RESPONSIBLE MEDIA FORUM

PARTNERING FOR A SUSTAINABLE SECTOR

2018 MEDIA MATERIALITY REPORT

responsiblemediaforum.org

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Produced by **Responsible Media Forum** and **Carnstone Partners LLP**
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RESPONSIBLE MEDIA FORUM
PARTNERING FOR A SUSTAINABLE SECTOR

Starting in 2003, the Responsible Media Forum is a partnership between 25 leading media companies to identify and take action on the social and environmental challenges facing the sector. Initially a UK initiative, participants now come from all over the world covering the full industry spectrum, from advertising to scientific publishing. We work on the principle that CR in a media company has many features that set it apart from other sectors.

www.responsiblemediaforum.org / @WeAreRMF

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The Responsible Media Forum is a multi-client project run and chaired by Carnstone Partners LLP. Carnstone is a specialised management consultancy working globally at the intersection of sustainability and business strategy. Rooted in a sound technical and commercial understanding, we provide advice and support to large companies, international organisations and NGOs from offices in London and Shanghai.

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MATERIALITY EXERCISE: DOES IT MATTER?

Since 2004, the Responsible Media Forum has identified and taken the temperature of social, environmental and governance issues facing the sector on a regular basis. Our publications to date include the following:

- **Key CSR issues for the media industry.** In 2004, we published the first assessment, identifying 36 issues that are relevant to media companies. The initial assessment was undertaken by KPMG.
- **Mapping the Landscape.** In 2009, we published a revised version of the original assessment which introduced new issues such as climate change and diversity of staff. The research was managed by Carnstone.
- **Does it Matter?** In 2013, we published an updated list of 33 relevant issues, for the first time prioritising them into 'operational', 'strategic', and 'material' bands with the help of input from media investors and analysts.

All three reports are available to download from our website: responsiblemediaforum.org

FOREWORD

Whether you are an investor in the media sector or an individual consumer of its output, this report is a must-read. From the geopolitical impact of fake news making media manipulation a defining element of a new Cold War to the gargantuan clash of personal privacy with the big data business models of social media leviathans, the issues underpinning this report make it fascinating in its findings and contemporary relevance.

The media industry has traditionally been seen as a critical part of a healthy and well-functioning society, educating all on the integrity of politics and capitalism, and holding actors to account. It brings better awareness to its readers, who make more informed choices as citizens when they decide which politicians to vote for; as consumers when they decide which companies to buy from; and as investors when we decide which companies to back.

But, what happens when these very same media institutions become politically undermined or unduly step on the rights of their users? And what happens when they become victim to the short term myopic focus on quarterly earnings driven by stock markets? The result is a collapse of our intellectual and investment model for a healthy and informed society.

From news to education and entertainment, the central role of the media industry in shaping our vision of the world means it will have a critical role to play.

WE NEED TO FOSTER A CONTEMPORARY CONVERSATION ABOUT HOW WE CAN ALL, TOGETHER, HOLD THE MEDIA TO ACCOUNT ON THEIR CONTRIBUTION TO THE FUTURE WE ALL WANT, AS ENSHRINED BY THE UN WITHIN THE SUSTAINABLE DEVELOPMENT GOALS (SDGS).

As this report highlights, the media industry has much to do to improve on its sustainability impact, both directly through its ‘footprint’ and indirectly through its ‘brainprint’. Because of market failures, however, many of these potential contributions will not necessarily be priced by the market. But they will be considered by those who intend to help the media play its part in achieving a sustainable future.

It is time to develop tools that will help better align the media industry with sustainability. Democratically elected governments are not about to regulate the media sector for their content, nor should they. Free speech is a fundamentally important principle and any suggestion that a particular politician or party wants to control the media would be rightly met with a powerful backlash.

We need to foster a contemporary conversation about how we can all, together, hold the media to account on their contribution to the future we all want, as enshrined by the UN within the Sustainable Development Goals (SDGs). Only then can we return to trust media on their content, governance and strategies.

Working with UN Foundation, Index Initiative and the Business and Sustainable Commission, Aviva has put forward the idea of a World Benchmarking Alliance (WBA) - an institution envisioned to develop, fund, house, and safeguard publicly available SDG-related benchmarks. Over the past year, we have engaged in a series of consultations around the globe aimed at exploring the value of corporate SDG league tables and solidifying the case for establishing a global institution that will make these league tables accessible to all.

This reports highlights some of the important areas that the media industry will need to address. We now need to work together to turn some of this thinking into industry action.

DR STEVE WAYGOOD
CHIEF RESPONSIBLE INVESTMENT OFFICER
AVIVA INVESTORS

HOW WE DID IT

This briefing note builds on our previous research, updated through a series of engagements throughout 2017 and 2018, namely:

- An issues ranking exercise conducted at our annual **Mirrors or Movers** event in June 2017. This involved 45 media professionals giving us their views on the importance of specific issues and the chance to flag any new concerns emerging since our last assessment in 2013;
- A desk-based review undertaken by **Carnstone Partners LLP** – the team behind the Responsible Media Forum – taking into account sector developments, investor publications, stakeholder expectations and new legislation; and
- A round of structured conversations with media analysts and investors to validate and update our initial findings.
- Finally, the advanced draft was circulated to RMF participants, who commented and reviewed the document, resulting in this final version.

LIMITATIONS AND USEFULNESS

We are aware of the limitations that come with making pronouncements on behalf of a sector as diverse as media. There are, so to speak, many sectors within the sector, each with its own prevailing business models and each facing its own unique set of challenges. We have tried to show this effect in our results, highlighting the exceptions to our general findings, but there will always be a trade-off between brevity and specificity.

We are also aware that we speak from a UK-based and to a lesser extent European perspective. However, we believe our findings are globally applicable wherever sustainability issues are the subject of debate and systematic scrutiny by companies, governments and civil society.

Our work does not replace the need for media companies to do their own materiality assessments, but we know from feedback on our previous publications that having the collective view to hand is a useful starting point for company-specific assessments.

With a plethora of organisations now evaluating media companies – and other industries – for a living, our aim remains the same as in 2013: to support a conversation between the sector and its stakeholders – particularly those evaluating companies on behalf of investors – leading to more constructive discussions and ultimately better long-term planning.

WHAT WE MEAN BY MATERIALITY

Our inclination towards an investor audience is deliberate. There are many competing definitions of the term materiality applied to a business context. We have chosen one that emphasises financial risks and opportunities over stakeholder inclusion. The view of an accountant rather than a campaigner. This makes for a workable, succinct analysis, but we are not blind to the fact that other definitions offer more holistic approaches and, as a result, different outcomes. Arguably, because of our approach, many issues of great importance to society have failed to register as material for the media sector.

