



Summary of Consultation with Key Stakeholders

Services Sector

Education Industry

Professional & Commercial Services Industry

Hotels & Lodging Industry

Casinos & Gaming Industry

Leisure Facilities Industry

Advertising & Marketing Industry

Media & Entertainment Industry



Contents

- INTRODUCTION..... 2
 - SASB CONSULTATION PERIOD OVERVIEW 2
 - OBJECTIVE & APPROACH 2
 - RECRUITING 3
 - CONSULTATION CLASSIFICATION..... 3
- EDUCATION INDUSTRY 4
- PROFESSIONAL & COMMERCIAL SERVICES INDUSTRY 6
- HOTELS & LODGING INDUSTRY 8
- CASINOS & GAMING INDUSTRY 9
- LEISURE FACILITIES INDUSTRY 10
- ADVERTISING & MARKETING INDUSTRY 11
- MEDIA & ENTERTAINMENT INDUSTRY 12

Introduction

Although evidence-based research provides a foundation for the Sustainability Accounting Standards Board's (SASB's) standard-setting process, its outcomes are shaped in large part by feedback from participants in the capital markets—primarily corporate issuers and mainstream investors. By providing ongoing and meaningful opportunities for communication and input, the SASB leverages the expertise of its stakeholders and facilitates a collaborative approach to establishing a market standard that more effectively responds to the needs of market participants.

The SASB actively solicits input and carefully weighs all stakeholder perspectives in considering which aspects of a sustainability topic warrant standardized disclosure and in determining how to frame, describe, and measure those aspects for the purposes of standardization. This market feedback helps the SASB better meet its core objectives of delivering material, decision-useful, cost-effective disclosures to the users and providers of financial capital. Furthermore, as changes occur in an industry's competitive context, in the broader sustainability landscape, or in the interests of the reasonable investor, this bottom-up, market-informed approach is key to ensuring that the SASB standards evolve to support market needs.

Such stakeholder engagement was instrumental not only to the development of the SASB's provisional standards, but also to its work to update and codify the standards, which will culminate in 2018. This document details how market feedback informed the latter effort, through deep, focused consultation with key issuers, investors, and other market participants.

SASB Consultation Period Overview

In April 2016, the SASB marked a pivotal point in its standard-setting work when it issued the last of its provisional sustainability accounting standards for all 79 [Sustainable Industry Classification System \(SICS™\)](#) industries. Having completed its provisional standards development, the SASB turned its attention to updating the standards for codification, thereby establishing the first complete authoritative set of sustainability accounting standards for use in the capital markets. In service of this objective, the SASB began a period of consultation and stakeholder engagement in Q4 2016 to gather additional input regarding the materiality of its disclosure topics and the usefulness of the associated performance metrics. This consultation period continued through the end of Q1 2017. Following this period, the SASB revised its standards and has since opened them for public comment before they are codified in 2018.

Codification Timeline

2016	2017				2018	
Q4	Q1	Q2	Q3	Q4	Q1	Q2
Consultation		SASB Research	Public Comment		Codification	

Objective & Approach

The goal of the consultation phase was to elicit and gather feedback on the provisional standards for each industry and the accompanying “hypothesis for change” developed by the SASB's sector analysts. The hypothesis for change put forth initial proposals for modifications to the standards; and stakeholders were then invited to

respond to these proposals, provide comments on other disclosure topics and metrics in the provisional standards but not specified in the hypothesis for change, or to suggest additional topics not yet considered by the SASB. The SASB staff incorporated the responses from this consultation process and proposed changes for each industry standard, which will receive additional input during a 90-day public comment period (with 30-day extension), ending on January 31, 2018. Comments received during this period will inform the deliberations of the SASB when the updated standards are put to a vote in 2018. Upon approval by the SASB, the updated standards will form the SASB Code.

