CONSUMER FINANCE
Research Brief

SASB’s Industry Research Brief provides evidence for the material sustainability issues in the industry. The brief opens with a summary of the industry, including relevant legislative and regulatory trends and sustainability risks and opportunities. Following this, evidence for each material sustainability issue (in the categories of Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance) is presented. SASB’s Industry Brief can be used to understand the research and data underlying SASB Sustainability Accounting Standards. For accounting metrics and disclosure guidance, please see SASB’s Sustainability Accounting Standards. For information about the legal basis for SASB and SASB’s standards development process, please see the Conceptual Framework.

SASB identifies the minimum set of sustainability issues likely to be material for companies within a given industry. However, the final determination of materiality is the onus of the company.

Related Documents

- Financials Sustainability Accounting Standards
- Industry Working Group Participants
- SASB Conceptual Framework
- Example of Integrated Disclosure in Form 10-K

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The extension of credit and other consumer finance services is essential to the functioning of the U.S. and global economies. Although traditional value drivers will continue to impact industry performance, the recent financial crisis and the subsequent regulatory developments have articulated how social capital contributes to market value. These issues can affect traditional valuation by impacting profits, assets, liabilities, and cost of capital.

To ensure that shareholders are able to evaluate these factors, consumer finance companies should report on the material sustainability risks and opportunities that may affect value in the near and long term. Enhanced reporting will provide stakeholders with a more holistic (and comparable) view of performance that includes both positive and negative externalities, and the non-financial forms of capital that consumer finance companies rely on to create long-term value. Firms that work to improve performance on these issues will be well-positioned to protect shareholder value in the future.

The sustainability issues that will drive competitiveness within the consumer finance industry include:

- Expanding services to underserved markets and building financial capacity
- Ensuring the privacy and security of consumer data
- Providing transparent information and fair advice to consumers
- Engaging in responsible lending and debt prevention

The extent to which these sustainability factors impact value will become increasingly clear as the regulatory environment continues to emphasize transparency and consumer protection throughout the financial services sector.

**INDUSTRY SUMMARY**

The consumer finance industry provides loans to consumers. Loan services include auto, micro-lending, credit and debit, and student loans. In addition, companies in this industry provide payment processing services, consumer to consumer money transfers, money orders, prepaid debit cards, and bill payment services.¹

¹ A list of five companies representative of this industry and its activities appears in Appendix I.
Consumer spending drives growth in the consumer finance industry. Industry performance is determined by consumer spending, rates of unemployment, per capita GDP, income, and population growth. Although emerging markets present a considerable opportunity for growth in the industry, the U.S. remains the largest market for lenders. Consumer finance companies engaged in the credit and debit segment continue to face challenges associated with an evolving regulatory environment. New payment technologies provide significant opportunities for growth for both established and emerging companies in the consumer finance industry.

**LEGISLATIVE & REGULATORY TRENDS IN THE CONSUMER FINANCE INDUSTRY**

Although the regulatory environment that governs the consumer finance industry continues to evolve, an ongoing trend toward disclosure and consumer fairness has the potential to impact shareholder value and sustainability performance. The following section provides a brief summary of key legislative efforts that are likely to impact value in the industry and to further amplify the importance of social capital.

In 2009, the U.S. Congress passed the Credit Card Accountability Responsibility and Disclosure Act (Credit CARD Act) to establish fair and transparent practices relating to the extension of credit. The legislation sought to limit actions that contributed to the fact that in 2009, Americans paid $15 billion in penalty fees annually with 44 percent of families carrying a balance on their credit cards. The Credit CARD Act bans unfair interest rate increases and fee traps. In addition, the legislation provides for new disclosure requirements, enhanced accountability, and protects students and young people from certain marketing practices. Further restrictions on disclosure are pending as the Consumer Financial Protection Bureau is developing a standard credit-card contract that is devoid of small print.