DEFINITIONS OF MATERIALITY /məˈtɪərɪˈalɪti/

Responsible Media Forum	RobecoSAM	AccountAbility	Global Reporting Initiative
"A material issue is financially significant over the short to medium term, i.e. it has the potential to affect a key financial indicator, e.g. profits or revenue, by around five per cent or more within a two-year time period."	*"Any factor which might have a present or future impact on companies' value drivers, competitive position, and thus on long-term shareholder value creation."*	*"A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders."*	*"Aspects that reflect the organisation's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders."*

NARROW — WIDE

Our analysis prioritises issues into three categories:

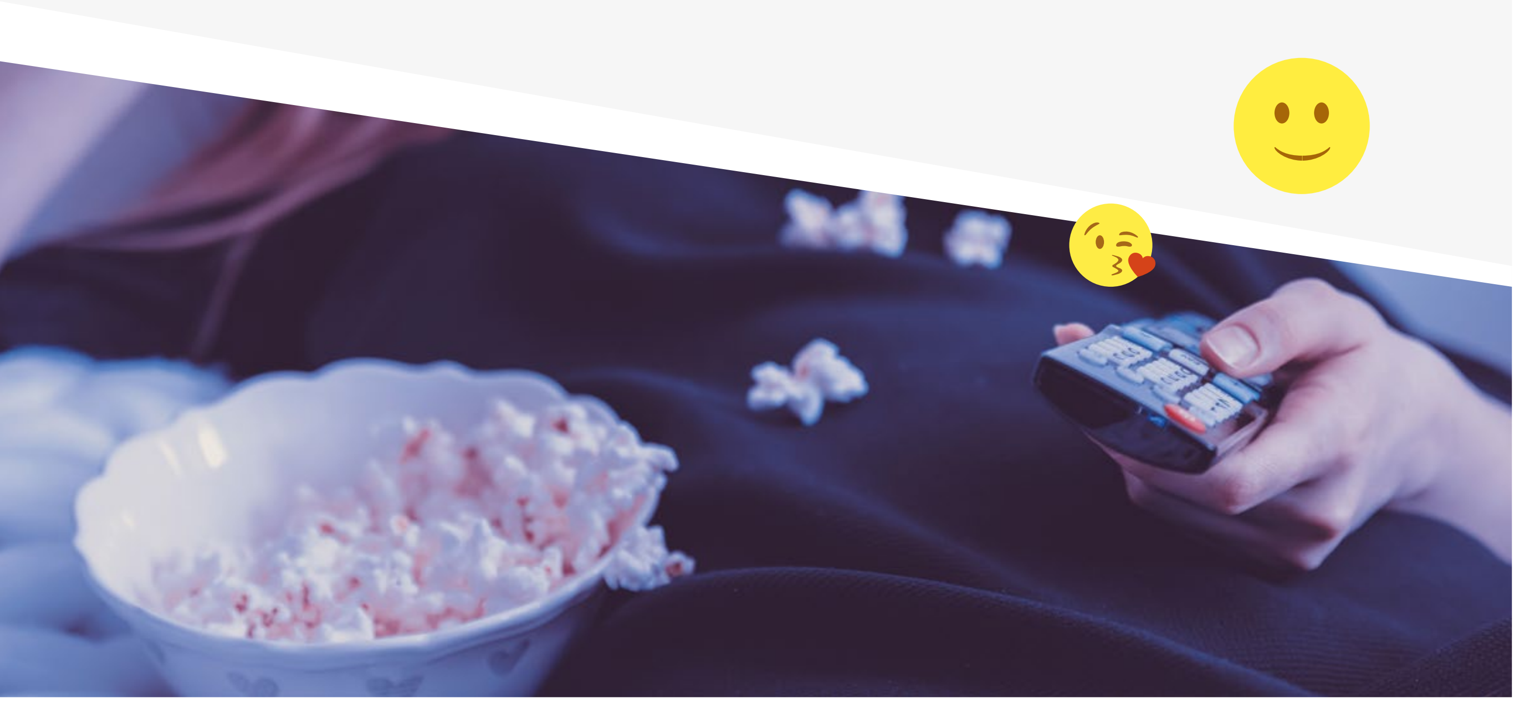
- → **MATERIAL.** An issue that is financially significant over the short to medium term, i.e. it has the potential to affect a key financial indicator, including revenues, profitability and share-price performance, by around five per cent or more within a two-year period.
- → **STRATEGIC.** An issue that has the potential to significantly affect the ability of the company to deliver its strategy in the medium to long term.
- → **OPERATIONAL.** An issue that matters for other reasons – internal, reputational, efficiency – but is neither material nor strategic. Under normal circumstances, it does not represent a significant threat to the company.

WHAT HAS CHANGED

The media sector has undergone radical change since our last materiality assessment in 2013. Our report – The Future of Responsible Media, published in 2017 - explored those changes, and what the future might hold, in greater detail. Media's shift to digital forms an underlying theme throughout that report, including the rise of platforms and the migration towards digital delivery and business models. Societal norms and expectations have also been shifting, with media companies facing increased scrutiny from regulators and the public.

This section looks at key changes relating specifically to sustainability in the media sector since 2013.
We explore these changes under three headings, namely issues that are:

→ **new on the radar;**
→ **growing in importance; and lastly**
→ **decreasing in importance**.



NEW ON THE RADAR

NET NEUTRALITY

This issue did not make it into our previous materiality assessments, and the widespread interest largely stems from regulatory developments in the US. In December 2017, the US Federal Communications Commission (FCC) voted to dismantle net neutrality regulations as they apply to internet service providers (ISPs). The decision is now facing legal challenges at both state and municipal levels, including passed legislation in Oregon and Washington.