Recruiting

Prior to engaging in consultation, the SASB's sector analysts developed consultation plans targeting companies, analysts, industry associations, and subject matter experts from whom they would seek feedback during the period. The SASB actively recruited consultation participants through a variety of channels, including:

- Referrals from previous individuals who had engaged with the SASB
- Outreach through the SASB's Investor Advisory Group (IAG)
- Presentation to and participation in conferences, panels, and industry events
- Michael Bloomberg and Mary Schapiro's outreach to the CEOs and CFOs of Fortune 500 companies
- Use of the Bloomberg Professional terminal to identify the leading publicly traded companies by market capitalization
- Use of the Thomson Reuters platform to identify analysts and portfolio managers
- Sector-specific webinars
- The general SASB email list and sector-specific email lists
- Announcements on the SASB website
- Other means, such as cold calls and emails, Twitter, and LinkedIn

Consultation Classification

The SASB classified engagements during consultation according to three categories. These categories and associated statistics apply within the context of the consultation phase only and do not include prior engagement, such as participation in an Industry Working Group (IWG) or Public Comment Period (PCP) prior to the release of the provisional standards.

- **Contacted:** The SASB sent a personalized invitation to participate in the consultation process to a company, investor, industry association, or subject matter expert (SME).
- **Briefing Held:** The SASB had a briefing meeting with a company, investor, industry association, or SME.
- **Consultation Feedback Received:** The SASB received consultative feedback (through a meeting, email, or other form of communication) from a company, investor, industry association, or SME.

Education Industry

Feedback was received from three stakeholders during consultation for the Education industry, as shown in the table below categorized by stakeholder type. Overall, feedback from the two subject matter experts was generally supportive of SASB’s standards development process and of the structure and content of the provisional standards, while feedback from the industry association included significant concerns regarding these topics.

Consultation Feedback Received for the Education Industry

	Investor ¹	Issuer	Industry Association	Subject Matter Expert ²	Total
# Contacted	n/a	7	1	n/a	8
# of Briefings Held	n/a	1	1	n/a	2
# of Feedback	0	0	1	2	3

While there was limited overlap in the topics for which feedback was received, all consulted stakeholders did provide input on the potential for the regulatory environment to change under the current U.S. presidential administration. This could affect the materiality of SASB’s two existing topics for this industry (Quality of Education & Gainful Employment and Marketing & Recruiting Practices) and the cost-effectiveness of the metrics, as companies would no longer be required to collect certain information if there is a delay or repeal of Gainful Employment reporting requirements.

A stakeholder was critical of SASB’s use of the U.S. Supreme Court’s definition of “materiality,” which it claimed was vague and overly broad. The stakeholder also provided feedback that SASB’s metrics were potentially harmful to investors because they focus on outputs (e.g., graduation rate, debt-to-annual-earnings ratio) without considering inputs (e.g., student SAT scores and socioeconomic profiles). The stakeholder stated that investors in education companies will always want more disclosure but are not interested in sustainability. In contrast, two other stakeholders generally agreed that SASB’s metrics were generally decision-useful.

Feedback was provided by stakeholders on the specific topics below.

- Quality of Education & Gainful Employment** – A subject matter expert noted that some metrics associated with the topic are reported at the program level and some are reported at the institution level. Another stakeholder stated that the metrics do not capture performance on the topic because they reflect the characteristics of students attending a given college, not whether the college provides a quality education. For example, rich students do not need to borrow, so colleges that cater to these students will automatically have a low debt-to-annual-earnings ratio even if the quality of education is poor.

¹ Investors were typically engaged directly through SASB’s Investor Advisory Group and agreed to provide consultative feedback; therefore, the first row is marked “not applicable.” Furthermore, those engaged during consultation either had sufficient familiarity with SASB that briefing meetings were deemed unnecessary or briefing were conducted by members of the Capital Markets Policy and Outreach team; therefore, the second row is marked “not applicable.”

² Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked “not applicable.”

- **Data Security** – The SASB sought feedback on the proposed addition of a new Data Security topic after cross-cutting research on cybersecurity found that colleges and universities are frequent targets for data breaches. The subject matter expert who provided input on this proposed change indicated support for the likely materiality of this topic and was generally in agreement with the SASB’s proposed metrics related to the topic.
- **Marketing & Recruiting Practices** – A stakeholder stated that the provisional metrics do not capture performance on the topic. For example, if it is easy for a prosecutor to get settlements, the amount of fines and settlements associated with advertising and marketing may only be a measure of which colleges are targeted by the prosecutor.