Although the Credit CARD Act effectively limits certain revenue generating practices, the legislation has helped to reduce the amount of debt that consumer finance companies deem uncollectible. This debt, which reached a peak of $821 million in August 2009 was reduced to $276 million as of May 2012.

Recent legal settlements will also limit practices that consumer finance companies have engaged in to increase revenue. In 2012, an antitrust suit was settled that will effectively allow retailers to charge customers more for paying with credit cards. An earlier settlement also limited the amount that companies can charge retailers when customers use debit cards.

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1 Data as of June 30 2013. Based on annual summary of branch office deposits for all FDIC-insured institutions, including U.S. branches of foreign banks.
SUSTAINABILITY-RELATED RISKS & OPPORTUNITIES

Recent shifts towards consumer protection and transparency have and will continue to align the interests of society with those of long-term investors. Companies will therefore not be able to maximize financial capital unless social capital is managed effectively. Firms that are able to navigate new regulations will be better positioned to protect shareholder value in the long term.

The following section provides a brief description of how the consumer finance industry depends on each form of capital and how specific sustainability issues will drive performance including: evidence and value impact. Issues are divided into five categories: Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance. A table indicating the nature of the value impact and evidence of interest from stakeholders appears in Appendix IIA. Appendix IIB expands on the channels of financial impacts of each sustainability issue, and the recommended disclosure framework appears in Appendix III.

ENVIRONMENT

The environmental dimension of sustainability includes corporate impact on the environment, either through the use of non-renewable natural resources as input to the factors of production (e.g., water, minerals, ecosystems, and biodiversity) or through environmental externalities or other harmful releases in the environment, such as air and water pollution, waste disposal, and greenhouse gas emissions.

The consumer finance industry’s primary reliance on environmental capital is in the form of energy consumed to operate offices, data centers, and branch locations. Although energy use contributes to negative externalities, this issue was determined not to be material for the consumer finance industry. The industry’s primary opportunity in the area of environmental capital is to influence consumer behavior through various products such as affinity cards that support renewable energy development. Again, this issue was determined not to be material. Subsequently, there were no environmental issues that were considered to be material in this industry.
SOCIAL CAPITAL

Social capital relates to the perceived role of business in society, or the expectation of business’s contribution to society in return for its license to operate. It addresses the management of relationships with key outside stakeholders, such as customers, local communities, the public, and the government. It includes issues related to access to products and services, affordability, responsible business practices in marketing, and customer privacy.

Consumer finance companies operate in an increasingly strict regulatory environment. New policies which are intended to protect consumers serve to enhance the link between the industry and social capital. Companies in this industry have the opportunity to create social value through inclusion and capacity building, but must also work to ensure that current customers are receiving transparent information, lending is done responsibly, and customer privacy is protected. As the correlation between shareholder performance and social capital becomes increasingly tangible, investors must understand how individual companies are addressing these key issues.

Financial Inclusion

In the U.S., an estimated 11 percent of consumers are unbanked, meaning they do not have a checking, savings, or money market account, and their spouse also does not have such an account. An additional 11 percent have a checking, savings, or money market account, but have also used on alternative financials service in the last 12 months, indicating they are underbanked. These findings, coupled with a recent study by the Federal Reserve which found that 63 percent of unbanked consumers and 91 percent of underbanked consumers have a mobile phone, suggest there is significant opportunity for consumer finance companies. Specifically, advancements in new products and payment technology can allow companies in this industry to expand access to financial services to underserved populations, domestically and abroad.

Expansion into new markets and technologies can provide significant sources of revenue; however, firms must also ensure that the associated regulatory and financial risks are managed. In addition, technological advancements have lowered barriers to entry and allowed new companies to enter the consumer finance industry, thereby increasing competition and putting pressure on incumbents.

Enhanced disclosure on revenue associated with products that target the unbanked and underbanked, and success in reaching previously unserved consumers, will provide shareholders with an understanding of how companies are increasing corporate and societal value.

