to achieve their goals, the company implemented several projects including installing high efficiency building fixtures, irrigation systems and equipment. They report achieving 10 percent of their goal by 2013. In contrast, Darden Restaurants reports reducing per restaurant water usage by 17 percent in 2011 from 2009 base year. This was in excess of their 10 percent target reduction by 2015.

#### Assessment

- Securing access to clean potable water is key for restaurants. While water costs may not be high currently, there is great potential for water conservation and increasing efficiency of water use.

#### Recommendation

Combine energy and water management into one Energy and Water management issue.

### c. Waste Management – keep

#### Evidence of Interest

##### Heat Map Tests

Waste Management received a heat map score of 35 out of 100, tied with Water Management and Supply Chain Management.

##### IWG Feedback

###### Issue priority

The average ranking of the issue is 7<sup>th</sup> out of seven issues.

###### Issue materiality

Nine out of 14 respondents (64 percent) agreed that the issue is material to the Restaurants industry. Two respondents disagreed.

#### RESPONSES TO MATERIALITY OF WASTE MANAGEMENT IN RESTAURANTS INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	4	4	9	64%
<b>No</b>	1	1	-	2	14%
<b>Maybe</b>	-	2	1	3	21%

##### Comments from IWG respondents

Respondents acknowledged that this is an issue that could become even more material in the future with regulations on food waste and landfill methane. However, several were not certain this has a financial impact on companies in the industry.

Name	Response	Comment
██████████ Corporation	Yes	“In the not too immediate future, cities, counties and states will begin to more highly regulate waste and create restrictions for food service and other retailers. Given these changes, costs could increase significantly if companies don’t manage the resource wisely or find ways to reduce waste inside their operations. From an environmental perspective, should GHG emissions become regulated, methane from waste is far more significant than energy production and could create a burdensome cost for businesses.”
██████████ Market Participant	Maybe	“Food waste is an issue but not the most financially material one.”

#### Evidence of Financial Impact

##### Initial SASB Research (Excerpts of Industry Brief for IWGs)

Food cost is a significant part of the total cost of sales for the industry. Therefore, food waste reduction is likely to have a positive effect on operational efficiency. In its 2013 Equity Research Report on U.S. restaurants, Barclays incorporates improvements in waste control system of Brinker International, Inc. into reduction of COGS to Co-Op Sales ratio. In their financial analysis of Cheesecake Factory Inc. analysts from Baird Equity Research, Barclays, Piper Jaffray, and Lazard Capital Markets recognize the positive impacts of efforts around waste/inventory control on a long-term margin improvement for the company, which further plays out in upside revisions of earnings estimates. Several companies have already started making disclosures around this issue in their SEC filings. In its FY2012 Form 10-K, Cracker Barrel reported that “reduction in food waste from 2012 to 2013 accounted for a 0.2% decrease in restaurant cost of goods sold as a percentage of restaurant revenue.” Similarly, Starbucks reported, “cost of sales as

a percentage of total net revenues decreased 80 basis points, primarily due to store initiatives to reduce waste (approximately 40 basis points)". Brinker International also acknowledges reductions in costs of sales due to their efforts to reduce waste.

Many companies are innovating to address this issue. McDonald's, Yum! Brands, and Darden are part of the Food Waste Reduction Alliance. In Scotland, McDonald's is among those turning waste cooking oil into fuel for their delivery vans. One hundred percent of KFC cooking oil is reused as biodiesel in the U.K. In 2004, Darden Restaurants started donating surplus food to local community food banks in the U.S. and Canada. In FY2013, Darden donated 10.9 million pounds of food, diverting them from landfills and providing meals to families. KFC and Pizza Hut restaurants in the U.S. divert nearly 15 million pounds of food annually to local hunger relief agencies.

While city and county ordinances have been the main drivers for shifting restaurants away from non-recyclable disposable tableware, customer criticism about the volume of paper cup waste has led the company to encourage customer use of personal tumblers. Starbucks uses 4 billion paper cups globally each year; in 2011 customers used personal mugs for 34 million drinks at company-owned stores. By 2015, the company aims to reduce disposable cup use by five percent.

### **Assessment**

The issue of waste management – in particular food waste, is an issue that is receiving attention from the media and regulatory bodies. In addition, it has a strong forward-looking component and so companies that are better positioned to comply with future (and current) food waste bans will be able to limit risks.

### **Recommendation**

Retain issue.



### 3. CRUISE LINES

#### a. Community Relations – remove

##### Evidence of Interest

###### Heat Map Tests

Community Relations received a heat map score of 20 out of 100, the lowest of the six issues.

###### IWG Feedback

###### *Issue priority*

IWG respondents indicated that this issue is low priority. The average ranking of the issue is 6<sup>th</sup> out of six issues.

###### *Issue materiality*

Seven out of 10 respondents agreed that the issue is material to companies in the industry. One respondent disagree and two had reservations about the materiality of the issue.

###### RESPONSES TO MATERIALITY OF COMMUNITY RELATIONS IN CRUISE LINES INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	4	1	2	7	70%
<b>No</b>	1	-	-	1	10%
<b>Maybe</b>	-	2	-	2	20%

###### *Comments from IWG respondents*

Market participants had reservations about the financial impact on companies of mismanaging this issue.

Name	Response	Comment
██████████ Market Participants	Maybe	“For this sector, there might be an overlap between ecological impact and community relations. Given the flexibility of cruise lines, community relations i.e. to retain a license to operate are less relevant than for the tourism industry with "fixed" locations i.e. hotels.”
██████████ Market Participant	Maybe	“Community relations are relevant to cruise line companies, however they are not material as other issues given the limited impact they have on the operations of the company. While protests by community groups at ports have occurred in the past, cruise line companies have a number of other ports as options and can find other work arounds.”

##### Evidence of Financial Impact

###### Initial SASB Research (Excerpts of Industry Brief for IWGs)

The small town of Skagway, Alaska, has a population of 862, but sees nearly 750,000 cruise ship passengers per year and is the 16th most visited cruise destination in the world. One store in Skagway reports that, in 2001, they were told by Onboard Media, a company that sells port shopping programs to cruise lines, they would have to pay \$20,000 per year to be listed as a recommended company. This is a hefty price tag for a small town business, but the price of not paying and missing out on cruise customers may be greater. In several other Alaskan port town’s stores reported paying annual membership fees in addition to 40 percent of their gross revenue from cruise customers, in exchange for being included in marketing packages presented to cruise passengers. At this rate, the business is taking home half the amount of profit that the ships are taking. These numbers are also reported to be lower than what is paid in the Caribbean.