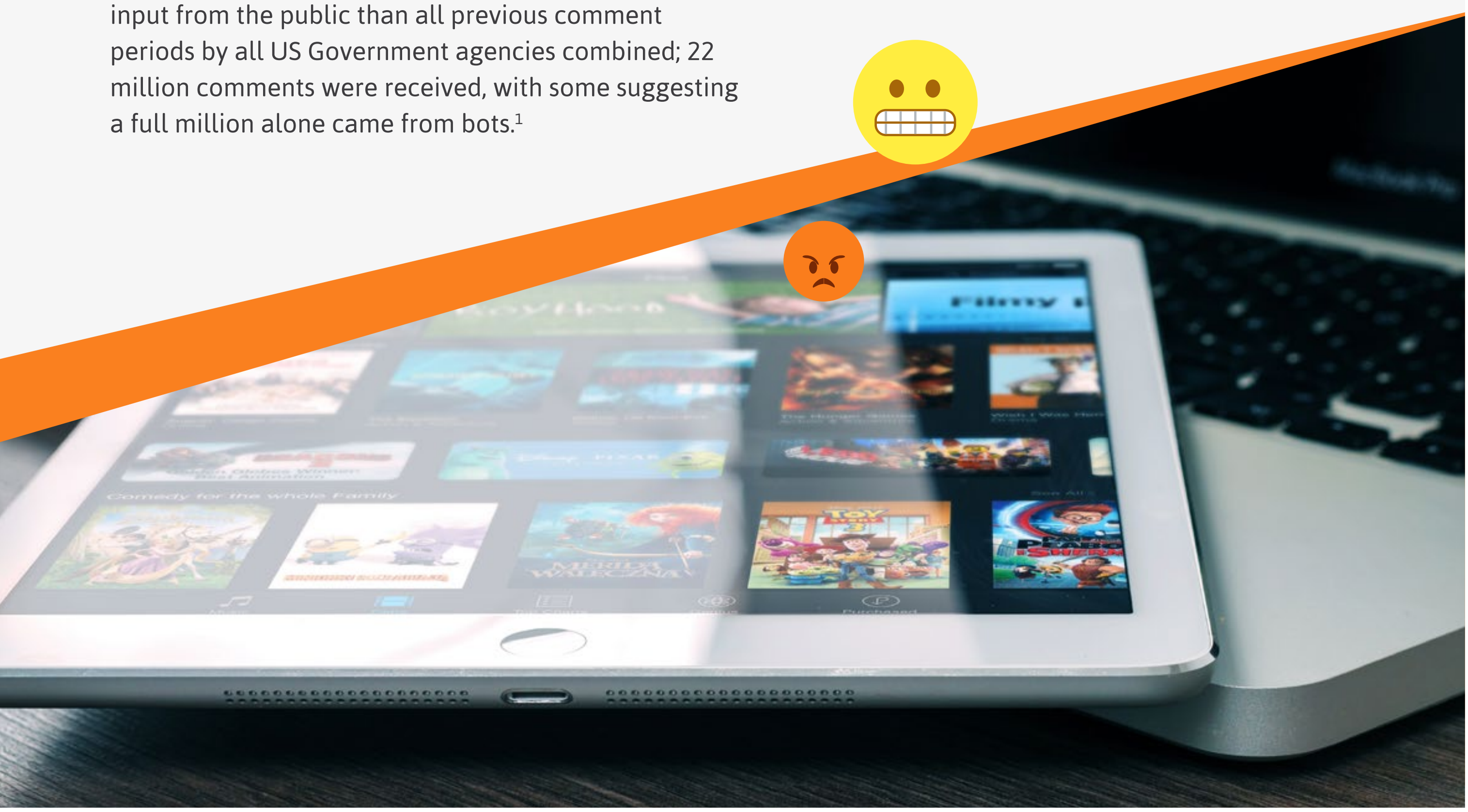
Under previous net neutrality rules, ISPs were not allowed to block or slow down users' access to online content, nor were they able to create *'fast lanes'* for content providers with deep pockets. As such, critics say, the new rules give ISPs more control over what we see and read online, stacking the odds in favour of big companies and posing an existential threat to the diverse and open nature of the internet.

The public commenting process itself solicited vitriolic debate and accusations of abuse. It garnered more input from the public than all previous comment periods by all US Government agencies combined; 22 million comments were received, with some suggesting a full million alone came from bots.[1]

The FCC's plans were also opposed by several non-ISP tech companies, including Netflix, Facebook, Google, Spotify and Apple, which have all spoken out in favour of net neutrality.

The American decision leaves the EU as the biggest market where net neutrality principles still prevail. Under EU regulation, European ISPs are required to uphold net neutrality, prohibiting them from blocking or slowing down internet traffic except under exceptional circumstances. However, consumer watch groups complain that the EU regulation is being interpreted in ways that allow ISPs to *'split the internet into packages'*. Specifically, the preferential pricing practice whereby network operators charge nothing for data traffic on a popular app to attract customers is not outlawed.

Our view is that net neutrality currently poses a minor operational risk to media companies with online operations and a strategic risk to ISPs. The high public profile and emerging nature of the issue means it is likely to grow in importance.



[1] **Lapowsky, I. (2017):** How bots broke the FCC's public comment system. Wired. https://www.wired.com/story/bots-broke-fcc-public-comment-system/

DISINFORMATION (FAKE NEWS)

Arguably, fake news is nothing new, but the rise of cheap and immediate creation and spread of (dis)information via digital platforms have taken the sheer volume and reach to new levels. For a term that hardly existed 18 months ago, the upsurge has been meteoric: it is seen by some as the greatest threat to democracy and free debate, yet we lack shared definitions and a sense of impact. Addressing the threat has now become a small industry, from governments setting up policy units and task forces, to AI start-ups like AdVerif.ai and Factmata, to sector collaborations like the Trust Project to social media platforms employing moderators in their 1,000s.

From a business perspective, the implications are mixed. Analysts have called it *'the best thing that has happened to journalism'*[2] while Google's parent company, Alphabet, has recently recognised *'misleading information'* and *'objectionable content'* as risk factors in its annual 10-K filing to the US Securities and Exchange Commission.

Sustainalytics, a provider of ESG research and ratings to investors, considers fake news a material risk for investors, potentially resulting in *"regulatory scrutiny, reputational repercussions and real financial effects that may hit the bottom line of media companies"*[3]. They quote investor requests urging (social) media companies to provide additional disclosure on their content review processes and management systems to address content governance and integrity. Indeed, Sustainalytics' own research indicates that of 74 major media firms analysed, only 7% take *'strong'* content governance measures, and only 9% have *'adequate'* measures in place. This leaves little doubt that, in the years to come, financial analysts will be developing new tools and metrics to assess the risks posed by inadequate content governance practices.

"BY 2022, THE MAJORITY OF INDIVIDUALS IN MATURE ECONOMIES WILL CONSUME MORE FALSE INFORMATION THAN TRUE INFORMATION."

Top Strategic Predictions for 2018, Gartner

[2] **Beckett, C (2017):** 'Fake news': the best thing that's happened to journalism. Polis/LSE blogpost. http://blogs.lse.ac.uk/polis/2017/03/11/fake-news-the-best-thing-thats-happened-to-journalism/

[3] **Moinuddin, S et al (2017)**: ESG Spotlight: Fake news, social media and the value of credible content. Sustainalytics. http://marketing.sustainalytics.com/acton/attachment/5105/f-096c/1/-/-/-/-/ESGSpotlightFakeNewsMay30.pdf

… DISINFORMATION (FAKE NEWS)

We expect the term *'fake'* to be bandied around more freely, spreading from news into other branches of media content, including advertising, scientific & professional publishing and education. In our results presentation (see pages 17 to 24), fake news is best conceptualised not as a standalone item but an umbrella term covering *'media literacy'*, *'editorial guidelines'*, *'transparent ownership'*, *'awareness of the impact of communication'*, *'corporate governance'* and *'customer relationships'*.

This is in line with the recommendations of the EU Commission's Report on Disinformation[4] which calls for a clear and unequivocal abandonment of the term *'fake news'*. There is growing recognition that the term fails to explain the complexity of the situation and leads to confusion. We prefer to refer to it as disinformation.