Evidence

In Latin America, where an estimated 35 percent of the population has access to financial services, Mastercard has partnered with Telefonica to launch a mobile banking platform. The company reports that this initiative
will provide access for 87 million people across the region.\(^6\)

Citi and its Mexican subsidiary, Banamex, partnered with America Movil to introduce mobile wallets, which enable customers to make and receive payments on their mobile phones. The product targets 50 million unbanked and underbanked individuals in Mexico, and could provide financial services to 250 million America Movil customers in the region.\(^7\)

Much of the growth in both the U.S. and emerging markets will be driven in part by the development of new technologies, such as those being introduced by Mastercard and Citi. Worldwide, the mobile payment market is expected to exhibit annual growth of 42 percent to reach $617 billion with 448 million users by 2016.\(^8\) In addition, new products and technologies such as prepaid debit and near-field communication will also contribute to growth for the industry. Purchases on prepaid debit cards in the U.S. are expected to increase by 5.3 percent annually to $139.4 billion in 2017.\(^9\) Juniper Research estimates that the value of near-field communication technology, which allows enabled devices to exchange data (including payment information) wirelessly, will reach $110 billion by 2017.\(^10\)

The potential for revenue growth associated with serving new markets is further illustrated by a KPMG study that suggests that Asia’s share of global payment transaction volume on purchasing cards is expected to be double that of the U.S. by 2015.\(^11\)

**Value Impact**

Consumer finance companies that have access to a broader market will be better positioned to create shareholder value. Firms that are able to successfully expand access through new products and technologies will likely generate additional service fees and data processing revenue. Further, these companies will capture new markets and enhance pricing power. This will also result in lower cost of capital.

Companies also have the potential to generate positive social impact in the long term through financial inclusion, which can serve to improve reputation and the value of intangible assets.

**Customer Privacy & Data Security**

Ensuring the privacy and security of personal financial data is an essential responsibility of the consumer finance industry. As the frequency and magnitude of information security risks continues to increase with the proliferation of new technologies, the increased use of the Internet for financial transactions, and the sophistication of those who pose threats, companies will be required to devote more resources to mitigation and regulatory compliance.

In the absence of federal legislation relating to cybersecurity, various regulatory agencies continue to examine this issue and propose new rules and standards. In addition to the potential for increased costs of compliance associated with new rule making, consumer finance
companies are currently forced to comply with a patchwork of state laws.

Enhanced disclosure of the number of security breaches, the extent of fraudulent charges, and efforts to manage these risks will allow shareholders to understand how consumer finance companies are protecting long-term value.

**Evidence**

In 2014, Target revised the number of customers whose personal information had been stolen in the previous year to between 70 million and 110 million. As a result, consumer finance companies were forced to alert their customers of potential fraud, and provide new cards and account numbers.\(^\text{12}\)

In March 2012, a security breach at Global Payments exposed private customer information for an undisclosed number of Mastercard and Visa cardholders. Global Payments’ stock fell nine percent after it was determined to be the target of the attack.\(^\text{13}\)

In 2009, Heartland Payment Systems announced that a security breach in the prior year compromised the security of an estimated 130 million credit and debit cards.\(^\text{14}\) The company was subsequently removed temporarily from Visa’s list of PCI DSS Validated Service Providers. Financial statements indicate that Heartland Payment Systems accrued $139.4 million in breach related expenses.\(^\text{15}\)

The magnitude of this issue is demonstrated by recent estimates, which suggest that identity thefts increased by 13 percent between 2010 and 2011, affecting 12 million Americans.\(^\text{16}\)

Further, in 2010, global fraud losses for credit and debit card companies amounted to $7.6 billion with 47 percent of false charges occurring in the U.S. \(^\text{17}\)

These incidents and the increasing frequency of intrusions, indicates a significant risk for consumer finance companies engaged in both payment processing, and those providing capital.

