EDUCATION

Research Brief

SASB’s Industry Brief provides evidence for the material sustainability issues in the Education 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 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

• Education Sustainability Accounting Standards
• Industry Working Group Participants
• SASB Conceptual Framework

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INTRODUCTION

The for-profit education industry is an important part of a broader education industry that plays a crucial role in the development and success of modern society. Today, higher education is viewed as a factor in social mobility and a determinant of economic success. Traditionally, education has been delivered by governments or non-profit institutions, and by the early 1970s only 0.2 percent of all degree-seeking students in the U.S. were enrolled at for-profits. In the last decade, the growth in enrollment at for-profit institutions was significantly faster than that at their non-profit counterparts. Such rapid growth can be partially attributed to the greater flexibility the for-profit system provides to students. In the early 2010s, students at for-profit universities represented 13 percent of the total higher education population.

For-profit education companies benefit from extensive social license to operate and most of their funding comes from the Federal Government. Therefore, such colleges are expected to provide the highest quality of education and gainful employment for their graduates. As for-profit entities, companies may have different incentives than non-profit public and private colleges for which the greater goal of quality education is also bounded by a fiduciary duty to shareholders. In recent years, the industry has been criticized for not delivering its promises to prospective students, as many of graduates are being left without adequate skills for gainful employment but with a significant debt burden. Moreover, many for-profit colleges were found to be engaged in aggressive recruiting and deceptive marketing practices.

In light of these events, the Federal Government has intensified regulatory oversight of the industry. Failure of for-profit colleges to fulfill their main premise and deliver education of the highest quality may result in damage to, or, in extreme cases, removal of their social license to operate.

Management (or mismanagement) of material sustainability issues, therefore, has the potential to affect company valuation through impacts on profits, assets, liabilities, and cost of capital.

Investors would obtain a more holistic and comparable view of performance with education companies reporting metrics on the material sustainability risks and opportunities that could affect value in the near- and long-term in their regulatory filings. This would

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include both positive and negative externalities, and the non-financial forms of capital that the industry relies on for value creation.

Specifically, performance on the following sustainability issues will drive competitiveness within the Education industry:

- Providing the highest quality of education and ensuring gainful employment for graduates; and
- Complying with regulations.

**INDUSTRY SUMMARY**

The provision of education in the United States is divided between non-profit institutions and for-profit companies. At the primary and secondary levels, public schools are most prevalent. At the post-secondary level, which includes two-year and four-year programs, professional degrees, graduate schools, and vocational and certificate programs, both non-profit and for-profit institutions compete to provide education services.

The SICS Education industry includes education institutions that are publicly held, profit seeking, and that generate revenue from student fees. At the primary and secondary levels, this includes mostly Education Management Organizations (EMOs) and some businesses. The two largest EMOs by enrollment are K12, a publicly held company, and the privately held National Heritage Academies, with 65,396 and 42,503 students, respectively.4 Services are delivered on a full-time, part-time, distance-learning, and occasional basis across establishments such as junior colleges, business and secretarial schools, colleges, universities, and professional schools including medical, pharmaceutical, and veterinary programs.1 According to IBISWorld estimates, 57.9 percent of the revenue of for-profit universities in the U.S. is generated from full-time undergraduate courses, followed by part-time undergraduate courses with 21.1 percent. Master’s and doctoral courses account for 17.2 and 3.8 percent of the U.S. revenue, respectively.5

In contrast to traditional non-profit education, an increasing number of students at for-profit universities take courses online. The trend can be attributed to abandonment of the “50/50 rule,” which limited the number of students enrolled in online courses to half of a school’s total enrollment. The change has led to profit-margin improvement and an expanded customer base for for-profit institutions, as they are investing into computer and Internet infrastructure rather than acquiring new facilities.6

The global for-profit Education industry generates approximately $41 billion in revenue, with about half of the revenue generated by

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1 Industry composition is based on the mapping of the Sustainable Industry Classification System (SICS™) to the

Bloomberg Industry Classification System (BICS). A list of representative companies appears in Appendix I.
colleges, universities, and professional schools. Companies traded in the U.S., including Over-The-Counter (OTC), generate over $29 billion in revenue. The largest companies include Apollo Education Group, Education Management Company, Graham Holdings Company, and Devry Education. In 2013, the median operating margin for U.S.-traded companies was 7.8 percent and the median net income margin was 4.7 percent, which has dropped over the past four years.

Marketing expenses represent the largest portion of the industry’s operating expenses, accounting for about 23 percent of revenue. Marketing expense is followed by wages, accounting for 16.6 percent of revenue. As the number of students taking online classes is expected to increase as a share of total students, rent and utilities expenses are decreasing while a portion of revenue spent on computer services and new courses is increasing. Moreover, overhead costs, including legal and other administrative fees, are a significant portion of operating expenses and represent 16.8 percent of revenue. Legal fees are expected to further increase as the regulatory environment in the industry becomes more stringent.

In the U.S., demand for alternatives to traditional public education grew with dissent around the inaccessibility of non-profit schools for people from non-traditional demographics and underperforming students. For example, in the late 80s, public charter schools emerged as an alternative to traditional public K-12 schools. Between 2001 and 2013, public charter schools grew by 245 percent. Similarly, for-profit institutions have been the fastest-growing segment of the U.S. higher education sector. For-profit enrollment increased from 0.2 percent to 9.1 percent of total enrollment in degree-granting schools from 1970 to 2009, with fall enrollment in for-profit degree-granting institutions growing more than 100-fold, from 18,333 to 1.85 million. In total, 11 percent of all post-secondary students in Title IV-eligible institutions were enrolled in for-profit institutions in 2010. Total fall enrollment in all degree-granting, for-profit institutions increased 2.4 fold from 8.6 million to 20.4 million during that same time period. Conversely, 2011 saw the first decline in college enrollment in a decade. For-profit college enrollment fell by 2.8 percent while total enrollment dropped by 0.2 percent.