In our view, disinformation poses a material risk to platforms like Facebook, Twitter and YouTube whereas for media companies it is merely a strategic issue. We agree with LSE professor Charlie Beckett's position that fake news *"is a symptom of a much wider systemic challenge around the value and credibility of information and the way that we – socially, politically, economically – are going to handle the threats and opportunities of new communication technologies."* Acknowledging this, we see disinformation primarily as a prolonged stress-test of existing content integrity measures, with more organisations actively and deliberately seeking to undermine trust in media content to push partisan agendas or for political or financial gain. It is not a challenge that is going to go away anytime soon. [5]

Graphic below courtesy firstdraftnews.org

[4] **The independent High level Group on fake news and online disinformation (2018)**: A multi-dimensional approach to disinformation. European Commission. https://ec.europa.eu/digital-single-market/en/news/final-report-high-level-expert-group-fake-news-and-online-disinformation

[5] **Plummer, D. (2017)**: Gartner Top Strategic Predictions for 2018 and Beyond. Gartner. https://www.gartner.com/smarterwithgartner/gartner-top-strategic-predictions-for-2018-and-beyond/

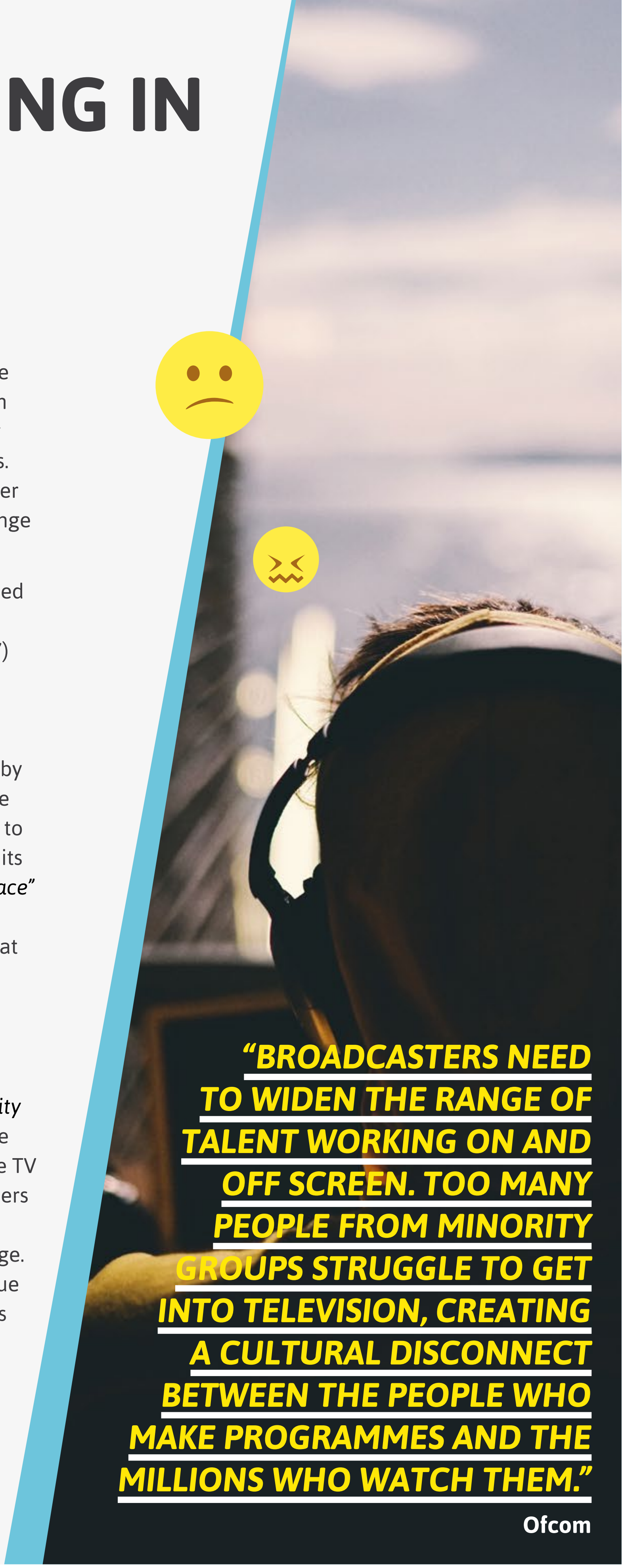
ISSUES GROWING IN IMPORTANCE

DIVERSITY AND INCLUSION

Our previous materiality assessments have included diversity and inclusion (D&I) from the angles of ‘*staff diversity*’ and ‘*diversity of output*’, categorising both as operational concerns. Things have changed since 2013, and we now consider both to be material. This is, perhaps, the biggest change of all since 2013.

From a regulatory point of view, the ground has shifted with the introduction of mandatory gender split reporting (2013) and gender pay gap reporting (2017) in the UK, and the Non-Financial Reporting Directive in the EU, all of which have introduced new levels of transparency around gender pay and balance.
In France, the government has gone one step further by announcing measures to force companies to close the gender pay gap within three years. And there is more to come. The Financial Reporting Council has extended its definition of diversity from “*gender*” to “*gender and race*” in its preface to the 2016 UK Corporate Governance Code[6]. A small change but a strong signal of intent that opens the door to further legal requirements.

Ofcom, the UK media regulator, has also made its intentions very clear. It finds the current state of play “*unacceptable*”, requiring “*a step-change from broadcasters to improve diversity*”. Its report, ‘*Diversity and equal opportunities in television*’[7], uncovered the scale and nature of the diversity challenge facing the TV industry after strong-arming the major UK broadcasters to hand over data relating to gender, ethnicity, disability, sexual orientation, religion or belief and age. Ofcom’s monitoring programme will not only continue but also be expanded to include more characteristics (e.g. social background) and a wider set of media companies (radio) in the future.



“BROADCASTERS NEED TO WIDEN THE RANGE OF TALENT WORKING ON AND OFF SCREEN. TOO MANY PEOPLE FROM MINORITY GROUPS STRUGGLE TO GET INTO TELEVISION, CREATING A CULTURAL DISCONNECT BETWEEN THE PEOPLE WHO MAKE PROGRAMMES AND THE MILLIONS WHO WATCH THEM.”

Ofcom

[6] **Financial Reporting Council (2016)**: The UK Corporate Governance Code
https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf

[7] **Ofcom (2017)**: Diversity and equal opportunities in television
https://www.ofcom.org.uk/__data/assets/pdf_file/0017/106343/diversity-television-report-2017.pdf

… DIVERSITY AND INCLUSION

The current and future legal requirements are only part of the picture, though. 2017 saw the rise of *#MeToo*, which put gender equality firmly on the public agenda. What started as a simple hashtag became a global movement against sexual harassment, with men and women sharing personal stories. It emerged following allegations of rape and sexual harassment by Hollywood film-maker Harvey Weinstein, who has since seen his business empire crumble. This, in turn, set in motion widespread *'outings'* of men within other countries and industries. Other highly visible campaigns with specific links to diversity in media include *#OscarsSoWhite*, protesting under-representation of non-black people in the annual Academy Award nominations, and *#TimesUp*, an offshoot of *#MeToo* to fight sexual harassment and promote gender parity in studio and talent agencies.

2017 also witnessed a major scandal over pay differences, namely the BBC's publication of salaries for on-screen talent earning over £150,000. Of the 96 employees in this bracket, only a third were women and the top seven were men. This led to widespread criticism, including stern comments from PM Theresa May.

Lastly, to add to this perfect storm, an increasing amount of research makes the business case for D&I in companies, including a statistically significant correlation between more diverse leadership teams and financial outperformance of peers[8]. It is fair to say that D&I is now a CEO-level issue[9].