Mastercard reports that “a failure or breach of our security systems or infrastructure as a result of cyber-attacks could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.” The company adds that “Increased fraud levels involving our cards, or misconduct or negligence by third parties processing or otherwise servicing our cards, could lead to regulatory intervention, such as enhanced security requirements, as well as damage to our reputation, which could reduce the use and acceptance of our cards or increase our compliance costs, and thereby have a material adverse impact on our business.”\(^\text{18}\)

American Express indicates that if its “information technology systems experience a significant disruption or breach or if actual or perceived fraud levels or other illegal activities involving our Cards were to rise due to the actions of third parties, employee error, malfeasance or otherwise, it could lead to regulatory intervention (such as mandatory card reissuance), increased litigation and remediation costs, greater concerns of customers and/or
Value Impact

Consumer finance companies that do not adequately address the potential for security breaches and other intrusions will likely be subject to contingent liabilities that may not be covered by insurance. In addition, regulatory actions aimed at addressing the issue of data privacy and security could increase general and administrative expenses, thereby lowering operational efficiency.

Significant disruptions or security breaches are also likely to impair intangible assets through reputational damage, and lead to a loss in customer confidence. Subsequently, companies could lose markets share and revenue, as customers switch to different providers. Moreover, companies prone to cyber-attacks are perceived as more risky which leads to higher cost of capital.

Evidence

In December 2013, American Express was ordered to pay $75 million to settle claims that it charged improper fees and misled customers over add-on products. This followed a 2012 fine of $27.5 million and $85 million reimbursement to customers for illegal card practices that included misleading consumers.

In September 2013, JPMorgan Chase was fined $389 million for deceiving customers into buying credit card add-on products between 2005 and 2012. The company will be required to pay $309 million to reimburse roughly 2.1 million customers.

Transparent Information & Fair Advice for Customers

Consumer finance companies will continue to face scrutiny as the Consumer Financial Protection Bureau (CFPB) enforces the transparency and disclosure rules established under the Credit CARD Act. In a 2012 bulletin, the CFPB indicated that it would focus on the industry’s marketing practices as they relate to credit card add-on products, including debt cancellation, identity theft protection, and credit reporting and monitoring. The CFPB has subsequently engaged in a number of enforcement actions. As of January 2014, these actions against major consumer finance companies provided for $800 million in refunds to consumers. In addition, to add-on products, the CFPB is also enforcing aspects of the Credit CARD Act that address interest rate structures, disclosures, and service fees.

The ability of consumer finance companies to ensure that customers are provided with transparent information and fair advice related to these and other products will likely continue to present material implications. Subsequently, firms should enhance disclosure on fines and settlements associated with disclosure, transparency, marketing, and how add-on products are managed.
In July 2012, the Bureau fined Capital One Financial $210 million for charges that the company’s call-center representatives misled consumers into paying for extra credit card products. These ‘add-on’ products, which consumers were allegedly pressured or misled into purchasing during credit card activation, included payment protection and credit monitoring services. Discover Financial was fined $214 million for similar practices in September 2012.

Value Impact

Companies that fail to provide transparent information and fair advice are likely to experience reputational damage, and a diminished ability to retain and attract customers. This will also lead to a decrease in market share, and in revenue associated with fees and interest. Weaker profitability and riskier profile are likely to result in higher cost of capital.

Companies that rely on deceptive practices to generate additional revenue will likely face enforcement actions, which can put pressure on operational efficiency through increased general and administrative expenses and contingent liabilities. Increased enforcement by the CFPB suggests that transparency and fair advice will continue to impact value.

Responsible Lending & Debt Prevention

An increase in subprime lending and payment delinquency indicates that lenders are lowering standards and providing capital to consumers that are prone to excessive credit card debt. Although consumer finance companies can benefit in the short term from increased customer debt through late fees and interest charges, a reliance on these revenue streams can have a negative impact on results, and erode social capital.

The social ramifications of these practices were examined in a recent study published in Economic Inquiry. The report found that younger Americans borrow more heavily on their credit cards, and repay debt more slowly than previous generations. The findings suggest that an individual born between 1980 and 1984 has, on average, $5,000 more in credit card debt than his or her parents at the same stage of life, and $8,000 more than his or her grandparents. As a result, the typical young credit card holder who maintains a balance is expected to die in debt to credit card companies.