In contrast to most industries, for-profit education experienced significant expansion during the recession. Key drivers included a rise in the high school retention rate, an increased unemployment rate, and shrinking disposable income—all favorable in times of economic contraction, as people stay in school when jobs

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11 Title IV of the Higher Education Act of 1965 includes the administration of student financial aid. Students enrolled in Title IV-eligible institutions can receive federal financial aid.
are hard to come by and look for more affordable alternatives to traditional educational institutions. Enrollment demand exceeds the capacity of state-funded non-profit institutions, which are typically favored by students seeking quality education without the private university tuition. However, during the recession, more people turned to school instead of searching for jobs, driving traditional four-year colleges to become more selective and expensive, and thus further incentivizing students to enroll in for-profit institutions. Proponents of for-profit schools argue that they offer flexibilities that traditional institutions cannot, such as online courses, flexible meeting times, year-round courses, and open admissions policies. The quick growth of online courses has increased accessibility and bolstered industry growth. Furthermore, for-profit institutions have undergone considerable change in response to market demand. Traditionally focused on certificates and programs such as cosmetology, medical assistance, and business administration, for-profit institutions now offer bachelor’s, master’s, and doctoral level programs.

In order to gain standing and credibility, and therefore be viable, for-profit schools must acquire accreditation. Accreditation is a non-governmental process in which an institution voluntarily submits to ongoing reviews by accrediting commissions. If, after the academic quality of programs has been examined, accreditation is granted, the institution’s programs are generally accepted as being on par with academic standards and practices. Schools’ standings impact administrators’ evaluation of credit transfers and enrollment applications as well as employers’ assessments of job candidates’ credentials. Perhaps most importantly, accreditation is required for access to federal student loans (Title IV), which reduces financial barriers to enrollment. Currently, about 2,000 for-profit colleges participate in Title IV programs, and in the 2008–2009 school year, for-profit colleges received approximately $24 billion in Title IV funds as payment for students’ tuition.

The privatization of education has significantly expanded market reach into non-traditional demographics, e.g., working students and non-recent high-school graduates, particularly because of adaptive learning technologies and online courses. In fact, online education is higher education’s fastest-growing segment. These technologies tailor the delivery of course materials to a diverse array of individual students’ learning and scheduling needs. They simultaneously increase efficiency and reduce cost by minimizing the need for faculty and classroom resources. Furthermore, online access is driving expansion into foreign markets, where U.S. companies see significant opportunity. More than 40,000 students attend American for-profit colleges in about 20 countries, primarily in Asia-Pacific, Europe, and the Middle East. A growing field in the industry is international economic development through partnerships between U.S. and host country institutions to expand education.

For-profit facilities educate a larger percentage of minority, disadvantaged, and older students, and they have greater success with first-year retention rates and completion rates for short certificate programs and associate degrees. However, fraudulent practices have brought the industry under intense scrutiny. Studies found that six years after entering programs, for-profit students have higher rates of unemployment and earn significantly less than students from other comparable schools. Furthermore, default rates on the loans taken out by for-profit students vastly exceed that of students in traditional institutions. The largest education companies have been subject to lawsuits and have been investigated for high drop-out rates, high indebtedness among graduates, misrepresentation, and aggressive marketing. These allegations have brought into question the eligibility of these companies to receive state and federal funding. Audit studies by the U.S. Government Accountability Office (GAO) have shown that some for-profit institutions have engaged in highly aggressive and fraudulent recruiting and marketing techniques, such as advising students to withhold information on federal financial aid forms and misleading applicants about the cost of tuition. They have also found that less than half of revenue is spent on instruction, and more than half of revenue goes to marketing or is extracted as profit.

The Education industry has a low level of concentration, with the four largest companies in the U.S. accounting for only 18.2 percent of the market by revenue. University of Phoenix (traded as Apollo Education Group), the largest player in the industry, has an 8.7 percent market share. According to the National Center for Education Statistics’ Digest of Education Statistics, there are 733 four-year for-profit institutions in the U.S. As the online segment of the industry grows, the number of physical locations is becoming less relevant as an indicator of a company’s market power. The primary barrier to entry in the industry is related to an increasing level of regulation, as reporting and performance compliance determines a company’s ability to generate revenue via federal student loans.

Recent changes in the regulatory environment, such as stricter requirements for compliance with the Gainful Employment (GE) Rule, will be the primary drivers of industry performance in the near and medium term. Legislative and regulatory trends in the industry are discussed in detail in the section below. A company’s performance on the sustainability factors outlined in this brief will become a key determinant of the ability of for-profit colleges to generate revenue. Ultimately, companies in
the industry will need to turn greater attention to the quality of education in order to improve graduation, placement, and loan repayment rates as well as lower default rates among their graduates.

## LEGISLATIVE AND REGULATORY TRENDS IN THE EDUCATION INDUSTRY

The following section provides a brief summary of key regulations and legislative efforts related to this industry. As the industry receives significant government subsidies and services disadvantaged populations, oversight is essential for consumer protection. The for-profit education industry is highly regulated: state laws standardize operations and federal laws regulate involvement in financial aid programs. In the wake of reports of fraudulent activities such as dishonest recruitment techniques, the industry is facing major regulatory changes. Changes to or new interpretations of laws and regulations can affect schools' eligibility to participate in Title IV programs as well as their accreditation, their authorization to operate in various states, their activities, and their operating costs. Failure to maintain or renew any required regulatory approvals, accreditation, or state authorizations could have highly material impacts on companies in this industry.