Cruise ships operators are in danger of losing access to ports in both Key West and Venice because of the physical impact of larger ships on the natural and built environment. Activists in both cities recently joined forces to fight against the larger ships. As ships have modernized they've increased in size. Members of the Key West Chamber of Commerce and the Key West Seaport Alliance say that to accommodate this new breed of ships, 1.1 miles of their main harbor channel must be widened. Widening the channel would mean dredging 17 acres of the sea floor that is protected by the Florida Keys National Marine Sanctuary. Currently, dredging is allowed for maintenance on the existing channel under a specific allowance in the current regulation. The proposed dredging area is home to corals that are protected under the Endangered Species Act. The issues are so heated that nearly \$200,000 in donations have been made to political action committees just to fight for the initial step, requesting \$5.5 million feasibility study from the U.S. Army Corps of Engineers. Venetians, also hoping to reduce the presence of large ships in their waterways, have committed to coordinate with Key West activists in hopes of furthering both their efforts. In Venice, wakes from larger cruise ships are creating an issue for the foundations of historic buildings along the water. The threat of rising waters on Venice is an important concern that threatens the physical and economic longevity of the popular tourist destination. In both these instances, there are externalities that must be evaluated before cruise line companies can expand in these markets, and as the issues play out cruise liners may be kicked out of these markets entirely. Finding a solution that works for all stakeholders is the best way to ensure continued operations and opportunities for growth.

#### **Assessment**

- 10-K analysis – all three companies mention the importance of availability of ports
- Overlap between ecological impacts and community relations. Some of the current evidence for the issue can be filed under ecological impacts (material issue for cruise lines)
- Similar to the Hotels industry, current evidence of financial impact is weak for the 'pure' community relations angles.
- While ports are important for cruise lines, there are many various options for ports.
- The most important angle of the issue seems to be dredging and other physical limits to ports that limit ship access to ports.
- Further research is required on how dredging impacts the Cruise Lines industry as opposed to the cargo shipping (Marine Transportation) industry. The issue of dredging was not identified as material to Marine Transportation since MT companies are not the only directly responsible for dredging.

#### **Recommendation**

Do not include the topic. If there is additional supporting research, include the dredging angles to the Ecological Impacts issue, which includes disposal of waste, ballast, and bilge water.

## 4. ADVERTISING & MARKETING

### a. Cultural Influence – remove

#### Evidence of Interest

##### Heat Map Tests

Being an issue unique to media, Cultural Influence does not have a heat map score.

##### IWG Feedback

##### *Issue priority*

The average ranking of the issue is 3<sup>rd</sup> out of five issues, tied with Consumer Privacy.

##### *Issue materiality*

Four of the 6 IWG respondents agreed that the issue is material to the industry. Two respondents, both corporations, had reservations about the materiality of the issue.

#### RESPONSES TO MATERIALITY OF CULTURAL INFLUENCE IN ADVERTISING & MARKETING INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	3	1	-	4	67%
<b>No</b>	-	-	-	-	-
<b>Maybe</b>	2	-	-	2	33%

##### *Comments from IWG respondents*

Both respondents who had reservations about the materiality of the issue provided comments. One mentioned the challenge in separating brand from parent company and in being able to assess a company that has brands that promote positive values and perpetuate negative stereotypes.

#### Evidence of Financial Impact

##### Initial SASB Research (Excerpts of Industry Brief for IWGs)

Pantene's local ad in the Philippines titled Be Strong & Shine went viral as a result of the commercial's portrayal of gender stereotypes. The ad, which was produced by advertising firm BBDO Guerrero, Manila, shines light on the fact that male bosses who are powerful and take charge are labeled as "persuasive", while women doing the same thing are seen as "bossy" or "showoffs." After getting an endorsement from Sheryl Sandberg via social media, a YouTube copy of the commercial went viral and eventually earned over 35 million views. This is an instance where BBDO Guerrero was able to execute a paid media campaign in a way that resulted a significant amount of earned media. Earned media has the added benefit of being seen as the most credible type of advertising media, as consumer trust their friends and connections to curate information. The advertisement is not without its critics, some viewers find it presumptuous to imply that shampoo can fight gender inequalities. But the ad is thought provoking and has built a conversation around the company that earns exposure that can result in increased sales for Pantene, and business for BBDO Guerrero. In fact, it was so successful that despite being designed for the Philippine market and only shown on television in the Philippines twice, Pantene's owner Procter & Gamble has expanded the "Be Strong & Shine" campaign globally and is showing the ad on U.S. television.

#### Assessment

- Call with Bloomberg analysts confirmed that when the issues of Cultural Influence and Advertising Integrity are poorly managed, the advertiser feels the direct impact.
- The impact on an advertising agency, if any, is likely to be indirect.

- Compensation for ad agencies are generally a flat fee. For digital placements, the compensation is more performance-based.
- About 20 percent of advertising is on digital platforms, major agencies like WPP and Publicis have around 35-38 percent with a target of 40 percent in the coming years.
- Difficult to find evidence of direct financial impact due to a culturally 'good' or 'bad' advertising campaign. However, the need to connect with audience means that stereotypes and other negative portrayals may alienate consumer segments and so can affect the bottom line of both advertiser and ad agency.
- Other aspects of media's influence on society are captured through the topics of Advertising Integrity and Diversity & Inclusion.

**Recommendation**

SASB will not include this as a separate issue for Advertising & Marketing due to lack of financial evidence.

**b. Diversity & Inclusion** – keep

**Evidence of Interest**

Heat Map Tests

Diversity & Inclusion received a score of 40 out of 100 in the heat map tests.

IWG Feedback

*Issue priority*

Survey respondents assigned low priority to the issue. The average ranking of the issue is 5<sup>th</sup> out of five issues.

*Issue materiality*

Four of the 6 IWG respondents agreed that the issue is material to the industry. Two respondents, both corporations, had reservations about the materiality of the issue.

**RESPONSES TO MATERIALITY OF DIVERSITY & INCLUSION IN ADVERTISING & MARKETING INDUSTRY**

	<b>Corporation</b>	<b>Market Participant</b>	<b>Intermediary</b>	<b>Total</b>	<b>Percent of Total</b>
<b>Yes</b>	3	1	-	4	67%
<b>No</b>	-	-	-	-	-
<b>Maybe</b>	2	-	-	2	13%

*Comments from IWG respondents*

One of the respondents who had reservations about issue materiality mentioned that they could see how the issue is material for any organization, but was not sure how it would impact investment decisions.

**Evidence of Financial Impact**

Initial SASB Research (Excerpts of Industry Brief for IWGs)

Companies in this industry have made considerable efforts to increase diversity in their staff, and at the same time focus on retention of the talented staff they've worked to attract. Carol Watson, a cross-cultural talent consultant at Tangerine Watson, says she has noticed an increasing trend of employee resource groups and affinity groups at larger marketing agencies that have a lot of multicultural work. Not only have some companies, such as WPP, hired in-house diversity recruiters, but the issue is coming up at the executive level. WPP's CEO Rob Norman said, "diversity hiring has occupied more of his time than he thought it would since taking the CEO role" in 2010. Interpublic Group's Senior VP-Chief Diversity and Inclusion Officer, Heide Gardner, said their workforce data has shown continued progress, with "year-

over-year improvement for women and people of color at both the manager and executive levels.” Interpublic also ties executive compensation incentives to diversity-hiring targets. Attracting talent is the part of creating a diverse workforce, and should be paired with creating a culture that fosters employee retention and development.