Disclosure of key characteristics of a lending portfolio, including average customer debt, mean and median age of accounts, average monthly full-payment rate, percentage of applications accepted, and fees associated with pre-paid products will allow shareholders to determine which consumer finance companies are better positioned to protect value.
Evidence
Following the financial crisis, write-offs on domestic credit cards reached $6.5 billion in 2009. Despite these recent losses, consumer finance companies are again pursuing risky lending practices. In the second quarter of 2012, banks issued 3.1 percent more credit cards than in the same quarter in 2011. Estimates indicate that 30 percent of new cards were issued to consumers that are identified as higher risk, because of nonprime credit scores. The extension of credit to subprime consumers has contributed, in part, to an increase in the percentage of credit card accounts with payments at least 90 days overdue from 0.71 to 0.75 percent between the third quarters of 2011 and 2012, respectively. Total credit card debt has increased by six percent during the same time period to reach $852 billion. Meanwhile, average U.S. credit card debt per borrower increased 4.9 percent between the July to September period in 2011 to the same period in 2012 to reach $4,996.

Value Impact
Reduced lending standards and the inability to assess credit worthiness can impose significant risks to value and profitability. The extension of credit to customers with lower credit scores could enhance default rates, lower interest income, and expose companies to a credit downgrade and higher cost of capital. The accumulation of bad debt through aggressive portfolio expansion will likely lead to significant asset adjustments, and diminished shareholder value.

HUMAN CAPITAL

Human capital addresses the management of a company’s human resources (employees and individual contractors), as a key asset to delivering long-term value. It includes factors that affect the productivity of employees, such as employee engagement, diversity, and incentives and compensation, as well as the attraction and retention of employees in highly competitive or constrained markets for specific talent, skills, or education. It also addresses the management of labor relations in industries that rely on economies of scale and compete on the price of products and services or in industries with legacy pension liabilities associated with vast workforces. Lastly, it includes the management of the health and safety of employees and the ability to create a safety culture for companies that operate in dangerous working environments.

Consumer finance companies rely on human capital to maintain value. However, relative to other industries in the financial sector, these companies do not face specific material risks or opportunities associated with human capital.

The chronic mismanagement of responsible lending and debt prevention could lead to a deterioration of intangible assets in the medium and long-term.
BUSINESS MODEL & INNOVATION

This dimension of sustainability is concerned with the impact of environmental and social factors on innovation and business models. It addresses the integration of environmental and social factors in the value creation process of companies, including resource efficiency and other innovation in the production process, as well as product innovation and looking at efficiency and responsibility in the design, use-phase, and disposal of products. It includes management of environmental and social impacts on tangible and financial assets—either a company's own or those it manages as the fiduciary for others.

The consumer finance industry provides services that allow for the extension of credit and ease of financial transaction. Innovation has been a key component of the industry's success, and will continue to be as companies seek to capitalize on new opportunities and markets, and manage emerging risks. The relevant sustainability issues, ‘Financial Inclusion’ and ‘Customer Privacy and Data Security’ are addressed in the Social Capital section above.

LEADERSHIP & GOVERNANCE

As applied to sustainability, governance involves the management of issues that are inherent to the business model or common practice in the industry and that are in potential conflict with the interest of broader stakeholder groups (government, community, customers, and employees) and therefore create a potential liability, or worse, a limitation or removal of license to operate. This includes regulatory compliance, lobbying, and political contributions. It includes risk management, safety management, supply chain and resource management, conflict of interest, anti-competitive behavior, and corruption and bribery. It also includes risk of business complicity with human rights violations.