The Higher Education Act of 1965 (HEA) and the Department of Education (DoE) regulate all higher-education institutions participating in financial aid programs and oversee the responsibility of accrediting agencies and state higher education regulatory bodies. To be eligible for Title IV under the HEA, educational programs are required “to provide training that prepares students for gainful employment in a recognized occupation.” The HEA requires that institutions receiving federal aid be authorized or licensed by the state in which the institution is located, offer at least one associate’s degree or higher, train students for employment in a recognized occupation, and be accredited by an agency recognized by the Secretary of Education. Most of the degree and non-degree programs at for-profit institutions are GE programs, while only non-degree programs at public and private non-profit institutions are GE. Moreover, according to the provisions in section 487(a)(24) of the HEA, for-profit colleges can derive no more than 90 percent of revenues from the Title IV HEA programs. The remaining 10 percent can be obtained from state or private loans, such as the Post-9/11 GI Bill, or from students’ own funds.

Government loans and grants have fueled a dramatic increase in tuition. In October 2014, intended to highlight some ways in which regulatory trends are impacting the industry.

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This section does not purport to contain a comprehensive review of all regulations related to this industry, but is...
in light of the rapid increase in tuition costs, combined with increasing student loan debt and a significant share of students defaulting on their loans, the Obama Administration finalized GE regulation that amended existing regulations on institutional eligibility for Federal Student Aid programs authorized under Title IV of the HEA. Under the finalized rule, colleges will be required to prepare students for gainful employment to maintain access to federal student aid. The new GE regulation is aimed at improving the quality of provided programs and limiting funding for underperforming programs. Through this regulatory action, the DoE established accountability and transparency frameworks. The accountability framework defines what it means “to prepare students for gainful employment in a recognized occupation” and defines metrics to evaluate institutions. Performance on the metrics determines a company’s eligibility to participate in Title IV HEA funds. To maintain eligibility in the Federal Student Aid programs, for-profit educational institutions must maintain a certain level of average debt-to-earnings (D/E) IV ratio—students’ estimated annual loan payments should not exceed 20 percent of discretionary income or 8 percent of total earnings.

The transparency framework is aimed to address the DoE’s concerns that many GE programs, particularly in the for-profit education sector, are involved in aggressive and deceptive marketing and recruiting practices. As a result of these practices, prospective students are at risk of being misled about the value of education programs. The framework is designed to increase the quality and amount of data provided to prospective students and their families, to help them make informed decisions about educational investment choices. Reporting and disclosure requirements cover the information regarding program costs and length, completion rates, D/E rates, the program cohort default rate (pCDR), the number of clock or credit hours in the program, and loan repayment rate. Moreover, companies are required to disclose whether a GE program satisfies applicable educational prerequisites for professional licensures or certifications. The information has to be disclosed in a meaningful and easily accessible format. In addition, marketing practices are subject to the Federal False Claims Act (FCA), which allows a third party to sue, on behalf of the federal government, any person or institution who knowingly submits false information or claims to the government for payment.

Under the new regulatory framework, institutions with the worst-performing GE programs will have to promptly improve performance or risk losing their Title IV eligibility. Programs that are not among the comparison to those same students’ discretionary and annual earnings after completing the program.

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IV The D/E rates measure evaluates the amount of debt (tuition and fees and books, equipment, and supplies) students who completed a GE program incurred to attend that program in
worst but that still don’t meet minimum acceptable levels of performance will be given more time to improve.\textsuperscript{43}

Institutions catering to K-12 students must adhere to the No Child Left Behind Act (NCLB). The NCLB requires states to develop an accountability system based on academic standards and assessments to determine students’ academic proficiency and track “adequate yearly progress” (AYP). If a school does not meet an average expected AYP, it faces additional costs to support students in order to meet minimal requirements. The law also requires that all teachers have full state certification, a bachelor’s degree, and demonstrate highly qualified competency,\textsuperscript{44} which ultimately requires human resources management and increases the cost of wages.

Besides amending the GE Rule, President Obama has initiated other reforms, including a 2012 executive order regarding military and veteran’s benefits programs. The order requires implementation of “principles of excellence” related to disclosure of costs and aid benefits by institutions receiving such funds as well as marketing standards, accreditation and state authorization, and refund policies.\textsuperscript{45} Such oversight provides protection for veterans who are vulnerable to misleading recruitment practices. In addition, the president has proposed a rating system for all of higher education on the basis of affordability, completion rates, and graduates’ income. The proposal also includes incentives for better-rated institutions with larger Pell Grants and more favorable student loan terms.\textsuperscript{46} This agenda is intended to encourage best practices and reduce barriers to competition and innovation for institutions adopting new uses of technology. The president also plans to ease student loan burden with a pay-as-you-earn plan that caps loan payments at 10 percent of income.\textsuperscript{47} These new federal guidelines are expected to become operational by 2018 and will significantly impact revenue and operations of education companies.

Institutions operating internationally are also required to adhere to the applicable standards and regulations of the country of operation.

**SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES**

Industry drivers and recent regulations suggest that traditional value drivers will continue to impact financial performance. However, intangible assets such as social, human, and environmental capitals, company leadership and governance, and the company’s ability to innovate to address these issues are likely to increasingly contribute to financial and business value.

Broad industry trends and characteristics are driving the importance of sustainability performance in the Education industry:
• **Extensive license to operate and significant dependence on federal funding:** Companies in the industry provide public-like services, and therefore benefit from a strong license to operate. A majority of top education companies’ revenue comes from Title IV funding. New regulations put a binding limit on the percent of revenue that can from this source.

• **Increased scrutiny from regulators:** Due to the industry’s reliance on federal funding and the high education loan default rates among graduates, the government is taking a closer look at the quality of education and the recruiting practices of these companies.

As described above, the regulatory and legislative environment surrounding the Education industry emphasizes the importance of sustainability management and performance. Specifically, recent trends suggest a regulatory emphasis on customer protection, which will serve to align the interests of society with those of investors.