The Super Bowl is unique in that viewers pay almost as much attention to the advertisements as they do to the action on the field. The Super Bowl is also an excellent case study of diversity in advertising because of the imbalance between the diversity of its viewers and that of the advertisement’s creative directors. NFL teams are diverse, their fans are diverse, but the creative minds behind Super Bowl commercials are predominately white males. Nielson demographics data show that for the 2011 Super Bowl there were 111 million viewers, of which 12.5 million were African-American, 10 million Latino, and 51.2 million female. However, of the 66 advertisements aired during the game, only eight featured a person of color in the lead role, which is 9 percent of the commercials, versus 20 percent of viewers who were minorities. Of the 65 creative and co-creative directors that produced the 2011 event’s commercials, two were African-American, one was Asian, one was Latino, and four were women.

### **Assessment**

- The industry’s interest in this issue indicates that it is important.
- The issue seems to be most well-handled by the industry since they recognize the value of being able to relate to the target audience.
- The issue is very closely linked to Cultural Influence.
- While the issue of having a diverse talent pool appear to be well managed, diversity is of great value to advertising companies.

### **Recommendation**

The disclosure topic will be included for the public comment period.

## 5. MEDIA PRODUCTION & DISTRIBUTION

### a. Content Guardianship – remove

#### Evidence of Interest

##### Heat Map Tests

Content Guardianship received a heat map score of 30 out of 100.

##### IWG Feedback

##### *Issue priority*

The average ranking of the issue is 4<sup>th</sup> out of 6 issues.

##### *Issue materiality*

Fourteen out of the 20 respondents (70 percent) agreed that the issue is material to companies in the industry. All nine market participants agreed that the issue is material.

#### RESPONSES TO MATERIALITY OF CONTENT GUARDIANSHIP IN MEDIA PRODUCTION & DISTRIBUTION

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	9	4	14	70%
<b>No</b>	1	-	2	3	15%
<b>Maybe</b>	2	-	1	3	15%

##### *Comments from IWG respondents*

Survey respondents were concerned about the issue scope, the subjectivity of ‘objectionable content’, and difficulty in comparing performance on this issue across companies.

Name	Response	Comment
██████████ Corporation	No	“The definition of objectionable media content is highly subjective and open to interpretation, and varies greatly between audiences, stakeholders and regulators. Comparability within companies and their different brands, and between companies and their different brands, would be challenging.”
██████████	Yes	“Content Guardianship impacts hours of tv produced and how much advertising can be sold against it. This is in fact material.”

#### Evidence of Financial Impact

##### Initial SASB Research (Excerpts of Industry Brief for IWGs)

The financial penalty for violating the FCC’s requirements regarding profane or profane material is sizable. The fine for broadcasting indecent or profane content is \$325,000 per utterance, with a cap of \$3 million for “any continuing violation arising from a single act or failure to act.” Deciding exactly what constitutes indecent material is proving to be a challenge for companies and regulatory enforcement agencies in this industry. A string of court cases between Fox, ABC and the FCC regarding fines for indecent content have highlighted the frustration of the networks and the challenge the FCC faces in enforcing content guardianship. In Fox’s case, the FCC fined the network for curse words during live awards shows in 2002 and 2003. ABC was fined \$1.4 million for an episode of NYPD Blue in which an actress’ buttocks were shown. In both cases, the U.S. 2nd Circuit Court of Appeals sided with the networks. However, the cases were appealed, at which point they were tied together by the Supreme Court. The Supreme Court also sided with the networks, on the grounds that they were not given fair notice of the FCC rules. The Supreme Court did not address the constitutionality of the FCC’s indecency rule, something broadcasters were hoping for.

In 2007, the FCC published a report titled Violent Televisions Programming and Its Impact on Children. The report was prompted by 39 congressmen and women, pressured by constituents, requesting and inquiry into the effects of television violence on children. The report objective was to determine the negative impacts of violent programming on children, whether congress has the jurisdiction to restrict violent content, and whether a rating system would be beneficial to the public. The report found that there is a correlation between violent children and violent programming, however, causation is not clear. The findings also indicate that congress can impose regulations. Given the attention this issue is receiving, and the public concern over violence in schools and young people, it is possible that violent media will be scrutinized and controlled in the future. If that's the case, media that does not use violence as a means to attract viewers will experience less negative effects.

A study released in 2011 by Onbeyond, a California-based media campaign company, and the Center for Tobacco Control Research and Education at the University of San Francisco, found that films with scenes that show smoking make less money than those without smoking. The study examined 1,232 top grossing films between 2002 and 2010. The results were adjusted to account for film budgets and ratings, which have an impact on sales. The result was that films with smoking accounted for 13 percent less ticket sales revenue. That can translate into millions of dollars given the large profits of major films. Several organizations around the world are calling for ratings systems to consider smoking, and specifically asking for films with smoking to receive an automatic R-rating. An automatic R-rating would immediately restrict the market size available to a film.

**Assessment**

- The issue was misinterpreted as content piracy by some IWG participants. Piracy in the media industry is a pure business issue and so will not be added to the list of material disclosure topics.
- The issue can become prescriptive when it goes beyond complying with regulation around ratings and the type of content that can be shown at different times of the day. The non-prescriptive angle is regarding giving viewers the ability to censor content for their household. This metric can be folded into the Cultural Influence issue.

**Recommendation**

Do not retain issue.

**b. Diversity & Inclusion** – keep

**Evidence of Interest**

Heat Map Tests

Diversity & Inclusion received 35 out of 100 in heat map tests.

IWG Feedback

*Issue priority*

The average ranking of the issue is 5<sup>th</sup> out of six issues, putting just ahead of Cultural Influence.

*Issue materiality*

RESPONSES TO MATERIALITY OF DIVERSITY & INCLUSION IN MEDIA PRODUCTION & DISTRIBUTION

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	2	7	5	14	70%
<b>No</b>	1	2	-	3	15%
<b>Maybe</b>	1	-	2	3	15%

### Comments from IWG respondents

While some respondents were not confident about material impact on companies of mismanaging this issue, most IWG members thought that the issue is material. One market participant commented that companies stand to gain from proper management of this issue.

Name	Response	Comment
██████████ <i>Corporation</i>	Maybe	"Although this is a nice to have and in my mind is important, I think it's rare for it to become a financial exposure to the company. The market is unfortunately not there yet."
██████████ <i>Market Participant</i>	Yes	"African Americans and Hispanics over-index in consumption of media, so those companies that cater to their tastes and interests, whether on TV, film or radio, stand to earn outside returns, i.e. Viacom's BET"
██████████ <i>Intermediary</i>	Maybe	"Because the bona fide occupational qualification (BFOQ) provision of U.S. Equal Employment Opportunity Title VII of the Civil Rights Act is still upstanding, there currently is little risk associated with legal prosecution due to gender or racial biases in film or television casting. Should the legislation change, however, this would become a material issue for the industry."