An increasingly stringent regulatory environment combined with new technology and enhanced competition will place additional emphasis on the importance of strong governance in the consumer finance industry. In order to protect shareholder value, management must be able to ensure compliance with new laws, while negotiating a market that continues to shift with the development of new technology and the emergence of new competitors. However, the key challenges as they relate to
sustainability are addressed in the ‘Transparent Information and Fair Advice’ and ‘Responsible Lending and Debt Prevention’ in the Social Capital section above.

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**SASB INDUSTRY WATCH LIST**

The following section provides a brief description of sustainability issues that did not meet SASB’s materiality threshold at present, but could have a material impact on the consumer finance industry in the future.

**Regulatory Capture and Political Influence**

The issue of regulatory capture and political influence continues to be prominent in the consumer finance industry. Specifically, companies are widely seen as having had significant influence on the development of new regulations since the 2008 financial crisis, through lobbying, contributions, and direct relationships with regulators.

The material implications of lobbying efforts and campaign contributions remain controversial. Specifically, there is little evidence on how these actions impact shareholder value, and whether the cost of these activities is outweighed by corporate gains. Addition-ally, the issue raises questions of the efficacy of lobbying for or against a regulation that protects near-term profits, but is misaligned with longer-term strategic investments and initiatives.

Although investor interest in the issue appears to be increasing, it is not clear whether shareholder resolutions requiring such disclosure will receive widespread support. Additionally, after indicating it as a priority issue for 2013, the SEC dropped the issue of political spending from its 2014 agenda.31
APPENDIX I: Five Representative Companies | Consumer Finance

<table>
<thead>
<tr>
<th>COMPANY NAME (TICKER SYMBOL)</th>
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<tbody>
<tr>
<td>American Express (AXP)</td>
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<tr>
<td>Capital One Financial (COF)</td>
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<td>Discover Financial Services (DFS)</td>
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<td>Mastercard (MA)</td>
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<td>Visa (V)</td>
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</table>

This list includes five companies representative of the Consumer Finance Industry and its activities. Only companies that are US listed and where at least 20 percent of revenue is generated by activities in this industry according to the latest information available on Bloomberg Professional Service were included.
### APPENDIX IIA:
Evidence for Material Sustainability Issues

<table>
<thead>
<tr>
<th>MATERIAL SUSTAINABILITY ISSUES</th>
<th>EVIDENCE OF INTEREST</th>
<th>EVIDENCE OF FINANCIAL IMPACT</th>
<th>FORWARD-LOOKING IMPACT</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>HM (1-100)</td>
<td>IWGs %</td>
<td>Ei</td>
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<tr>
<td>SOCIAL CAPITAL</td>
<td></td>
<td></td>
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<tr>
<td>Financial Inclusion</td>
<td>52</td>
<td>93</td>
<td>3</td>
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<tr>
<td>Customer Privacy &amp; Data Security</td>
<td>70</td>
<td>79</td>
<td>4</td>
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<tr>
<td>Transparent Information &amp; Fair Advice for Customers</td>
<td>65</td>
<td>100</td>
<td>2</td>
</tr>
<tr>
<td>Responsible Lending &amp; Debt Prevention</td>
<td>57</td>
<td>93</td>
<td>1</td>
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**HM:** Heat Map, a score out of 100 indicating the relative importance of the issue among SASB’s initial list of 43 generic sustainability issues. The score is based on the frequency of relevant keywords in documents (i.e., 10-Ks, shareholder resolutions, legal news, news articles, and corporate sustainability reports) that are available on the Bloomberg terminal for the industry’s publicly listed companies.

**IWGs:** SASB Industry Working Groups

**%:** The percentage of IWG participants that found the issue to be material. (-) denotes that the issue was added after the IWG was convened.

**Priority:** Average ranking of the issue in terms of importance. One denotes the most material issue. (N/A) denotes that the issue was added after the IWG was convened.