In summary, calls for greater D&I in industry have gained critical momentum and there is no way to put a lid on it. The media sector is doubly exposed to these winds of change as a major employer (shared with all sectors) and a societal custodian of what appears on screen, in print, etc. (unique to the sector). Both D&I challenges have the potential to significantly impact financial KPIs within companies across the full spectrum of the media sector.

[8] **Hunt, V. et al. (2018)**: Delivering through Diversity. McKinsey.
https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity

[9] **Nolan, M. et al. (2016)**: Is Gender Diversity Profitable? Evidence from a Global Survey. Peterson Institute for International Economics.
https://piie.com/publications/working-papers/gender-diversity-profitable-evidence-global-survey

PRIVACY AND DATA PROTECTION

In our previous materiality analysis, *'privacy and data protection'* was categorised as material, but opinions were divided. Investors, unanimously, considered it material while many responding from inside media companies felt it was strategic. Opinions are no longer divided. Privacy and data protection is now firmly in the material category. The rise of data privacy as a business concern resonates with external research. For example, the 2018 edition of the World Economic Forum's Global Risks Report[10] lists two data risks – *'cyber attacks'* and *'data fraud or theft'* – in the top 5 global risks in terms of likelihood. Both risks also feature prominently in the more specific *'risks of highest concern for doing business'* at the country-level.

So what is behind the rise? The short answer is that companies face growing regulatory, reputational and financial risks as they transition to digital business models.

From a regulatory perspective, the EU General Data Protection Regulation (GDPR), which came into effect across all 28 EU countries on 25 May 2018, is the most significant piece of legislation in a decade. GDPR has introduced new rules on controlling and processing personally identifiable information.

It also extends the protection of personal data and data protection rights by giving users more control of their data, with potential fines of up to €20m or 4% of global turnover, whichever is higher, when companies get it wrong.

There is significant uncertainty regarding how the implementation of GDPR will impact media companies operating in US and European jurisdictions.

GDPR will be complemented by another piece of significant EU regulation – the so-called ePrivacy Regulation – which will replace and beef up the directive that is commonly referred to as the cookie law. Tabled in January 2017, it is unlikely to be applied before 2019 and will see the introduction of strict privacy and data protection rules. Major associations representing the publishing, media and advertising industries have already warned that the proposed measures pose an existential threat to existing business models.

Moreover, the internet is still in its infancy and, as a result, the conventions and expectations around companies' responsible handling of data are subject to rapid change. Details of how now defunct Cambridge Analytica harvested data from 50 million Facebook users and misused that data to make targeted political ad buys may prove to be a tipping point. The scandal has left a dent in Facebook's share-price and reputation, but it remains to be seen whether and how fast the company will bounce back. It is hard to grasp the full breadth and depth of risks posed by data privacy and protection to the media sector. Other examples from the past few years range from North Korean hackers (allegedly) stealing Sony's employee data in retaliation to controversial media content, to users effectively undermining the business models of online publishers by using adblockers. This is one to watch.

[10] **WEF (2018)**: The Global Risks Report 2018
http://reports.weforum.org/global-risks-2018/

RESPONSIBLE ADVERTISING

'Responsible advertising' has been upgraded from operational to strategic, with several interrelated developments contributing to this upgrade.

First of all, the agenda has shifted. Previously, responsible advertising was more about not aggressively selling to kids and not promoting gas-guzzling SUVs, whereas now it is about the company you keep as an advertiser, the shift to digital and the need to get personal with customer data.

As ad spend continues its migration towards mobile and online formats, advertisers increasingly rely on added personalisation and better targeting to maximise effectiveness. With a digital ecosystem whose viability and financial success depends on personalisation and user tracking, any backlash against privacy will hit hard. And, as indicated above, that backlash is now in motion in the shape of regulation and public debate. Research from 2017 indicates that around one fifth of British adults online are using an ad blocker, comparable to levels in Germany.

Adding to this, recent years have seen the rise of distrust in digital advertising. Notably, P&G reduced its digital marketing spend by $200m in 2017, quoting efficacy, ad fraud and brand safety concerns[11], and Unilever has voiced similar concerns over the lack of transparency in the digital advertising value chain.

Advertising and advertisers are also under increased scrutiny from consumers. Stop Funding Hate, an online movement, has successfully campaigned against three UK tabloid newspapers which they perceive to spread hate and division to drive sales. By calling out major brands advertising in those titles, Stop Funding Hate has successfully pressured big brands such as Lego, the Body Shop and Natwest to pull their advertising or publicly distance themselves from the publications. Several brands have also been accused of putting out racist ads, generating major public backlashes, e.g. H&M's ad showing a black child sporting a *"coolest monkey in the jungle"* hoodie and Heineken's tagline *"sometimes lighter is better"* to advertise low-alcohol beer.

In summary, media companies relying on advertising are exposed to more and different types of risk than they were just a few years ago. In the past, media concerns relating to responsible advertising were primarily about the ad content itself or the brand placing the ad, but publishers now also need to worry about the demarcation between paid for and editorial content as well as their reliance on personally identifiable information (PII) to attract ad revenue.

[11] **Vranica, S. (2018)**: P&G Contends Too Much Digital Ad Spending Is a Waste. Wall Street Journal. https://www.wsj.com/articles/p-g-slashed-digital-ad-spending-by-another-100-million-1519915621

ISSUES DECREASING IN IMPORTANCE

DIGITAL DIVIDE

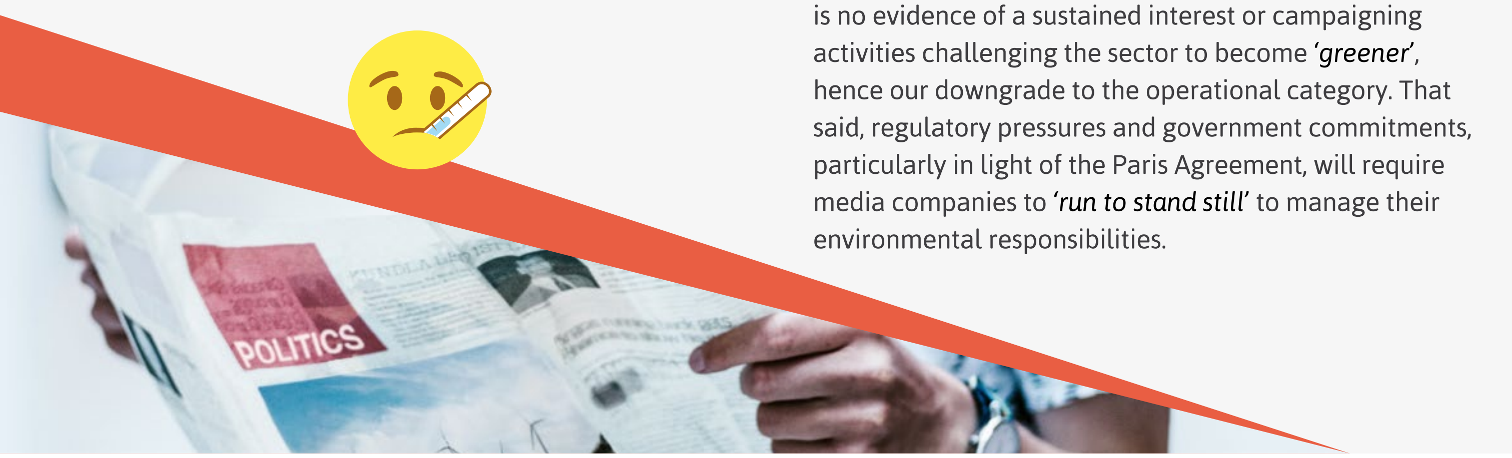
We have downgraded *'digital divide'* from strategic to operational. The term covers the potential lack of access to new digital services and technologies, and the risk this poses to media companies. Google Trends tells us that interest in the digital divide peaked around 2005 and has been declining ever since. Why? The digital divide has not been eradicated, but it has diminished at a pace that few would have imagined possible a decade ago. According to World Bank data, the uptake of and access to digital technology in developing countries have happened at a much faster rate than traditional human progress indicators such as access to water, sanitation and electricity.[12] At the same time, the overwhelming majority in almost every nation – developing or not – now own some form of mobile device and global internet usage continues to climb steeply[13]. In short, digital divide is no longer the issue it used to be.