The following section provides a brief description of each sustainability issue that is likely to have material implications for companies in the Education industry. This includes an explanation of how the issue could impact valuation and evidence of actual financial impact. Further information on the nature of the value impact, based on SASB’s research and analysis, is provided in Appendix IIA and IIB. Appendix IIA also provides a summary of the evidence of investor interest in the issues. This is based on a systematic analysis of companies’ 10-K and 20-F filings, shareholder resolutions, and other public documents. It also based on the results of consultation with experts participating in an industry working group convened by SASB.

A summary of the recommended disclosure framework and accounting metrics appears in Appendix III. The complete SASB standards for the industry, including technical protocols, can be downloaded from www.sasb.org. Finally, Appendix IV provides an analysis of the quality of current disclosure on these issues in SEC filings by the leading companies in the industry.

### SOCIAL CAPITAL

Social capital relates to the perceived role of business in society, or the expectation of business 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 around access to products and services, affordability, responsible business practices in marketing, and customer privacy.

Companies in the Education industry benefit from an extensive license to operate as for-profit organizations. This amounts to the private operation of a service that is, at its core,
in the public domain and is typically provided by government or government-sponsored entities on a non-for-profit basis. This social license to operate is even more pronounced when private for-profit institutions benefit from federal financial aid programs such as Title IV and military educational benefits that are provided to veterans and active service members. This creates an inherent tension between the greater goal of quality education and the mandate to create financial profits for shareholders. Through management of such tensions and the additional costs associated with failing to do so, investors will be able to reward industry leaders and assess the reputational and regulatory risks and value impact for companies that perform poorly.

Just like other for-profit companies, education institutions rely on advertising and marketing for revenues. However, this is a heavily regulated area and companies must comply with existing and new regulation around compensation of recruiters and recruiting tactics. The reliance of education companies on federal student loans as their main source of income has placed them under the spotlight.

Therefore, social capital in this industry revolves around ensuring that customers receive the highest level of educational quality, and making certain that fees and tuitions are adequately channeled for that purpose. Management of issues related to social capital will enable investors to assess whether companies are positioned to deal with emerging customer concerns about academic quality, and are therefore able to protect shareholder value.

Quality of Education & Gainful Employment

The trend of increasing undergraduate and graduate tuitions is pushing more students to take on federal and private loans to finance their education. Rapid growth in student debt in the U.S. creates significant economic and social externalities, as student loans are almost impossible to discharge in bankruptcy. Most of the programs at for-profit colleges prepare students for gainful employment in recognized occupations. Therefore, colleges need to provide high quality education and ensure completion of programs in order to increase the chances that graduates will obtain employment and pay off their loans. Academic quality relates to both the quality of instruction and the rigor of coursework. In the absence of rigorous coursework and qualified faculty, graduates may end up with debt and few employable skills.

In the U.S., there is no central agency in charge of controlling the quality of postsecondary educational institutions. In the absence of such a single authority, education companies can voluntarily seek accreditation from private regional and national accrediting agencies. According to the U.S. DoE, “(t)he goal of accreditation is to ensure that education provided by institutions of higher education meets acceptable levels of quality.” For-profit
education companies are often criticized for recruiting unqualified students and providing them with subpar academic instruction. According to the DoE, “(a)ccreditation does not provide automatic acceptance by an institution of credit earned at another institution, nor does it give assurance of acceptance of graduates by employers.” However, by being accredited, education providers can signal the quality of education and ensure public accountability of its programs or institution.

Many ranking systems measure the quality of an educational institution using a combination of factors including admission and retention rates, student-faculty ratios, graduation rates, standardized test scores, and high school ranking of incoming students. These rankings tend to favor schools with a traditional student body over for-profit education companies that cater to students of all ages and from diverse backgrounds. The quality of education can be improved by assuring high qualification of faculty, increasing time spent on instruction while reducing student-faculty ratio, and improving the rigor of testing, the quality of curricula, and the placement services provided. Nevertheless, the ultimate outcome for for-profit institutions is to ensure gainful employment for their graduates. Therefore, to measure quality of education, we have aligned our metrics with those used under the new GE rule.

With recent amendments to the GE Rule, there is increased recognition of the importance of managing and disclosing performance on gainful employment of graduates. Poor performance on accountability metrics may result in colleges losing their eligibility for Title IV HEA programs, their main source of revenue. At the same time, transparent disclosure to prospective students is directly related to the institutions’ ability to attract and retain students.

Company performance in this area can be analyzed in a cost-beneficial way internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Graduation rate;
- On-time completion rate;
- Job placement rate;
- Debt-to-annual earnings rate and debt-to-discretionary earnings rate; and
- Program cohort default rate.

Evidence

In 2012-2013, the average cost of annual tuition for four-year undergraduate programs was $14,101 (excluding room and board costs). Among private for-profit institutions, the average cost was $13,689 and $14,193 for four-year and two-year programs, respectively. Between 2000 and 2010, the amount of Direct and Federal Family Education Loans increased from $43 billion to $109 billion. In 2011-2012, 83 percent of first-time, full-time undergraduate students at four-year for-profit colleges had student loans. The
average amount of a student loan at four-year and two-year degree-granting for-profit institutions was $8,360 and $7,638, respectively. By the second quarter of 2014, the total student loan debt in the U.S. reached approximately $1.2 trillion, which is the second largest household debt after mortgage loans.

For-profit institutions also have lower graduation rates than public and private non-profit colleges. According to the National Center for Education Statistics (NCES), for the 2006 starting cohort of first-time, full-time, bachelor’s degree-seeking students at four-year postsecondary institutions, the graduation rates within four years were 22.8 percent at for-profit and 52.9 percent at non-profit institutions.