### Evidence of Financial Impact

#### Initial SASB Research (Excerpts of Industry Brief for IWGs)

A recent survey carried out in the UK examined the gender wage gap of employees behind the camera in the television production industry. The survey included 611 responses, 63 percent from men and 37 percent from women, and found that on average men made £7,000 more than women. One female respondent, a female dubbing mixer, said, "female salaries in my place of work are shockingly much lower than my male counterparts - in my case I earn less than one third of what my colleague earns." However, other survey respondents tempered their answers by highlighting that it's somewhat impossible for them to know if their suspicions are true.

The way in which companies in this industry approach discussions and strategy regarding diversity and inclusion is important. Recent scrutiny over the cast of the comedy institution, Saturday Night Live (SNL), proved that while preemptively addressing the issue may invite more positive media and resiliency to regulations, it is possible to act fast and turn unwanted media scrutiny into something positive. Since premiering in 1975, Saturday Night Live has had just four black women in its regular cast and currently has none. Recently, every time a sketch has been written with a black women in it one of the two black male cast members, Kenan Thompson or Jay Pharoah, has played the part in drag. Fed up, Thompson, a veteran cast member, publicly stated that he would no longer dress in drag for the show and they would have to hire a black women, or miss out on pop culture references involving figures like Beyoncé or Michelle Obama. A media storm of criticism for the show's lack of diversity ensued. About a month later, in an episode of SNL that hosted Kerry Washington, producers took the opportunity to not only make fun of themselves, but announce a campaign to address the issue. It also featured a voiceover from a producer apologizing to Washington by saying "we make this request both because Ms. Washington is an actress of considerable range and talent and also because Saturday Night Live does not currently have a black woman in the cast. We agree this is not an ideal situation and look forward to rectifying it in the future -- unless, of course, we fall in love with another white guy first." While there may be varying opinions about whether the show was using its host to gain attention, or whether it was a sincere move, the move paid off in the short term as that episode of SNL hit a ratings high for the season.

### Assessment

- The topic includes both short-term hires and full-time employees. The focus is on a diverse talent pool, including directors, writers and actors.



- Media is generally catered to appeal to a broad spectrum of audience. There is a need for the audience to identify with actors/content.

**Recommendation**

SASB will include this topic for public comment.

## II. Disclosure Topics with Weak Evidence of Interest

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For the issues below, 50 percent or fewer IWG members said that the issue is material to companies in the industry. IWG comments were reviewed to see whether additional evidence-gathering was needed. The following provides recommendations on these issues based on the analysis of IWG feedback.

### 1. MEDIA PRODUCTION & DISTRIBUTION

#### a. Cultural Influence – remove

##### Evidence of Interest

###### Heat Map Tests

Being an issue unique to media, Cultural Influence has no heat map score.

###### IWG Feedback

###### *Issue priority*

The issue was given a low priority by IWG respondents - it was ranked 6<sup>th</sup> out of six issues.

###### *Issue materiality*

Eight out of the 20 respondents (40 percent) agreed that the issue is material. Five respondents (25 percent) did not think the issue is material to companies in the industry. Market participants were more likely to agree on the issue of the issue – five out of nine agreed.

##### RESPONSES TO MATERIALITY OF CULTURAL INFLUENCE IN MEDIA PRODUCTION & DISTRIBUTION INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	5	2	8	40%
<b>No</b>	1	2	2	5	25%
<b>Maybe</b>	2	2	3	7	35%

###### *Comments from IWG respondents*

While most IWG members agreed on the influence of media on society, many were concerned about the comparability of this disclosure topic across entities. One IWG member pointed out that audience acceptance is a key economic driver as evidenced by a Form 10-K disclosure, "The Company's Success and Profitability Are Dependent Upon Audience Acceptance of Its Content, Including Its Television and Radio Programs and Motion Pictures, Which Is Difficult to Predict".

##### Evidence of Financial Impact

###### Initial SASB Research (Excerpts of Industry Brief for IWGs)

Media is the main source of influence on young people outside their family and community. Media governs their perception of the rest of the world and what is possible. It is important that people of all genders, origins and characteristics are depicted in a fair and balanced manner. A recent study, by the University of Southern California, reviewed the 500 most popular films from 2007 and 2012 for gender balance and portrayal. In the top 100 grossing fictional films in the last five years, there were 2.51 men with speaking roles, for every one woman. Women were outnumbered by men in every role, both on and off screen, and on average only 11 percent of movies featured a balanced cast, which is defined as 45 to

55 percent of all on-screen speaking characters are female. All of these statistics are at odds with the fact that 50 percent of the U.S. population and moviegoers are female.

A recent study released by the National Bureau of Economic Research attributes one third of the decline in the U.S. teenage birth rate to the MTV show “16 and Pregnant.” Specifically, the claim is that in the 18 months following the show’s debut it was responsible for a 5.7 percent drop in teen births. The show has faced criticism since its debut in 2009 for glamorizing teenage pregnancy. However, the newly released study examined a number of data sets to substantiate the claim that the show actually boosted awareness of the issue and demand for birth control. Researchers examined teen birthrate data, and Nielson television ratings to understand where the show was popular. They also monitored internet keyword searches and twitter trends to look for patterns immediately after an episode aired. They found thousands of tweets saying things like: “Watching 16 and Pregnant reminds me to take my birth control.” The conclusion was that watching “16 and Pregnant” led to higher search rates and tweets about abortion and birth control.

Media producers have faced such strong reactions from viewers that advertisers have responded by pulling their business. For example, in 2009 The Glenn Beck Program, aired on Fox News Channel, inspired hundreds of thousands of viewers to support a campaign asking advertisers to pull their business from his program. As a result, hundreds of advertisers pulled their ads from his show. Two years later advertising revenue still hadn’t recovered, and the show was subsequently ended.

#### **Assessment**

- While audience acceptance is a key economic driver for the industry, there are several factors that contribute to the success of a show/production and it is difficult to isolate components that relate to positive or negative portrayals.
- Other aspects of media’s influence on society are captured through the topics of Journalistic Integrity and Diversity & Inclusion – which includes those on and off screen.

#### **Recommendation**

SASB will not include this as a separate issue for Media Production & Distribution.

## 2. CABLE & SATELLITE

### a. Diversity of Content – remove

#### Evidence of Interest

##### Heat Map Tests

Being an issue unique to media, Diversity of Content does not have a heat map score.

##### IWG Feedback

##### *Issue priority*

The issue was given a low priority by IWG respondents - it was ranked 5<sup>th</sup> out of five issues.

##### *Issue materiality*

Five of the 12 (42 percent) respondents thought that the issue is material to the industry.

#### RESPONSES TO MATERIALITY OF DIVERSITY OF CONTENT IN CABLE & SATELLITE INDUSTRY

	Corporation	Market Participant	Intermediary	Total	Percent of Total
<b>Yes</b>	1	3	1	5	42%
<b>No</b>	3	2	-	5	42%
<b>Maybe</b>	-	1	1	2	17%

##### *Comments from IWG respondents*

One IWG respondent who did not agree on materiality of the issue added, “I believe all of the programmers have contracts with payTV providers in the cable and satellite industry.” While content diversity is an important social issue, this issue seems to be material to content creators (Media Production & Distribution industry) rather than content distributors like Cable & Satellite companies. Most cable and satellite providers offer most channels to their subscribers.