OPEN ACCESS

In our previous assessment, we considered *'open access'* to be a special case, of material importance only to academic publishers. Our current view is that it poses a strategic rather than material risk. Open access refers to peer reviewed literature being made freely available to the public online, and this type of academic publishing has been growing significantly in recent years.[14] However, despite several boycotts by academics and much speculation that commercial scientific publishing would be the *"internet's first victim"*, there is no evidence that the switch to open access publishing has had any financial impact on the major commercial publishers as their business models have changed.

ENVIRONMENTAL MANAGEMENT

Environmental management is one of the success stories of the media sector. Most major media companies will have reduced their environmental footprint significantly since 2013, and many have launched high-impact campaigns/content, including Sky's Ocean Rescue, the BBC's Blue Planet and Schibsted's Second Hand Effect. The individual initiatives are complemented by collaborative initiatives, including albert, the Book Chain Project and the Green Production Guide. Managing resources efficiently is now a hygiene issue for the sector, built into the cost of doing business. While important in its own right and seen as a proxy for good governance, our research and interviews indicate that investors neither consider environmental management a risk nor an opportunity for media companies. Similarly, from a consumer perspective, there is no evidence of a sustained interest or campaigning activities challenging the sector to become *'greener'*, hence our downgrade to the operational category. That said, regulatory pressures and government commitments, particularly in light of the Paris Agreement, will require media companies to *'run to stand still'* to manage their environmental responsibilities.



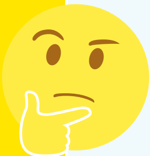
[12] **World Bank (2016)**: World Development Report 2016: Digital Dividends.
http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-Replacement-PUBLIC.pdf

[13] **Poushter, J. (2016)**: Smartphone Ownership and Internet Usage Continues to Climb in Emerging Economies. Pew Research Center.
http://www.pewglobal.org/2016/02/22/smartphone-ownership-and-internet-usage-continues-to-climb-in-emerging-economies/

[14] **Piwowar, H. et al (2017)**: The State of OA: A large-scale analysis of the prevalence and impact of Open Access articles. PeerJ Preprints.
https://doi.org/10.7287/peerj.preprints.3119v1

RESULTS SUMMARY: MATERIAL, STRATEGIC OR OPERATIONAL?

	MATERIAL	STRATEGIC	OPERATIONAL
Issues	▲ UPGRADED Diversity of output Editorial compliance IP and copyright Privacy and data protection ▲ UPGRADED Workplace diversity and inclusion	Corporate governance Creative independence Customer relationships ★ NEW Fake news Media literacy ▲ UPGRADED Responsible advertising Transparent and responsible editorial policies Valuing creativity	Awareness of the impact of communication Citizenship Climate change Community investment ▼ DOWNGRADED Corporate Environmental management compliance ▼ DOWNGRADED Digital divide Diversity of output Education Entertainment and gaming Environmental management Freedom of expression Health, safety and security Human rights (general) Impartial and balanced output ★ NEW Net neutrality Open Access Plurality Promotion of causes Promotion of sustainable development Staff investment Supply chain integrity Transparent ownership Treatment of freelancers
Special cases	Transparent and responsible editorial policies – for academic publishers	Awareness of the impact of communication – when society develops mechanisms to hold companies to account Citizenship – for some public service broadcasters Freedom of expression – for companies moving into markets with high levels of censorship Impartial and balanced output – for public service broadcasters and parts of news media ★ NEW Net neutrality – for internet service providers ▼ DOWNGRADED Open Access – for academic publishers Plurality – where competition regulatory bodies take a view on plurality Supply chain integrity - for companies with extensive licensing operations and/or providing hardware Transparent ownership – for companies whose ownership is part of their market proposition	Transparent and responsible editorial policies – for companies with purely entertainment content



ISSUES SUMMARY: COMMON TO ALL OR UNIQUE TO THE MEDIA SECTOR?

UNIQUE
Issues unique to the media sector

- Creative independence
- ▲ UPGRADED Diversity of output (no longer a special case)
- Editorial compliance
- Freedom of expression
- Impartial and balanced output
- Media literacy
- ▼ DOWNGRADED Open Access
- ▲ UPGRADED Responsible advertising
- Transparent and responsible editorial policies
- Valuing creativity

SPECIFIC
Issues with specific implications for the media sector

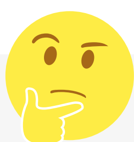
- Awareness of the impact of communication
- Citizenship
- ▼ DOWNGRADED Digital divide
- Education
- Entertainment and gaming
- Health, safety and security
- Human rights (general)
- IP and copyright
- ★ NEW Net neutrality
- Plurality
- Privacy and data protection
- Promotion of causes
- Promotion of sustainable development
- Transparent ownership
- Treatment of freelancers
- ▲ UPGRADED Workplace diversity and inclusion

COMMON
Issues common to all sectors

- Climate change
- Community investment
- Corporate compliance
- Corporate governance
- Customer relationships
- Environmental management
- Staff investment
- Supply chain integrity