According to a 2011 U.S. GAO report, passing rates on nine out of ten licensing exams for the largest fields of study were lower for graduates of for-profit institutions than they were for graduates of public institutions over the 2008-2010 period. Even though students at for-profit colleges represent only 13 percent of the total higher education population, they account for about 31 percent of all student loans and almost half of all student loan defaults.

According to the U.S. DoE, students who graduated from for-profit institutions have significantly higher pCDRs than graduates of non-profit schools. For the 2009 fiscal year, the three-year national CDR was 13.4 percent. For-profit colleges had a 22.7 percent CDR, while public institutions and private non-profit institutions had rates of 11 percent and 7.5 percent, respectively.

For example, at Everest College, a for-profit college in Hayward, California, where average tuition is $25,700 per year, a third of graduates don’t earn enough to repay their student loans. The San Jose, California, campus of University of Phoenix had a 19 percent graduation rate and a 26 percent loan default rate, while receiving $17 million in federal student aid in 2010-2011.

Title IV-eligible for-profit education companies receive the majority of their revenues from federal financial aid programs in the form of loans and grants to their students. In 2008-2009, 73.7 percent of revenues for for-profit companies came from Title IV funds.

The University of Phoenix collects the largest amount of federal money, around $5 billion a year, and DeVry University, Ashford University, Kaplan University, and ITT Technical Institute receive approximately $1 billion each. In 2010-2011, for-profit colleges collected a total of $32 billion from Title IV loans.

In October 2014, the DoE announced new rules intended to protect students from taking on debt they won’t be able to repay. The regulation establishes stricter accountability standards that determine an institution’s eligibility to access federal funds. In order for a program to continue to be considered as leading to gainful employment, the D/E rate of graduates should not exceed 20 percent, or a graduate’s annual loan payment should not
exceed eight percent of his or her income. The DoE estimates that approximately 1,400 programs serving 840,000 students would not pass the new accountability standards. 99 percent of those programs are at for-profit colleges.

Shortly after the new rules were finalized, the Association of Private Sector Colleges and Universities (APSCU) filed a lawsuit against the Obama administration alleging that the rule is “unlawful, arbitrary, and irrational.” According to the APSCU, many of the metrics that colleges will be assessed on are “beyond institution control” and may depend on students’ individual choices or macroeconomic conditions. Nevertheless, for-profit colleges can strive to improve the quality of the education provided to ensure that their graduates possess the skills necessary to obtain employment.

In order to improve outcomes for their graduates, for-profit colleges could strengthen the rigor of their coursework. To increase placement rates and ensure the financial well-being of graduates, institutions may need to establish relationships with prospective employers. High job placement rates could result in lower student loan default rates in the long term. For-profit institutions have been criticized for spending more on marketing and recruiting than on instruction. A 2012 report by the U.S. Senate Committee on Health, Education, Labor, and Pensions found that for-profit education companies spend 23 percent of revenues on marketing and recruiting, and only 17 percent on instruction. The report found that in 2009, publicly traded for-profit education companies spent an average of $248 million on marketing and recruiting. Of the 30 education companies examined in the report, the average amount spent on marketing was $2,622 per student. By comparison, an average of $2,050 per student was spent on instruction. Of the most profitable education companies—Apollo, ITT Educational Services, Strayer, TUI Learning LLC, and Walden—only TUI (a privately held company) spent more on instruction than marketing. Data provided by some of those institutions also indicates that they employ 35,202 recruiters, but only 3,512 career staff and 12,452 support-service staff. A joint Harvard-Stanford study found that two-year for-profit schools had the lowest instructional expenditure per student ($3,257) compared to all other four- and two-year colleges.

Education companies hire mostly part-time and adjunct faculty. Within the 30 colleges examined by the Senate Committee, 80 percent of faculty members were part-time. While the model of hiring part-time instructors on a short-term basis is both affordable and efficient, it can also lead to lower educational quality. A 2006 study on the effects of part-time faculty employment at community colleges found that colleges with a higher proportion of part-time faculty have lower student graduation rates.
To ensure that students graduate with skills relevant to their professions, some colleges work closely with employers. For example, Lincoln Education states in its Form 10-K that each of its schools has an advisory council made up of local employers who provide timely feedback, which allows the company to tailor its programs to the market. The company also assists its graduates in securing employment in their career fields by maintaining databases of potential employers and holding job fairs throughout the year. Moreover, Lincoln Education provides its students the opportunity to work with employers prior to graduation through internship programs. Some of Lincoln’s allied health students “are required to participate in an externship program during which they work in the field as part of their career training.” In 2013, Lincoln Education reported graduation and placement rates significantly higher than the industry averages. The graduation rate improved from 63.8 percent in 2012 to 64.6 percent in 2013, while the placement rate improved from 73.2 percent to 75.4 percent over the same period. Lincoln’s CEO, Shaun McAlmont, stated that “three-year focus on student outcomes and regulatory compliance has yielded improved results in key metrics.”

In their annual SEC filings, companies in the industry state significant reliance on Title IV funds as the main source of revenue. At the same time, companies recognize risks associated with inability to comply with new GE rules. For example, Lincoln Education Services states: “The implementation of new gainful employment regulations, or any other changes the DoE may propose and implement, could require us to eliminate certain educational programs, and could have a material adverse effect on the rate at which students enroll in our programs and on our business and results of operations.”

Value Impact

The new compliance requirement for the GE Rule is likely to have a significant impact on companies in the industry. Performance on the accountability metrics stated by the DoE will be a determinant for for-profit institutions’ ability to continue obtaining Title IV HEA funding. A loss of programmatic accreditation would also be likely to prevent students from obtaining licenses and/or employment in specific professions. These factors would lead to a school’s inability to attract and retain customers, which would result in lost revenue and market share in the medium to long term.