#### Evidence of Financial Impact

##### Initial SASB Research (Excerpts of Industry Brief for IWGs)

By offering a more diverse mix of content to target minorities and portions of the population that are underrepresented in television media, cable and satellite providers may better appeal to and capture the minority market for new revenue opportunities. This strategy is evident in Comcast’s initiative to introduce four new minority owned / operated networks focused on providing content to the African American, and Latino audience. Studies show that minorities value cable and TV differently from the white population, with African Americans and Latinos typically ordering premium and pay-per-view services at a much higher rate than the white population.

#### Assessment

- According to the Federal Communications Commission, “In general, a cable television operator has the right to select the channels and services that are available on its cable system, and has broad discretion in choosing how those channels will be packaged and marketed to its subscribers. Cable operators usually select channels that are likely to appeal to a broad spectrum of viewers.... With the exception of broadcast channels that elect “must carry” status and PEG channels, all other programming on the cable system is based on terms negotiated between the cable operator and the entity that owns the channel or programming service. Terms may include whether the channel or service will be offered in a package with other programming or whether

the channel or service will be offered on a per-channel or pay-per-view basis, as well as the cost of carriage.”<sup>1</sup>

**Recommendation**

SASB will not include Diversity of Content for the Cable & Satellite industry. The issue is more pertinent to Media Production & Distribution companies.

**b. Product Stewardship – remove**

**Evidence of Interest**

Heat Map Tests

Product Stewardship received a heat map score of 43 out of 100, putting it ahead of Energy Management & Vehicle Efficiency in terms of relative evidence of interest.

IWG Feedback

*Issue priority*

The issue was given a low priority by IWG respondents - it was ranked just ahead of Diversity of Content. The issue ranking was 4<sup>th</sup> out of five issues.

*Issue materiality*

Six of the 12 (50 percent) respondents thought that the issue is material to the industry.

**RESPONSES TO MATERIALITY OF PRODUCT STEWARDSHIP IN CABLE & SATELLITE INDUSTRY**

	<b>Corporation</b>	<b>Market Participant</b>	<b>Intermediary</b>	<b>Total</b>	<b>Percent of Total</b>
<b>Yes</b>	2	4	-	6	50%
<b>No</b>	1	2	1	4	33%
<b>Maybe</b>	1	-	1	2	17%

*Comments from IWG respondents*

One respondent commented, “Energy efficiency of hardwired devices, such as cable modems and set top boxes is not an issue that garners a lot of attention from customers and key stakeholders. The footprint of the industry, even when taking its fleet into consideration, is very small in comparison to other industries. While the providers determine the STBs and modems, the energy usage of these devices is not a burning issue, not even to an aggressive and proactive US Energy Department.”

**Evidence of Financial Impact**

Initial SASB Research (Excerpts of Industry Brief for IWGs)

As previously stated, with such a large amount of energy used and wasted on set top boxes, there is a significant opportunity for TV providers to add value to customers with new improved boxes. The consortium of DirecTV, Comcast, Dish Network, Time Warner and others have committed to new efficiency ratings like Energy Star for their new line of set-top boxes. Through this initiative, the companies plan to cut over 5 million tons of carbon pollution each year and save consumers over \$1 billion in energy costs. This offers a new angle for TV providers to market and upsell improved devices with added functionality as they communicate their value statement to customers.

Since Comcast’s launched its EcoBill initiative, over 6 million customers had signed up to receive e-statements by the end of 2012. The company saved over \$35 million for the company every year by

<sup>1</sup> <http://www.fcc.gov/guides/choosing-cable-channels>

reducing postage and paper usage. E-billing offers substantial value to companies not just by reducing postage costs, but also by providing opportunities to reduce back end handling and processing costs associated with traditional checks.

**Assessment**

- Set-top boxes are becoming more efficient. While the aggregate energy used while STBs are idle is significant, the industry is moving towards offering more energy-efficient options. “The Energy Department, in exchange for the signal providers’ agreement, has dropped its plans to issue efficiency rules.” In addition, the financial impact on companies is low.

**Recommendation**

SASB will not include this topic in the list of material sustainability disclosure topics for public comment.

### III. Other Topics Proposed by IWG Participants

The following additional topics were suggested by industry working group members, and reviewed by SASB. Often these topics include those already considered by the Standards Development team as part of the initial research process. This is followed by SASB’s decision on the issues, based on additional evidence research. The standards development team is conducting further research, including analysis of Form 10-K disclosure, and discussion with industry experts to determine materiality of the topics suggested. In some cases, it may result in addition of an angle and relevant metrics to an existing issue or inclusion of a new issue.

Industry	Topics Proposed by IWG Members
Education	a. Regulatory Compliance
Professional Services	a. Recruitment, Development & Retention b. Integration of Sustainability Principles in Service Offerings c. Environmental Footprint of Operations d. Access to Services e. Data Privacy & Security
Hotels & Lodging	a. Supply Chain Management b. Waste Management c. Scope 1 GHG emissions d. Customer Health & Safety e. Employee Health & Safety f. Bribery & Corruption g. Data Security h. Human Trafficking i. Impacts of Climate Change
Casinos & Gambling	a. Employee Recruitment, Dev. & Retention b. Customer/Employee Health & Safety c. Employee Diversity & Inclusion d. Fair Labor Practices e. Supply Chain Management f. Human Trafficking
Restaurants	a. Political Contributions
Leisure Facilities	a. Water Management b. Waste Management c. Ecological Impacts from Operations d. Community Relations
Cruise Lines	a. Impacts of Climate Change b. Water Management c. Board Structure
Advertising & Marketing	a. Greenhouse Gas Emissions b. Employee Health, Safety & Well-being c. Corporate Governance d. Supply Chain Management
Media Production & Distribution	a. Energy Management b. Executive Compensation c. Media's Watchdog Role
Cable & Satellite	a. Labor Relations b. Customer Satisfaction c. Control over Content d. Inclusion of Local Content e. Technology Accessibility f. Net Neutrality

## 1. EDUCATION

### a. Regulatory Compliance – do not include

Kal Trinkner of EY commented, “For regulations expected to have an impact sooner than later, such as the Gainful Employment Rule, it may be better to move the impacts from Quality of Education into a new material issue of Regulatory Compliance. This will highlight that the regulatory landscape matters, which currently isn’t noted in the metrics, and will align better with certain existing MD&A disclosure already being made by for-profits such as Strayer”

#### Recommendation

The current issues, Quality of Education and Transparent Marketing Practices, both have to do with regulatory compliance. The title of the ‘Quality of Education’ issue may be reconsidered.

## 2. PROFESSIONAL SERVICES

### a. Recruitment, Development & Retention – do not include

Several IWG respondents suggested this as an issue due to the heavy reliance of human capital for value creation.