Professional & Commercial Services Industry

Feedback was received from five stakeholders during consultation for the Professional & Commercial Services industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was in alignment that certain metrics could be made more representative and decision-useful, but there was not consensus with respect to what alternative metrics would be preferred. Feedback from stakeholders was generally supportive of the SASB's standards development process, although one industry association did not think that the comments they provided earlier in the standards development process had been adequately considered by the SASB in the development of the provisional standards.

Consultation Feedback Received for the Professional & Commercial Services Industry

	Investor ³	Issuer	Industry Association	Subject Matter Expert ⁴	Total
# Contacted	n/a	19	2	n/a	21
# of Briefings Held	n/a	2	1	n/a	3
# of Feedback	1	2	2	0	5

There was concern among some stakeholders that certain provisional metrics were not representative and could also result in the disclosure of competitive information. While an industry association acknowledged that many investors want sustainability metrics, several member companies contended that, even within an industry, companies are unique and that a single metric intended to communicate performance on a given sustainability topic may not fairly represent performance due to these differences among companies. Instead, the association suggested that SASB Standards focus more on narrative disclosures on company processes, policies, and programs for managing sustainability issues.

Feedback was provided by stakeholders on the specific topics below.

- **Professional Integrity** – Two industry associations stated that the metric on fines and settlements related to professional integrity would be costly to report, as it could require the tracking and aggregation of many small amounts. One industry association further questioned the representativeness of reporting an aggregate total, as it does not distinguish between a company that received many small fines versus a company that received a few large fines, although these two companies may face different business ethics risks.
- **Data Security** – One member of an industry association expressed uncertainty as to how investors would interpret disclosures resulting from the provisional metric describing the number of company data security breaches.

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⁴ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

- **Workforce Diversity & Engagement** – All stakeholders expressed concern that the employee engagement metric would not be comparable; a range of programmatic and qualitative metrics were suggested as an alternative. An investor and an industry association commented that the diversity metric should be updated to require disclosure of gender data for global operations; whereas racial/ethnic data (according to U.S. Equal Employment Opportunity Commission categories) should only be disclosed for U.S. operations.

Hotels & Lodging Industry

Feedback was received from three stakeholders during consultation for the Hotels & Lodging industry, as shown in the table below categorized by stakeholder type. Overall, feedback from issuers was in alignment and was generally supportive of the provisional standards and the SASB’s standards development process, although feedback suggested that data availability may be a challenge for some metrics in this industry, as discussed below.

Consultation Feedback Received for the Hotels & Lodging Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	n/a	14	1	n/a	15
# of Briefings Held	n/a	3	1	n/a	4
# of Feedback	1	2	0	0	3

While feedback was generally positive, both issuers suggested that the SASB seek greater alignment of its standards with other standards such as those from USGBC and CDP. One issuer also noted the diversity of business models within the industry and expressed uncertainty about the applicability of the SASB metrics to companies operating with varying business models. (For example, hotel and lodging companies that brand, own, and operate their own hotels likely have more visibility into day-to-day operations of their properties than companies that utilize a franchise model, where a separate company provides operational services. For the latter, sustainability data for the SASB metrics may be difficult to obtain.)

Feedback was provided by stakeholders on the specific topics below.

- **Energy & Water Management** – An issuer noted that water is not tracked and metered in some parts of the world and that measurement in such locations would be challenging.
- **Fair Labor Practices** – An issuer noted that it may be difficult to define the minimum wage in some regions.
- **Workforce Health & Safety** – An investor suggested that the SASB consider the addition of a new topic on Workforce Health & Safety given the repetitive nature of housecleaning work as well as workforce exposure to cleaning products.

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⁶ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked “not applicable.”

Casinos & Gaming Industry

Feedback was received from three stakeholders during consultation for the Casinos & Gaming industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was in alignment. Feedback from stakeholders was generally supportive of the provisional standards and of the SASB's proposed removal of the Political Spending topic.

Consultation Feedback Received for the Casinos & Gaming Industry

	Investor ⁷	Issuer	Industry Association	Subject Matter Expert ⁸	Total
# Contacted	n/a	8	1	n/a	9
# of Briefings Held	n/a	0	1	n/a	1
# of Feedback	1	1	1	0	3

Feedback was provided by stakeholders on the specific topics below.