Companies that are able to provide their graduates with skills needed in the market are likely to achieve higher placement rates. Placing graduates in well-paid positions related to their professions will help colleges improve their performance on the D/E metric, therefore reducing the risk of losing GE program accreditation. Colleges with a higher pCDR are likely to experience weaker demand from prospective students, as they would be perceived as riskier. This could lead to lower growth projections for revenue and profits,
credit rating downgrades, higher cost of capital, and diminished shareholder value.

Marketing & Recruiting Practices

Transparency of marketing practices refers to both advertising and recruiting practices of for-profit education providers. Quantity of students admitted to programs is directly related to the amount of revenue generated. Therefore, companies in the for-profit education industry may turn to aggressive recruitment strategies and sometimes use deceptive or false performance metrics to attract prospective students. Aggressive and unethical recruiting practices, such as targeting veterans or offering incentive-based compensation to recruiters, have placed for-profit education companies under scrutiny. The transparency framework of the new GE Rule aims to formalize the disclosure of relevant performance metrics to students to help them make informed decisions.

False or misleading advertising may result in significant fines and ultimately, under proposed regulations, could lead to a loss of Title IV eligibility. Misleading students into taking on loans that may not be able to repay presents a significant reputational risk to companies in the industry.

Company performance in this area can be analyzed in a cost-beneficial way internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Description of policies to assure disclosure of key performance statistics to prospective students in advance of collecting any fees and discussion of outcomes;
- Amount of legal and regulatory fines and settlements associated with advertising, marketing, and mandatory disclosures;
- Instruction and student services expenses and marketing and recruiting expenses; and
- Revenue from Title IV funding, GI Bill funding, and private student loans.

Evidence

A 2010 GAO report found that recruiters stated incorrect and misleading information about placement rates, earnings prospects, program duration, and costs. Of the 15 for-profit colleges investigated, “4 colleges encouraged fraudulent practices and … all 15 made deceptive or otherwise questionable statements to GAO’s undercover applicants.”68 According to the HEA, colleges that substantially misrepresent information about their graduate earning potential, graduation rates, etc. to enrollees can incur a fine of up to $25,000 for each violation or misrepresentation and, most importantly, may become ineligible to receive federal aid. Under DoE regulations, any school that receives federal financial aid cannot compensate recruiters based on the number of
enrollments. The Federal Trade Commission (FTC) also prohibits “unfair methods of competition” and “unfair or deceptive acts or practices” that affect interstate commerce.69

As mentioned in the “Legislative and Regulatory Trends” section above, the industry is facing strengthened regulation under the GE Rule around marketing and recruiting practices. In 2010, the DoE banned incentive compensations for college recruiters.70 In October 2014, the transparency framework of the new GE regulations established new disclosure requirements. For-profit colleges need to disclose performance metrics including loan repayment rate, placement rate, D/E rate, and pCDR. The regulation states that the information should be accurate, meaningful, comparable, and up to date.71

No more than 90 percent of for-profit institutions’ revenue can be derived from Title IV funding. Therefore, companies need to establish sustainable sources to finance at least ten percent of their operations. The Post-9/11 GI Bill, which provides educational benefits for military veterans who have served since September 11, 2001, is not considered Title IV. Therefore, money received by colleges from the Bill counts toward the ten percent requirement.72

According to a Health, Education, Labor, and Pension Senate Committee report, for-profit colleges received $1.7 billion in Post-9/11 GI Bill benefits in 2012-2013. Eight of the top ten recipient colleges were for-profit institutions. An average veteran pays $7,972 to attend a for-profit college, while it costs only $3,914 for a veteran to attend a public college.73 To comply with the 90/10 Rule, for-profit colleges may be aggressively targeting veterans. For example, the University of Phoenix has a “military division” that employs 600 veterans. The division operates satellite campuses on military bases worldwide and publishes an online military newsletter, The Patriot. A Bloomberg investigation in 2009 found that a recruiter from Ashford University gave a sales pitch at a barracks housing the Wounded Warrior Battalion at Camp Lejeune in North Carolina.74

The loophole allowing colleges to count GI Bill funds toward the ten percent of revenue not covered by Title IV funds may soon close as the regulatory environment of the Education industry becomes more stringent. Companies generate a significant portion of their revenue from the GI Bill, which presents a risk of noncompliance with the 90/10 Rule. For example, the University of Phoenix received more than $1 billion over the 2010-2014 period. The institution gets 83 percent of its revenue from federal funding, close to the maximum allowed. If GI Bill funds were to become considered as federal funds, the company may find it hard to obtain a required non-federal funding.75

To keep the regulatory environment in their favor, companies in the industry spend a
significant amount of money on lobbying. Lobbying expenses have increased since the new GI Bill was introduced in 2009. For example, Apollo Education Group contributed $4.8 million to Congress, the White House and the Department of Veterans Affairs. Bridgepoint Education spent $4.6 million, Corinthian Colleges $4.4 million, and Education Management Corp. spent $2.8 million on lobbying since 2009.76

Companies in the industry may also be involved in self-origination of loans to account for revenue generated from non-federal funding. Private loans tend to have higher interest rates and stricter terms, and are therefore harder to repay. Self-originated loans have higher default rates, which represent a credit risk for for-profit institutions. But providing private loans to students may still be an attractive opportunity for for-profit institutions, as for every $1 in private loans, they are able to receive $9 in government funding. Therefore, to comply with the 90/10 Rule and increase revenue, companies may be involved in predatory lending practices. The 2010 Dodd-Frank legislation provided the Consumer Financial Protection Bureau (CFPB) with the authority to take action against institutions engaging in unfair, deceptive, or abusive practices.77