RESULTS TABLE

ISSUE	MATERIAL, STRATEGIC OR OPERATIONAL?	WHY?	EXCEPTIONS
ISSUES UNIQUE TO THE MEDIA SECTOR			
CREATIVE INDEPENDENCE Media companies should encourage artistic production and creative independence whilst upholding relevant values and standards, without undue influence from media owners or advertisers.	STRATEGIC	Innovation is the lifeblood of the media industry given its creative and increasingly technical focus. As all industries rely on digital talent, it becomes even more important that the larger media players lead the way creatively and can respond swiftly to changing market demands.	
▲ UPGRADED **DIVERSITY OF OUTPUT** The output of media organisations should reflect the multicultural and diverse society in which we live (encompassing gender, ethnicity, disability, age, beliefs, socio-economic background, etc).	MATERIAL	As custodians of what appears on screen, in print, etc., media companies are increasingly taken to task by regulators, talent within the industry and the public for failing to reflect society and thereby creating a cultural disconnect.	
EDITORIAL COMPLIANCE Media companies should adhere to all laws and regulations where they operate regarding content (including advertising regulations).	MATERIAL	Breaches of compliance in the editorial sphere can lead to material fines, serious reputational damage, onerous increases in editorial control arrangements and even the closure of titles.	
FREEDOM OF EXPRESSION Freedom of expression permits the unrestricted and uncensored inclusion of views and opinions in media output. Media should enable debate and dialogue free from harassment.	OPERATIONAL	These two topics – freedom of expression and impartial output – are essential in democratic societies. The paradox is that they frequently do not matter materially to a media company's business performance. There are few mechanisms that will increase or deny revenues in general to companies based on these factors (see exceptions right). However, as mentioned above, we note that more financial sector media analysts are now focused on content integrity, particularly with the rise of the term 'fake news'.	**STRATEGIC** for media companies targeting markets with high levels of censorship, accommodating which could prejudice their reputation in home markets.
IMPARTIAL AND BALANCED OUTPUT Media output should be fair, neutral, diverse, unbiased and reflect and inform public opinion and dialogue, supported by editorial policies independent from ownership or advertisers.	OPERATIONAL		**STRATEGIC** for some public service broadcasters, news broadcasters and newspapers whose audiences come to them as a 'source of record'.



RESULTS TABLE

ISSUE	MATERIAL, STRATEGIC OR OPERATIONAL?	WHY?	EXCEPTIONS
ISSUES UNIQUE TO THE MEDIA SECTOR			
MEDIA LITERACY The ability of audiences to access, analyse, evaluate and create media in its varying forms.	STRATEGIC	In the long term, it is clearly in the interest of media companies that their audiences can engage fully with and appreciate the integrity of their content. Promoting media literacy is an important and accepted part of ensuring a healthy market, particularly with accusations of 'fake news' rising to prominence. There are few mechanisms that would lead to short-term commercial advantage or disadvantage for individual companies, yet news organisations and academic publishers are exploring ways to make it easier to assess the integrity of their content.	
▼ DOWNGRADED **OPEN ACCESS** Open access refers to the practice of offering free and unrestricted access to academic publications such as peer-reviewed articles, book chapters and monographs.	OPERATIONAL	The drive towards open access (OA) has gained strength, with several governments and major funding bodies declaring that research funded by them must be freely accessible. For most media companies OA is insignificant, but for academic publishers this has spurred a revamp of journal business models.	**STRATEGIC** for academic publishers who publish peer-reviewed research content.
▲ UPGRADED **RESPONSIBLE ADVERTISING** The notion of responsible advertising links to a media owner's willingness or not to carry advertising that conflicts with its standards and the mechanisms by which it targets users.	STRATEGIC	As ad spend continues its migration towards mobile and online formats, advertisers increasingly rely on added personalisation and better targeting to maximise effectiveness. With a digital ecosystem whose viability and financial success depends on personalisation and user tracking, any backlash against privacy will hit hard. At the same time, campaign groups are getting more vocal in targeting brands advertising with certain news outlets.	
TRANSPARENT AND RESPONSIBLE EDITORIAL POLICIES Editorial policies, standards or codes to which media organisations conform should include accuracy, impartiality and influence.	STRATEGIC	This topic links closely with 'Editorial compliance'. Media companies producing factual content rely on the (perceived) accuracy of that content for their market advantage. The closer the content gets to entertainment – particularly fictional entertainment – the less strategic this topic becomes. Following the rise of 'fake news', we note that more analysts request evidence of editorial quality and integrity, e.g. guidelines, policies and training.	**MATERIAL** for academic publishers whose USP is the peer review of their content. **OPERATIONAL** for companies with purely entertainment content.
VALUING CREATIVITY Media should invest in and nurture a wide range of talent at living wages. They should encourage staff innovation and technological entrepreneurship.	STRATEGIC	Innovation is the lifeblood of the media industry given its creative and increasingly technical focus. As all industries rely on digital talent, it becomes even more important that the larger media players lead the way creatively and can respond swiftly to changing market demands.	

RESULTS TABLE

ISSUE	MATERIAL, STRATEGIC OR OPERATIONAL?	WHY?	EXCEPTIONS
ISSUES WITH SPECIFIC IMPLICATIONS FOR THE MEDIA SECTOR			
AWARENESS OF THE IMPACT OF COMMUNICATION Arguably, the biggest social and environmental impact of media is through its content, i.e. the residual influence of output on audiences.	**OPERATIONAL**	For companies in other sectors, their communications represent a small part of our everyday lives, but the media sector is different. Media content, in all its many forms, influences the way we think, speak and act. Understanding how it does this is fearsomely complex, and there is no consensus yet on what is best practice, but the need for media to recognise and manage its 'brainprint' will – we believe – become an essential part of its regulatory and social licence to operate.	**STRATEGIC** at some point in the future as and when society develops mechanisms to hold companies to account.
CITIZENSHIP This relates to the responsibility on a company to promote individual and group participation and involvement in society.	**OPERATIONAL**	There may be a great benefit to society from the media's promotion of social causes, sustainable development or citizenship in general, but with the exception of some niche elements of the market, there is currently little commercial or strategic advantage from doing so.	**STRATEGIC** for public service broadcasters for whom this is a condition of their licence. 
▼ DOWNGRADED **DIGITAL DIVIDE** The need to promote broad access and use of media through new and emerging platforms, ensuring this resource is available to all sections of society.	**OPERATIONAL**	Promoting digital access opens up new ways to offer content and can extend access to non-traditional markets. It is part of the rapid convergence and transformation in the sector.	
EDUCATION Media companies should foster learning and skills.	**OPERATIONAL**	In general terms, there is no material benefit or penalty from supporting education or skills. The special case of creative development has already been addressed above.	
ENTERTAINMENT AND GAMING Certain media companies have offerings which require a payment in exchange for the chance of a greater return.	**OPERATIONAL**	Media companies with gaming content must comply with the law and customers' expectations.	
HEALTH, SAFETY AND SECURITY Media companies should provide a secure, safe and healthy environment for their employees which meets legislative and regulatory requirements where they operate.	**OPERATIONAL**	Health and safety is a moral issue and there are regulations in almost all countries. However, the sector is a relatively low impact and low hazard environment and the consequences of breaches are not material.	