Respondent	Comment
██████████ <i>Intermediary</i>	“We are looking at the IMPACT of an organization. Training and development practices correlate to a positive impact on human capital.”
██████████ <i>Intermediary</i>	“Training of employees is critical for long term in the professional services sector.”
██████████ <i>Market Participant</i>	“In my view the human capital factor (especially in this industry segment) is more important than the attention it receives in the document. Development, measurement and investment in this human capital would be good to track for investors as in my view this is material in this sector.”
██████████ <i>Intermediary</i>	“Service quality of professional service firms are based on skills and experience. Trainig and knowledge management would be critical for sustainability of professional service firms.”

#### Recommendation

While this is an important issue for any company that relies on human capital for value creation, it is a pure business issue and so will not be included.

### b. Integration of Sustainability Principles in Service Offerings – do not include

Several respondents asked for this issue to be included.

Respondent	Comment
██████████ <i>Corporation</i>	“It is surprising that there is no reference to any environmental issue for this sector. Local, state and national bar associations have increasingly focused on the relevance of environmental sustainability to the legal profession, on par with pro bono and diversity.”
██████████ <i>Intermediary</i>	“Providers of professional services - whether they are in the data analytics, staffing or management consulting services - need to be trained in assessing the environmental and social impacts in addition to the financial aspects of their decision making.”
██████████ <i>Intermediary</i>	“Professional services are increasingly being targetted by NGOs and other disaffected stakeholders in relation to the advice they give. The disaffection stems from the legal, but otherwise unpalatable advice given to clients, and



	the affects of advice on various groups. The issue can affect Intangible Assets (Reputation), Cost of Revenue, Market Share, Extraordinary Expenses and Contingent Liability provision.”
██████████ <i>Intermediary</i>	“Consultants, especially the top tier ones, can drive dramatic changes, for good or bad, in business and consumer practice via their service offerings and advice (from offshoring of labor to broadly condoning externalization of ESG costs and more). This materiality issue may be a sub-set of Professional Integrity, but I STRONGLY feel that consultants need be mindful of the consequences of what they choose to offer to the market. View this issue as product manufacturer's equivalent of "product takeback." Own what you put out there and not hide behind a curtain of "we're just the advisor.””

**Recommendation**

- Without strong evidence of financial impact, this issue seems like a pure sustainability issue.
- There may be room to integrate some aspects into Professional Integrity / Responsibility issue, while other aspects may be included in Fair Labor Practices.

**c. Environmental Footprint of Operations** – do not include

A couple of respondents from corporations suggested including this as an issue.

Respondent	Comment
██████████ <i>Corporation</i>	“As carbon emissions become increasingly relevant to clients (reducing emissions in their supply chain) (forward-looking) so too will environmental issues for this sector. Transportation is particularly relevant to client-facing sectors such as professional services. Energy efficiency is also relevant. This sector is also highly influential due to its client base and can leverage its experience. There are opportunities for the sector to influence related policy.”
██████████ <i>Corporation</i>	“Although the environmental impact from a professional services company is not as large as a manufacturing or consumer goods company, the clients we serve and our own employees care about the environment. There is a link between what we do as a company and what type of talent we attract or what type of business we gain.”
██████████ <i>Corporation</i>	“Professional services often requires significant travel. This is both an environmental, and potentially even profit-related, issue and should not be overlooked. Can be normalized to revenue or other. Could be impacted by carbon regulation, fuel prices or aviation sector disturbance.”
██████████ <i>Corporation</i>	“Environmental impact issues, including air travel, employee commuting, sustainable procurement, managing GHG emissions, recycling, and others are very material to this sector.”

**Recommendation**

- Do not include
- Business travel is a major segment of airline customers and as such is responsible for a portion of GHG emissions. However, business travelers include not only consultants but all other corporate travel. In addition, consulting firms comprise a small fraction of the Professional Services industry. Due to these reasons, environmental impact which is mostly driven by building energy needs and air travel, will not be included in the minimum set of disclosure topics for the Professional Services industry.

**d. Access to Services** – do not include

There were a couple of suggestions around provision of pro bono services.

<b>Respondent</b>	<b>Comment</b>
██████████ <i>Corporation</i>	“I believe this is the category where pro bono work is most relevant. One of the more traditional roles of a lawyer is to provide pro bono services to individuals and organizations in need. Many clients specifically request information about a firm's pro bono services. Most major law firms are signatories to the Pro Bono Institute’s Law Firm Pro Bono Challenge®.”
██████████ <i>Intermediary</i>	Professional Services are among the most expensive services and poorer individuals and groups can simply be priced out of accessing high quality advice. An obvious example is lack of access to legal services, although it applies more or less across the industry. Access to Services is already a significant business issue, and if trends on wealth inequality continue, will grow in significance. The issue can affect Cost of Revenue, Market Share and Intangible Assets.

**Recommendation**

- Do not include
- Too specific to law firms and consulting firms, i.e. it is not applicable to most companies in the industry
- Lack of evidence to tie to financial performance

**e. Data Privacy & Security** – do not include

<b>Respondent</b>	<b>Comment</b>
██████████ <i>Corporation</i>	“This is very similar to Professional Integrity, but in our business we have access to some very secure and top secret information. Our clients and customers must have absolute confidence in our ability to keep their data private and secure. A failure to do so can very quickly become a costly risk to our current and future work. We recently experienced a situation where an employee's poor judgment led to a broad security breach. As a result, we've re-evaluated our security protocols, re-emphasized IT data and security training for all staff, retrained all staff on ethics standards and behaviors (tie-in here to the integrity issue), and actively engaged with our clients to make sure they are aware of our measures and to re-establish their confidence that we will protect their information and data. It's definitely something that affected our stock value.”
██████████ <i>Market Participant</i>	“As indicated in the Industry Summary, 18,620 employees of just one law firm had access to confidential information material to United States security. Consumer information confidentiality, public concern for abuse, and no standard code of ethics was also discussed. I think there is good cause that if information is leaked from any type of employee (contract, full-time) it can do material financial and reputational harm damaging future-forward sales revenues and social capital relationships. Web link: Can Target renew its bond with customers seeking value, fairness and – to use one of the company’s buzzwords – “fun,” it’s hard to envision the stock as a likely leader for the long term.”

**Recommendation**

- Do not include.
- The issue has more to do with data security than privacy, and there are not many known breaches.

### 3. HOTELS & LODGING

#### a. Supply Chain Management – do not include

##### Recommendation

- Do not include.
- The sourcing sustainable products that reduce energy and water use is covered under Resource Efficiency issue.
- While there is disclosure on the issue in company CSR reports, the issue is not any more relevant to the industry than it is for professional services companies or any company with furnished offices.
- If there is a significant revenue stemming from food and beverage sales, then the company will have to consult the guidance for reporting for Restaurants which includes Supply Chain Management as an issue.