In September 2014, the CFPB sued Corinthian Colleges for allegedly falsifying job prospects and misrepresenting services provided in order to lure prospective students into taking on high-interest private loans. The suit seeks $500 million in relief for borrowers. The company also allegedly used illegal debt collection tactics to retain students.78 Earlier in 2014, the CFPB sued ITT Education Services for predatory student lending. The company rushed students through an automated application process, and students were not given an opportunity to understand the loan obligations involved. Students were pushed to repay temporary credit through private loans that had interest rates as high as 16.25 percent. According to the CFPB Director, Richard Cordray, “…ITT used high-pressure tactics to push many consumers into expensive loans destined to default.” ITT was projecting a 64 percent default rate on self-originated loans, but still was willing to lend the money. The cost of tuition at ITT is higher than the industry average, $44,000 and $88,000 for associate’s and bachelor’s degree programs, respectively. If CFPB determines that the company is liable to reimburse its students, it may have a significant impact on its financial performance.79

Companies that use deceptive practices to recruit students may be sued and be required to pay significant regulatory penalties. For example, in October 2014, WordSmart Educational Service, a provider of educational products for school-age children, agreed to settle an FTC lawsuit for more than $18 million. The company allegedly misrepresented the benefits of its products to parents by stating that “using its products for 20 hours would drastically improve their children’s academic performance.” WordSmart failed to provide any
clinical studies or scientific evidence to support its claims. The company was also found to be in violation of the Telemarketing Sales Rule (TSR), which prohibits companies from calling consumers who put their names on the national Do-Not-Call list. TSR establishes an $11,000 fine per violation. The company would have to pay the full amount of more than $18 million if it misrepresents its financial condition or again violates the FTC Act or the TSR. 

In July 2013, Chester Career College, a for-profit college in Virginia, agreed to pay $5 million to settle a class action lawsuit. The lawsuit alleged that the company used predatory lending practices and targeted primarily African American students, while the training the plaintiffs received was inadequate. According to the settlement, more than 4,000 former student may be reimbursed by Chester Career College. Moreover, the institution will be required to provide its prospective students with “much more transparency” before enrollment.

In June 2014, New York’s attorney general opened an inquiry into potential violations associated with false advertising and deceptive practices by DeVry colleges. In July 2013, a class action lawsuit was filed against Corinthian Colleges and certain of its officers alleging that they used “deceptive recruiting and enrollment practices,” and, in violation of the new 2011 federal regulation, they “manipulated federal student loan and grant programs” to appear in compliance with new regulations, as well as engaging in grade falsification to conform to the same regulations. The company’s shares declined $0.32 per share, or nearly 11.47 percent, on the news that the Securities and Exchange Commission was investigating the company. This followed another incident in 2007, in which the company had to pay $6.5 million to settle a false advertising lawsuit. The lawsuit alleged that Corinthian was overstating the placement rates and earnings of its graduates to look more attractive to prospective students.

Separately, Donald Trump, Trump University, and the former president of Trump University are facing a $40 million lawsuit for failing to deliver on course offerings that promised to teach the developer’s real estate investing secret and techniques. In 2013, Career Education Corporation (CEC) agreed to pay more than $10 million to settle a lawsuit alleging that it used false job placement rates to boost revenue. According to the Department of Justice, the company advertised job placement rates of 55 percent to 80 percent at several New York schools, when placement rates were actually between 24 percent and 64 percent. This was the most recent of a string of lawsuits faced by the company. In November 2012, the company announced that it would close 23 of its 90 campuses and eliminate 900 jobs after reporting a net loss of $33 million that quarter and a 23 percent drop in new student enrollment.
Several other education companies have faced lawsuits regarding their marketing practices and recruiter-incentive schemes. In 2010, Grand Canyon Education Inc. settled a whistleblower lawsuit over incentive-based compensation for recruiters for $5.2 million. Previously, Apollo Group settled similar charges for $78.5 million. In its 2012 Form 10-K, Education Management Corporation lists all legal proceedings against the company including a multi-billion dollar fraud suit filed by Department of Justice and five states, charging that it was not eligible for the $11 billion in state and federal financial aid it had received from July 2003 through June 2011. The violation was due to its recruiter compensation scheme.

**Value Impact**

As evidence shows, companies that rely on deceptive marketing practices and recruiter incentive schemes to generate additional revenue will likely face regulatory enforcement actions, resulting in substantial extraordinary expenses and contingent liabilities in the near and medium term. In addition, heavy reliance on GI Bill funds and self-originated private loans to comply with the 90/10 Rule may have a significant negative impact if the regulations were to change. Noncompliance with the 90/10 Rule may result in a company’s inability to receive Title IV funding, which would damage its financial performance and diminish shareholder value.

Moreover, a failure to provide transparent information to customers is likely to lead to reputational damage and an inability to retain and attract new students. Combined, these factors can lead to lower growth projections for revenue and profits, credit rating downgrades, and higher cost of capital.

The proportion of a company’s expenditures for instruction versus those for marketing and recruiting is a leading indicator of the company’s focus on education quality and a proxy measure for potential over-emphasis on marketing and recruiting. The amount of legal and regulatory fines and settlements associated with advertising, marketing, and mandatory disclosures is a lagging indicator of how education companies manage their marketing and recruiting practices. It also indicates the probability and magnitude of the direct costs associated with legal and regulatory action.
REFERENCES


6 Ibid.

7 Bloomberg Professional service, accessed October 1, 2014 using the BICS <GO> command. The data represents global revenues of companies listed on global exchanges and traded over-the-counter (OTC) from the Education industry, using Levels 3 and 4 of the Bloomberg Industry Classification System.

8 Author’s calculation based on data from Bloomberg Professional service, accessed on October 3, 2014 using Equity Screen (EQS) for U.S.-listed companies (including those traded primarily OTC) that generate at least 20 percent of revenue from their Education segment and for which the Education industry is a primary SICS industry.