**EI:** Evidence of Interest, a subjective assessment based on quantitative and qualitative findings.

**EFI:** Evidence of Financial Impact, a subjective assessment based on quantitative and qualitative findings.

**FLI:** Forward Looking Impact, a subjective assessment on the presence of a material forward-looking impact.
### APPENDIX IIB: Evidence of Financial Impact for Material Sustainability Issues

<table>
<thead>
<tr>
<th>RISK PROFILE</th>
<th>Industry/Device</th>
<th>Capital</th>
<th>Cost of Capital</th>
<th>Extraordinary Expenses</th>
<th>Financial Assets</th>
<th>Tangible Assets</th>
<th>Intangible Assets</th>
<th>Deposits</th>
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<tr>
<th>REVENUE &amp; EXPENSES</th>
<th>Operating Expenses</th>
<th>Non-operating Expenses</th>
<th>Revenue</th>
<th>Pricing Power</th>
<th>Cost of Revenue</th>
<th>New Markets</th>
<th>Market Share</th>
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<tr>
<th>ASSETS &amp; LIABILITIES</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Contingent Liabilities &amp; Provisions</th>
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<tr>
<th>SOCIAL CAPITAL</th>
<th>Financial Inclusion</th>
<th>Customer Privacy &amp; Data Security</th>
<th>Transparent Information &amp; Fair Advice</th>
<th>Responsible Lending &amp; Debt Prevention</th>
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<tr>
<td>TOPIC</td>
<td>ACCOUNTING METRIC</td>
<td>CATEGORY</td>
<td>UNIT OF MEASURE</td>
<td>CODE</td>
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<tr>
<td>Financial Inclusion</td>
<td>Revenue from credit and debit products targeting unbanked and underbanked segments</td>
<td>Quantitative</td>
<td>U.S. dollars ($)</td>
<td>FN0201-01</td>
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<tr>
<td></td>
<td>Percentage of new accounts held by first-time credit card holders</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>FN0201-02</td>
</tr>
</tbody>
</table>
| Customer Privacy & Data Security  | Number of data security breaches and percentage involving customers' personally identifiable information

|                                                                 |                                                                                         | Quantitative | Number (#), percentage (%) | FN0201-03 |
|                                                                 | Amount of fraudulent transaction activity, percentage from: (1) card-not-present fraud and (2) card-present and other fraud | Quantitative | U.S. dollars ($), percentage (%) | FN0201-04 |
|                                                                 | Description of data security and fraud prevention efforts related to new and emerging technologies and/or new and emerging threats | Discussion and Analysis | n/a | FN0201-05 |
| Transparent Information & Fair Advice for Customers | Amount of legal and regulatory fines and settlements associated with disclosure, transparency, or marketing

|                                                                 |                                                                                     | Quantitative | U.S. dollars ($) | FN0201-06 |
|                                                                 | Payout ratio for add-on products

|                                                                 |                                                                                     | Quantitative | Ratio in U.S. dollars ($) | FN0201-07 |
| Responsible Lending & Debt Prevention | For customers with FICO scores above and below 640 (subprime):

|                                                                 | (1) average customer debt (2) average APR (3) mean and median age of accounts (4) average monthly full payment rate | Quantitative | U.S. dollars ($), percentage (%), years, rate | FN0201-08 |
|                                                                 | Percentage of applications accepted for applicants with FICO scores above and below 640 (subprime) | Quantitative | Percentage (%) | FN0201-09 |
|                                                                 | Average annual fees per account for pre-paid transaction products | Quantitative | U.S. dollars ($) | FN0201-10 |

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IV Note to FN0201-03 – Disclosure shall include a description of corrective actions implemented in response to data security incidents or threats.

V Note to FN0201-06 – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

VI Note to FN0201-07 – Disclosure shall include a description of the type of add-on products offered and of how compensation of sales representatives is related to the sales of these products.
APPENDIX IV: Analysis of 10-K Disclosures | Consumer Finance

The following graph demonstrates an aggregate assessment of how the top nine U.S. domiciled companies, by revenue, in the consumer finance industry are currently reporting on material sustainability issues in the Form 10-K.
References


2 Ibid.


15 Ibid.


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References (Cont.)