#### b. Waste Management – include

##### Recommendation

- Include as another impact of operations in remote locations, along with the ecological impacts.
- Hilton, Marriot, Starwood Hotels do not disclose the monetary value associated with waste reduction. There was no evidence found of companies being penalized for coastal pollution.
- While it is difficult to associate specific dollar amounts with management of this issue, it is evident that mismanagement of this issue has similar channels of impact as ecological impacts.
- There is evidence to suggest that the industry generates significant amount of waste, especially in comparison to local populations in remote locations.
- Poor waste management methods are associated with negative social externalities.

#### c. Scope 1 GHG emissions – do not include

##### Recommendation

- Do not include.
- Hotels & Lodging facilities are not significant contributors of direct GHG emissions. Any carbon regulation is more likely to be felt indirectly through higher prices on grid electricity, an angle that is covered under Energy Management.

#### d. Customer Health & Safety – do not include

##### Recommendation

- Do not include.
- Research was conducted on this issue prior to the convening of the IWG, but there is a lack of evidence. Most injuries are minor. There is a risk of hotel getting sued for customer injury on premises, the safety record for the industry is generally good.
- If significant revenue is generated from food services, the issue of Food Safety may be disclosed as per the Restaurants Standard.

#### e. Employee Health & Safety – do not include

##### Recommendation

- Do not include. Most injuries are minor and injury rates are low.

**f. Bribery & Corruption** – do not include

**Recommendation**

- Do not include. The issue is not likely material to pure-play hotel operators. There are cases of corruption and bribery involving companies that operate in hotel casino industry. The nature of that industry with a trend of expansion to Asia makes propensity of corruption and bribery to rise.

**g. Data Security** – do not include

**Recommendation**

- Do not include this issue.
- Not many known breaches.
- Any consumer-facing companies may be databases with customer data that needs to be stored securely.

**h. Human Trafficking** – do not include

**Recommendation**

- Do not include.
- Research was conducted on this issue prior to the convening of the IWG. Even though some major industry players disclose on awareness of the issue, recognition of its importance, and have policies and trainings for their employees, the research hasn't revealed evidence of any materiality (direct or indirect). There were no new findings to support inclusion of the issue.

**i. Impacts of Climate Change** – further analysis needed

**Recommendation**

- Similar to ecological impacts and waste management, this topic would be particularly relevant for hotels located on coastal areas.
- These locations are at risk of being affected by climate changes in the short- and long-term, and climate change adaptation

## **4. CASINOS & GAMBLING**

**a. Employee Recruitment, Development & Retention** – do not include

A public interest stakeholder suggested the topic, stating that “These companies need to invest in employee engagement measures or they will risk not being able to attract and keep talent due to the fact that the product has a negative social stigma.”

**Recommendation**

- Do not include.
- Labor shortage due to social stigma was not evident from additional research.
- The Asian casino hub of Macau is an area of rapid expansion for the casino industry. Local hiring requirements coupled with growth in employment opportunities is leading to a labor shortage there.

**b. Customer/ Employee Health & Safety** – further analysis needed

One corporate IWG member commented, “Smoke issue has drawn a lot of attention because it directly affect the casino employee and guests' health. Some jurisdiction's new regulation on smoking restriction will cause companies additional cost to make changes to meet the regulatory requirements.[sic]”

### **Recommendation**

- State and local laws that ban smoking in enclosed workplaces and public spaces often exempt casino facilities.
- Further analysis is required to determine materiality.

### **c. Employee Diversity & Inclusion** – do not include

#### **Recommendation**

- Do not include.
- This issue is usually flagged for industries where there is an imbalance in diversity among employees at any level – entry, management, etc. It is also flagged where there have been lawsuits for harassment or discrimination in the workplace.

### **d. Fair Labor Practices** – further analysis needed

#### **Recommendation**

- Further analysis is required to determine materiality.
- If there is an issue around working conditions, it may be possible to include angle of exposing employees to second hand smoke within a larger worker issue.

### **e. Supply Chain Management** – do not include

#### **Recommendation**

- Do not include.
- The sourcing sustainable products that reduce energy and water use is covered under Resource Efficiency issue.
- The issue is not any more relevant to the industry than it is for professional services companies or any company with furnished offices.
- If there is a significant revenue stemming from food and beverage sales, then the company will have to consult the guidance for reporting for Restaurants which includes Supply Chain Management as an issue.

### **f. Human Trafficking** – include

#### **Recommendation**

- Include under Community Relations
- There is interest from corporations on managing this issue.

## **5. RESTAURANTS**

### **a. Political Contributions** – do not include

A market participant suggested disclosure around the use of trade associations to lobby against material sustainability issues, “One of the greatest frustrations we have as investors is that companies produce great reports on what they are doing on energy/water/fair labor, but use trade associations to lobby directly against these material sustainability issues. There is a real cynacism in some parts of the industry on this issue.[sic]”

#### **Recommendation**

- Do not include.
- The industry is not among the list of industries with the most political contributions. Larger players spent only a couple of million dollars each on lobbying in 2013

## 6. LEISURE FACILITIES

### a. Water Management – do not include

#### Recommendation

- Do not include. The issue is likely not to be material for the industry.
- When put in perspective, the Leisure Facilities industry is relatively less water-intensive than manufacturing industries (with an exception of golf courses which represent a small segment of the industry). The evidence found indicates that the water usage in water parks actually represents 15-20% of the total water consumption of a resort. It is unlikely for the issue to reach the materiality threshold.

### b. Waste Management – do not include

#### Recommendation

- The issue is unlikely to pass the materiality threshold for the industry.
- There was no evidence found of environmental non-compliance that led to penalties. Neither are there reported savings from improving waste management.

### c. Ecological Impacts from Operations – do not include

#### Recommendation

- Do not include.
- The issue only affects a small segment of the industry. It is specific to amusement parks and other large facilities located away from urban centers in areas where the protection of biodiversity may be a concern.
- In particular, this issue is important for new developments. However the industry is not characterized by growth through expansion.

### d. Community Relations – do not include

A public interest IWG members characterized the issue, “contribution to community development, charitable giving, and company paid community service”.

#### Recommendation

- The issue is not likely to be material.
- Companies often engage in “charitable giving, and company paid community service” in order to be viewed as a responsible and positive addition to a community. However, the issue is only material in cases where the industry needs social license to operate and is poorly managing the issue.

## 7. CRUISE LINES

### a. Impacts of Climate Change – do not include

#### Recommendation

- The contribution of the cruise lines industry on global warming and the effect of carbon regulation on the industry is captured under the Air Emissions & Fuel Management topic.
- Rising sea levels is likely to have an impact on the business through potential changes in destination offerings and routes.
- Do not include

**b. Water Management** – do not include

One market participant suggested researching the topic - “All industries (but particularly those that are energy intensive) should have to disclose their annual water usage. While I know most cruise ships use sea water and desalinate, since water and energy are so integrally tied together, I felt it should be noted as something to look out for.”

**Recommendation**

- Do not include.
- Since the industry uses sea water, it does not have a significant impact on and does not compete with communities for limited water resources.
- The angles of waste water discharge and energy use are already covered under Waste Management and Air Emissions & Fuel Management issues, respectively.