9 Lerman, “IBISWorld Industry Report 61131b: For-Profit Universities in the US.”


14 Lerman, “IBISWorld Industry Report 61131b: For-Profit Universities in the US.”

15 Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critics or Agile Predators?”


21 Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critics or Agile Predators?”

22 Ibid.


24 Ibid.


Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?”


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Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?”


Ibid.


Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?”

“Program Integrity: Gainful Employment—Notice of proposed rulemaking,” 34 CFR Parts 600 and 668, RIN 1840-AD15, Department of Education, Education.

Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?”


Ibid.

Ibid.


“Program Integrity: Gainful Employment, A Rule by the Education Department on 10/31/2014,” Federal Register.


Ibid.


Justin Hsiao, “ U.S. for-profit schools need to be bigger and better in order to survive,” National University of Singapore’s Credit Research Initiative, Weekly Credit Brief: September 30 – October 6, 2014.


Deming, Goldin, and Katz, “The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?”

Ibid.


Ibid.


Glantz, “Legislation to close loophole in GI Bill college aid dies in minutes.”


APPENDIX I:
Five Representative Education Companies

<table>
<thead>
<tr>
<th>COMPANY NAME (TICKER SYMBOL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Education Group (APOL)</td>
</tr>
<tr>
<td>Education Management (EDMC)</td>
</tr>
<tr>
<td>Graham Holdings (GHC)</td>
</tr>
<tr>
<td>DeVry Education Group (DV)</td>
</tr>
<tr>
<td>Corinthian Colleges (COCO)</td>
</tr>
</tbody>
</table>

This list includes five companies representative of the Education industry and its activities. This includes only companies for which the Education industry is the primary industry, companies that are U.S.-listed but are not primarily traded Over-the-Counter, and for which at least 20 percent of revenue is generated by activities in this industry, according to the latest information available on Bloomberg Professional Services. Retrieved on September 30, 2014.
APPENDIX IIA: Evidence For Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Sustainability Disclosure Topics</th>
<th>EVIDENCE OF INTEREST</th>
<th>EVIDENCE OF FINANCIAL IMPACT</th>
<th>FORWARD-LOOKING IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HM (1-100)</td>
<td>IWGs % Priority Ei</td>
<td>Revenue &amp; Cost Asset &amp; Liabilities Cost of Capital EFI Probability &amp; Magnitude Extern- nalities FLI</td>
</tr>
<tr>
<td>Quality of Education &amp; Gainful Employment</td>
<td>83* 86 1 High</td>
<td>• • • High • • Yes</td>
<td></td>
</tr>
<tr>
<td>Marketing &amp; Recruiting Practices</td>
<td>67* 86 2 High</td>
<td>• • • High No</td>
<td></td>
</tr>
</tbody>
</table>

HM: Heat Map, a score out of 100 indicating the relative importance of the topic among SASB’s initial list of 43 generic sustainability issues; asterisks indicate “top issues.” The score is based on the frequency of relevant keywords in documents (i.e., 10-Ks, 20-Fs, shareholder resolutions, legal news, news articles, and corporate sustainability reports) that are available on the Bloomberg terminal for the industry’s publicly-listed companies; issues for which keyword frequency is in the top quartile are “top issues.”

IWGs: SASB Industry Working Groups

%: The percentage of IWG participants that found the disclosure topic to likely constitute material information for companies in the industry. (-) 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 important issue. (-) 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 Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Evidence of Financial Impact</th>
<th>REVENUE &amp; EXPENSES</th>
<th>ASSETS &amp; LIABILITIES</th>
<th>RISK PROFILE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>Operating Expenses</td>
<td>Non-operating Expenses</td>
</tr>
<tr>
<td>Market Share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Markets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing Power</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CapEx</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extra-ordinary Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent Liabilities &amp; Provisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension &amp; Other Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- MEDIUM IMPACT
- HIGH IMPACT

- Quality of Education & Gainful Employment
- Marketing & Recruiting Practices
## APPENDIX III: Sustainability Accounting Metrics | Education

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Education &amp; Gainful Employment</td>
<td>Graduation rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0101-01</td>
</tr>
<tr>
<td></td>
<td>On-time completion rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0101-02</td>
</tr>
<tr>
<td></td>
<td>Job placement rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0101-03</td>
</tr>
<tr>
<td></td>
<td>(1) Debt-to-annual earning rate and (2) debt-to-discretionary earnings rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0101-04</td>
</tr>
<tr>
<td></td>
<td>Program cohort default rate</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0101-05</td>
</tr>
<tr>
<td>Marketing &amp; Recruiting Practices</td>
<td>Description of policies to assure disclosure of key performance statistics to prospective students in advance of collecting any fees and discussion of outcomes</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>SV0101-06</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with advertising, marketing, and mandatory disclosures</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>SV0101-07</td>
</tr>
<tr>
<td></td>
<td>(1) Instruction and student services expenses and (2) marketing and recruiting expenses</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>SV0101-08</td>
</tr>
<tr>
<td></td>
<td>Revenue from: (1) Title IV funding, (2) GI Bill funding, and (3) private student loans*</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>SV0101-09</td>
</tr>
</tbody>
</table>

* Note to SV0101-09 - Disclosure shall include a discussion of risks and opportunities associated with these and other funding sources.
APPENDIX IV: Analysis of SEC Disclosures | Education

The following graph demonstrates an aggregate assessment of how representative U.S.-listed Education companies are currently reporting on sustainability topics in their SEC annual filings.

**TYPE OF DISCLOSURE ON MATERIAL SUSTAINABILITY TOPICS**

<table>
<thead>
<tr>
<th>Education</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>86%</td>
</tr>
<tr>
<td>Marketing &amp; Recruiting Practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>86%</td>
</tr>
</tbody>
</table>

IWG Feedback*

*Percentage of IWG participants that agreed topic was likely to constitute material information for companies in the industry.