- **Activity Metrics** – The SASB sought feedback on the revision of the activity metric related to the number of online accounts. An industry association and an investor agreed that the proposed revision would facilitate greater comparability, while the issuer stated that disclosure on this metric was “not needed” by investors.
- **Political Spending** – The SASB sought feedback to remove the Political Spending topic as additional research and reexamination of existing evidence did not reveal a strong link to specific sustainability outcomes or likely material impacts in this industry. All consulted stakeholders agreed with this proposed revision to the industry.
- **Water Management** – An investor suggested that the SASB consider the addition of a new topic on Water Management.

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⁸ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked “not applicable.”

Leisure Facilities Industry

Feedback was received from two stakeholders during consultation for the Leisure Facilities industry, as shown in the table below categorized by stakeholder type. Feedback from different stakeholder groups covered different topics. Feedback from stakeholders was generally supportive of the content of the provisional standards.

Consultation Feedback Received for the Leisure Facilities Industry

	Investor ⁹	Issuer	Industry Association	Subject Matter Expert ¹⁰	Total
# Contacted	n/a	8	2	n/a	10
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	1	1	0	0	2

Feedback was provided by stakeholders on the specific topics below.

- **Activity Metrics** – An investor suggested the addition of disclosure on visits by location, not just total visits.
- **Energy Management** – An issuer agreed with the likely materiality of this topic. The issuer noted it had no way to track what percentage of its providers' energy comes from renewable sources, and was unsure how investors would, could, or should compare energy management data with that from other Leisure Facilities companies.
- **Customer & Worker Safety** – An issuer agreed with the likely materiality of this topic, but expressed concern that the public disclosure of employee safety data could decrease employee reporting of incidents. The issuer also noted there may be challenges with collecting comprehensive data on customer injuries due to medical privacy laws.

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¹⁰ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

Advertising & Marketing Industry

Feedback was received from three stakeholders during consultation for the Advertising & Marketing industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was generally not in alignment, although there was agreement on the need to revise the diversity metric, as discussed below. Feedback from stakeholders was generally supportive of the SASB's standards development process.

Consultation Feedback Received for the Advertising & Marketing Industry

	Investor ¹¹	Issuer	Industry Association	Subject Matter Expert ¹²	Total
# Contacted	n/a	6	4	n/a	10
# of Briefings Held	n/a	1	2	n/a	3
# of Feedback	2	1	0	0	3

Feedback focused on the challenges, both in terms of cost and operational difficulty, of collecting data for many of the quantitative metrics due to the global operations of large advertising and marketing agencies. Feedback was provided by stakeholders on the specific topics below.

- **Activity Metrics** – One investor noted that the activity metrics were useful, while another did not find them useful for normalizing the metrics associated with the disclosure topics in the provisional standard.
- **Advertising Integrity** – The issuer stated that regulatory fines or settlements resulting from misleading advertising are typically levied against the corporate client rather than against the advertising agency. An investor concurred that advertising agencies may not know about fines that were incurred by their clients, but stated that they would know about fines that were directly incurred. The issuer also stated that it was problematic to label certain goods and services (e.g., tobacco, alcohol, etc.) as “socially harmful” and suggested the SASB consider revising the language of the associated metric.
- **Data Privacy** – An investor noted that Data Privacy is an important topic for the industry, and that almost 100 percent of online advertising is targeted. The issuer stated that not all data for the SASB metrics are currently collected and recommended that the metrics focus more on company policies and practices to manage the issue rather than on quantitative metrics.
- **Workforce Diversity & Inclusion** – The issuer and an investor commented that the diversity metric should be updated to require disclosure of gender data for global operations; whereas racial/ethnic data (according to U.S. Equal Employment Opportunity Commission categories) should only be disclosed for U.S. operations. Another investor suggested that the SASB add a metric discussing the gender pay gap within the industry.

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¹² Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked “not applicable.”

Media & Entertainment Industry

Feedback was received from eight stakeholders during consultation for the Media & Entertainment industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was generally not in alignment, as further discussed below. Feedback from stakeholders on the provisional standards and proposed revisions was mixed, as was sentiment on the SASB's standards development process.