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ISSUES WITH SPECIFIC IMPLICATIONS FOR THE MEDIA SECTOR			
HUMAN RIGHTS (GENERAL) Some media companies operate in countries with poor human rights records; they have a responsibility to protect, respect and remedy human rights.	OPERATIONAL	Media companies must protect human rights in their own operations and have a responsibility to a wider sphere of influence. Nevertheless, the consequences of breach or opportunities from compliance are not material, except in specific areas already discussed ('Freedom of expression' and 'Editorial compliance').	
IP AND COPYRIGHT This covers issues such as piracy, copyright, royalty payments, counterfeiting and downloading.	MATERIAL	The need to protect and defend copyright in content is material in all parts of the sector since content is the principal value driver for most companies. This is coming into increasing conflict with audiences' expectations for access and flexibility.	
★NEW **NET NEUTRALITY** Blocking or slowing down users' access to online content or creating 'fast lanes' for content providers that are willing to pay for the privilege.	OPERATIONAL	Net neutrality currently poses a minor operational risk to content providers with online operations and a strategic risk to internet service providers. The high public profile and emerging nature of the issue means it is likely to grow in importance.	**STRATEGIC** for internet service providers.
PLURALITY The need to offer choice of contents and platforms for various markets.	OPERATIONAL	Plurality – we believe – offers valuable diversity of views and the ability to cross-check content. However, there are few regulatory or other controls on the plurality of media, and the market does not strongly reward it (only a small proportion of audiences may actively select their content on this basis). Competition regulations do affect media companies, but in general they are a lower bar to clear than the levels of plurality supported by many commentators.	**STRATEGIC** where regulatory bodies controlling competition are involved.
PRIVACY AND DATA PROTECTION Media companies should ensure customers' confidential and personal information is held/used in a secure and legally compliant manner.	MATERIAL	Convergence is leading media companies to hold ever increasing amounts of personal data, and this is becoming more important to new revenue models. Regulatory and public scrutiny will continue to grow in the years to come.	
PROMOTION OF CAUSES Stakeholders believe media companies should raise awareness of major issues, encouraging learning and understanding.	OPERATIONAL	There may be a great benefit to society from the media's promotion of social causes, sustainable development or citizenship in general, but with the exception of some niche elements of the market, there is currently little commercial or strategic advantage from doing so.	

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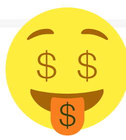
ISSUES WITH SPECIFIC IMPLICATIONS FOR THE MEDIA SECTOR			
PROMOTION OF SUSTAINABLE DEVELOPMENT Stakeholders believe media companies should encourage individuals/ citizens to achieve sustainability goals and minimise negative impacts.	**OPERATIONAL**	There may be a great benefit to society from the media's promotion of social causes, sustainable development or citizenship in general, but with the exception of some niche elements of the market, there is currently little commercial or strategic advantage from doing so.	
TRANSPARENT OWNERSHIP The clear communication of ownership structures, related brands and interests.	**OPERATIONAL**	In most cases, the audience pays little attention to the ownership of a particular media outlet, and competition regulations in most developed markets ensure that ownership is a matter of clear public record.	**STRATEGIC** for those companies whose ownership is a key part of their market proposition.
TREATMENT OF FREELANCERS Working conditions, pay, etc. of self-employed or subcontracted persons working for media organisations; a common mode of employment in this sector exacerbated by the rise of the 'gig economy'. Treatment of interns also falls under this category.	**OPERATIONAL**	Cost minimisation measures such as layoffs and outsourcing are prevalent in the sector, exposing media companies to legal and reputational risks. There is little evidence to suggest any impact on business performance at material or strategic levels.	
▲ UPGRADED **WORKPLACE DIVERSITY AND INCLUSION** Recruiting and retaining a diverse workforce, providing equal opportunities to all.	**MATERIAL**	Workplace D&I is not just a moral issue but a serious social and economic cost/opportunity. It affects companies' abilities to build a strong talent pipeline, innovation capacity and customer engagement. With increased scrutiny from regulators, investors and employees combined with an ever-growing number of industries competing for the same pool of digital talent, this challenge will continue to grow.	
ISSUES COMMON TO ALL SECTORS			
CLIMATE CHANGE Management and mitigation of climatic changes because of man-made pollution.	**OPERATIONAL**	**Mitigation:** most media companies are not energy intensive. Even when including the whole supply chain, energy and carbon costs are an immaterially small fraction of the total value. The topic of media influence to change consumer behaviour has been covered under 'Promotion of sustainable development' above. **Adaptation:** a changing climate will certainly affect media companies' operations, but their business models would seem to be sufficiently flexible to deal with it.	

RESULTS TABLE

ISSUE	MATERIAL, STRATEGIC OR OPERATIONAL?	WHY?	EXCEPTIONS
ISSUES COMMON TO ALL SECTORS			
COMMUNITY INVESTMENT Direct investments in communities through donations (including money, equipment, content, etc.) or employee volunteering.	OPERATIONAL	Community investment is a valuable way to engage staff and ensure thriving communities. Under current models, it does not affect access to markets or earnings in a material way.	
CORPORATE COMPLIANCE Adhering to laws and regulations in the countries of operation affecting companies in general (as opposed to those relating to editorial and content matters).	OPERATIONAL	The special cases of 'Editorial compliance' and 'Privacy and data protection' have been covered above. Companies can be fined or penalised in other ways for other transgressions, but the impact of this is unlikely to be material.	
CORPORATE GOVERNANCE Companies have responsibilities relating to their boards, shareholders and other stakeholders, which affect their strategy and performance.	STRATEGIC	Corporate governance practices may not affect access to markets or register with consumers, but they can affect access to finance. Recent examples have seen more systematic scrutiny of corporate governance practice and even divestment from media investors.	
CUSTOMER RELATIONSHIPS Building and maintaining good relationships with customers by providing a high-quality service and by responding effectively and quickly to complaints and suggestions for improvement.	STRATEGIC	With the rise of platforms, media companies now compete with a wider group of companies to 'own' the relationship with audiences. Consumers no longer simply follow the best content; rather, they expect easy access, personalisation and on-demand services. Media outlets are now brands.	
ENVIRONMENTAL MANAGEMENT Minimising companies' environmental impact (e.g. responsible management of energy, water and waste).	OPERATIONAL	Media generally has a low impact on the environment relative to its scale. Water, waste and other emissions are not significant to a media company's performance. However, the sourcing and printing of paper can represent a major cost, with companies exposed to volatility and security-of-supply questions.	**STRATEGIC** for sub-sectors relying on large volumes of printed material.
STAFF INVESTMENT Companies should provide a supportive and safe environment for staff to grow and develop through training, professional development and benefit plans, allowing them to achieve a healthy work/life balance.	OPERATIONAL	Media companies rely on talented staff and work hard to recruit and develop the best. The specific issue of retaining and developing creative staff has been covered under 'Valuing creativity' above.	
SUPPLY CHAIN INTEGRITY Companies should ensure suppliers are treated fairly, are chosen and paid transparently and are held to account for meeting ethical standards.	OPERATIONAL	The public profile and public ownership of many media companies mean that they are expected to act transparently and ethically when buying goods and services. Failure to do so can undoubtedly damage their reputation and standing but there is little evidence of this effect denying access to markets.	**STRATEGIC** for companies with extensive licensing operations linked to their consumer brands and/or companies providing customers with hardware, e.g. internet and digital TV services providers.



RESPONSIBLE MEDIA FORUM

PARTNERING FOR A SUSTAINABLE SECTOR

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