**c. Board Structure** – do not include

**Recommendation**

- This issue will not be added.
- Board Structure and other traditional corporate governance is not within the scope of in SASB's Leadership & Governance category.

## **8. ADVERTISING & MARKETING**

**a. Greenhouse Gas Emissions** – do not include

**Recommendation**

- Similar to Professional Services, this issue will not be added.
- Business travel is a major segment of airline customers and as such is responsible for a portion of GHG emissions. However, business travelers include not only consultants but all other corporate travel. Hence, GHG emissions will not be included in the minimum set of disclosure topics for the Advertising & Marketing industry.

**b. Employee Health, Safety & Well-being** – do not include

**Recommendation**

- All Services industries rely on human capital as a means of value creation. As such, human capital issues are of material significance from a business perspective.
- Since the industry manages this issue well and does have higher than average injury rates, Employee Health, Safety & Well-being will not be added to the list of material sustainability topics for disclosure.

**c. Corporate Governance** – do not include

**Recommendation**

- This issue will not be added.
- Traditional corporate governance is not within the scope of in SASB's Leadership & Governance category.

**d. Supply Chain Management**

**Recommendation** – do not include

- Do not include.

- This issue is not of material significance to the industry.

## 9. MEDIA PRODUCTION & DISTRIBUTION

### a. Energy Management – do not include

Kate McCarthy, Pearson suggested adding Energy Management as an easily reportable issue that should garner more attention in the U.S.

#### Recommendation

- This issue will not be added.
- As the industry is not a major consumer of energy the issue was not flagged as a material sustainability issue.

### b. Executive Compensation – do not include

#### Recommendation

- This issue will not be added.
- Executive Compensation and other traditional corporate governance is not within the scope of in SASB's Leadership & Governance category.

### c. Media's Watchdog Role – already included

Jane Meacham of Sustainable Investments Institute commented, "Watchdog News media organizations offer an independent means to hold those with power to account by promoting transparency in public life and public scrutiny through exposing corruption, maladministration and corporate wrongdoing."

#### Recommendation

- This issue will be covered under the topic of Journalistic Integrity.

## 10. CABLE & SATELLITE

### a. Labor Relations – do not include

#### Recommendation

- In the presence of high unionization rates, labor relations can have a material impact on business due to strikes, etc
- As such, the issue is flagged as a material sustainability issue when there are risks of violating International Labour Standards set forth by the United Nations.
- The issue will not be included.

### b. Customer Satisfaction – do not include

#### Recommendation

- Ensuring high levels of customer satisfaction is an important business issue for customer-facing business.
- Certain aspects of this issue may be covered under an existing issue around bundling of services and misleading marketing.

### c. Control Over Content – do not include

A couple of IWG respondents suggested the following angles under this topic:



- “the protection of vulnerable audiences by means of technology innovation and tools to empower audiences to filter content.”
- “provide users the ability to censor this content as they wish for themselves and family members is important to a lot of viewers. I think all the major services probably do offer this, but it may not be so standardized that differentiation could provide a competitive advantage (or erase one).”

#### **Recommendation**

- According to the Federal Communications Commission, “Cable subscribers may request a “lockbox” from cable operators to prevent viewing of any channel on which objectional programming may appear. Cable operators are required to make lockboxes available for sale or lease to customers who request them. Lockboxes can also be purchased from other commercial distributors.”
- The issue will not be included.

#### **d. Inclusion of Local Content** – do not include

#### **Recommendation**

- Do not add.
- The specific sustainability angles of the issue are not evident. There is some regulation around the retransmission of local content into the market where it originated.
- According to the FCC, “Generally, if a local commercial television station elects *must-carry* status, it is entitled to insist on cable carriage in its local market. Each cable system with more than 12 channels must set aside up to one-third of its channel capacity for must-carry stations.”
- It is also not evident what the financial benefits are to going beyond compliance on this issue.

#### **e. Technology Accessibility** – include

#### **Recommendation**

- The concept of universal service will be covering in an issue regarding competitive landscape of the industry.

#### **f. Open Internet Access** – further analysis needed

The issue of net neutrality and its impacts on the industry came up in several comments.

#### **Recommendation**

- In addition to a discussion in the regulatory trends section, it remains to be determined how it will manifest as a disclosure topic for the industry.

## Appendix I: Draft List of Disclosure Topics for Public Comment

The following table comprises issues that are likely to be presented for Public Comment on July 16, 2014, based on SASB's review of IWG comments and additional research. Note these issues are not final and are subject to change.

	Education	Professional Services	Hotels & Lodging	Casinos & Gambling	Restaurants
Environment			Energy & Water Management	Energy & Water Management	Energy & Water Management
			Ecological Impacts		Waste Management
Social Capital	Quality of Education			Responsible Gambling	Food Safety
				Community Relations	Nutritional Content
Human Capital		Fair Labor Practices	Fair Labor Practices		Fair Labor Practices
		Employee Diversity & Inclusion			
Leadership & Governance	Marketing Practices	Professional Integrity		Regulatory Capture & Political Influence	Supply Chain Management
				Business Ethics & Payments Transparency	

	Leisure Facilities	Cruise Lines	Advertising & Marketing	Media Production & Distribution	Cable & Satellite
Environment	Energy Management	Air Emissions & Fuel Management		Environmental Footprint of Publishing Practices	Energy Management
		Ecological Impacts			
Social Capital	Customer Safety	Passenger Safety	Consumer Privacy		Data Privacy & Security
			Advertising Integrity	Journalistic Integrity	
Human Capital	Fair Labor Practices	Fair Labor Practices			
			Diversity & Inclusion	Diversity & Inclusion	
Leadership & Governance		Accident & Safety Management			Managing Systemic Risks from Technology Disruptions
					Competitive Behavior

## Appendix II: Sample Accounting Metrics

The following table lists the disclosure items (metrics), as they stand currently, for the sustainability topics determined by SASB to be material for the Education industry following IWG feedback. This table provides sample metrics for reference only. The accounting metrics are currently being revised, and final metrics put forward for public comment may be different from the ones outlined below.

Topic	Accounting Metric	Category	Unit of Measure
<b>Quality of Education</b>	Percentage of graduating students who obtain full-time employment in their field of study, within one year of graduation.	Quantitative	Percentage (%)
	Graduation rate.	Quantitative	Percentage (%)
	On-time completion rate.	Quantitative	Percentage (%)
	(1) Debt-to-earnings (D/E) rates, (2) Program cohort default rate (pCDR)	Quantitative	Ratio, Percentage (%)
<b>Marketing Practices</b>	Description of policy on disclosure of key performance statistics to potential applicants in advance of collecting any fees.	Discussion and Analysis	n/a
	Percentage of attempted transfer credits by registrant's students that were accepted by peer institutions.	Quantitative	Percentage (%)
	Expenditures on (a) instruction and student services, and (b) marketing, as a percentage of revenue.	Quantitative	Percentage (%)
	Description of management approach to ensuring clear and accurate information to prospective students, including a discussion of recruiter compensation	Discussion and Analysis	n/a



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