Consultation Feedback Received for the Media & Entertainment Industry

	Investor ¹³	Issuer	Industry Association	Subject Matter Expert ¹⁴	Total
# Contacted	n/a	17	2	n/a	19
# of Briefings Held	n/a	1	0	n/a	1
# of Feedback	5	2	0	1	8

The SASB sought feedback to revise an activity metric on the number of recipients of media. Stakeholders had different opinions on how this activity metric should be revised and on the other activity metrics as well.

An issuer and an investor commented on the convergence between media companies and internet companies, as the SASB notes in the standards for this industry and the Internet Media & Services industry. The issuer stated that the five representative companies for Internet Media & Services (i.e., Google, Priceline, Facebook, Yahoo!, and Expedia) are very different and recommended that internet companies be grouped based on the type of service they provide (e.g., Netflix with media companies, Amazon with retailers), rather than based on their channel for distribution.

One investor suggested the addition of several new topics, while an issuer noted that the three existing topics in the industry were sufficient. Another issuer stated that the topics were generally not material, that its current disclosures only incidentally related to the topics in the provisional standard, and that its investor relations department does not get questions from its primary shareholders about sustainability data. The issuer further stated that SEC reports are not the proper vehicle for the delivery of sustainability information and that reporting on the SASB metrics would potentially detract from the material information in its 10-K. Both issuers stated that qualitative metrics are more decision-useful to investors than quantitative metrics.

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¹⁴ Subject matter experts were typically engaged through existing relationships with or introductions from SASB partners, so engagement resulted in consultative feedback. Therefore, the first two rows are marked "not applicable."

An investor noted that environmental issues are generally not as salient in this industry as social and governance issues.

Feedback was provided by stakeholders on the specific topics below.

- **Activity Metrics** – Two investors, an issuer, and a subject matter expert expressed support for a proposed change in an activity metric from U.S. recipients of media to (a) U.S. recipients and (b) non-U.S. recipients due to the increasingly global reach of media companies. Another investor felt that the metric was unnecessary as there was better information available to purchase from Nielsen Media Research, a media research and data provider. Another investor stated that a metric on the total number of media products and publications was unnecessary as this information was already available in the public domain. An issuer suggested that the SASB consider adding a metric on the consumption of media via broadband and mobile video services (e.g., how many subscribe to virtual multichannel video program distributors).
- **Journalistic Integrity & Sponsorship Identification** – An investor noted the growing importance of journalistic integrity. An issuer and an investor stated that it is difficult to break out employee time between journalism and fact-checking for one of the metrics associated with the topic. An issuer noted that fines associated with libel or slander could be seen as negative or positive, suggesting that good investigative journalism may prompt more powerful people to sue a company. An issuer and an investor questioned whether revenue from embedded advertising was relevant to the topic. Two investors stated that the qualitative metric discussing policies and procedures related to company management of the topic was the most useful.
- **Media Pluralism** – An issuer commented on the importance of diversity and inclusion to its bottom line, and stated that the qualitative metric provided scope for companies to explain their approach to media pluralism. An investor disagreed, stating that analysts would rather see audience ratings data. The investor also stated that the diversity metric should be updated to require disclosure of gender data for global operations; whereas racial/ethnic data (according to U.S. Equal Employment Opportunity Commission categories) should only be disclosed for U.S. operations. Another investor suggested that the SASB add a metric related to the gender pay gap within the industry.
- **Intellectual Property Protection & Media Piracy** – An issuer stated that Intellectual Property Protection & Media Piracy was the only SASB topic for this industry that may be material to its business and was discussed in its 10-K. However, the issuer is considering reducing disclosure on this topic because of the perceived lack of investor interest. Another issuer stated that the topic was likely material but that useful quantitative metrics to communicate performance do not exist, suggesting the removal of the quantitative metric currently in the provisional SASB standard.
- **Other Suggested Topics** – An investor suggested adding topics on media ownership, political donations, and the provision of adult entertainment. Another investor suggested a topic on the percentage of news reporting that is original and the percentage that is republished. Another investor suggested adding another topic on human capital development and management, as well as adding topics related to company governance and specifically to ownership structure and compensation practices.