CAR RENTAL & LEASING
Research Brief

SASB's Industry Brief provides evidence for the material sustainability issues in the Car Rental & Leasing 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

- Car Rental & Leasing Sustainability Accounting Standards
- Industry Working Group Participants
- SASB Conceptual Framework

INDUSTRY LEAD

Nashat Moin

CONTRIBUTORS

Andrew Collins
Henrik Cotran
Anton Gorodniuk
Jerome Lavigne-Delville
Himani Phadke
Arturo Rodriguez
Jean Rogers
Gabriella Vozza

SASB, Sustainability Accounting Standards Board, the SASB logo, SICS, Sustainable Industry Classification System, Accounting for a Sustainable Future, and Materiality Map are trademarks and service marks of the Sustainability Accounting Standards Board
INTRODUCTION

The Car Rental & Leasing industry provides mobility solutions for both business and leisure travelers, and others who may not have access to a personal vehicle. Car rental companies have also started offering car-sharing services, which, in addition to reducing the environmental impacts of individual car ownership, offer an affordable mode of transport for urban dwellers.

Due to the significant size of rental car fleets, the industry has the ability to impact transportation-related emissions. The issue is generally well managed by the industry as fleets are, on average, much newer than owned cars and therefore more fuel-efficient. Car rental companies can also influence consumer demand for low-emission vehicles since they give customers the opportunity for an extended test run. 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 if Car Rental & Leasing companies report metrics on the material sustainability risks and opportunities that could affect value in the near and long term in their regulatory filings. This would 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 Car Rental & Leasing industry:

- Proper maintenance and recall oversight to ensure passenger safety; and
- Offering fuel-efficient and alternative fuel fleet vehicles that meet consumer demands and minimize environmental impact during use.

INDUSTRY SUMMARY

Car Rental & Leasing companies rent or lease passenger vehicles to customers. Car rentals are typically for periods of less than a month, while leases are for a year or more. The industry does not include rentals that include a driver, but does include car-sharing business models in which rentals are measured hourly and typically include subscription fees. This industry does not include cars leased to purchase or leased to own.¹

Car rental companies operate out of airport and neighborhood locations. Airport locations serve both business and leisure travelers. Neighborhood locations mostly provide repair-shop and weekend rentals. In the U.S., leisure rentals is the largest segment, followed closely by business rentals, accounting for 44 and 35 percent of industry revenue, respectively. Car leasing accounts for 21 percent of industry revenue and car sharing two percent.¹

The global rental car industry is estimated to generate nearly $50 billion in revenue, with publicly traded companies generating $37.5 billion.² ³ Positive growth in demand for domestic airline travel

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.
has a positive effect on the Car Rental & Leasing industry. Per capita disposable income is also an external driver of leisure-related car rentals, while corporate profits drive business travel rentals. The average age of vehicles in the population correlates to mechanical failures, and therefore affects the number of insurance replacement rentals. Given the industry’s close connection to the airline industry and its business climate, it suffered a significant decline in profits alongside the airline industry during the 2008 crisis.4

The industry is highly concentrated in the U.S., with the top three companies capturing a combined 62 percent share of the market. The largest company in the industry, Enterprise Rent-A-Car, is privately held, while the next two largest companies, Hertz Global Holdings, Inc. and Avis Budget Group, Inc., are publicly traded. Each of these three players has made acquisitions of other well-known rental car brands—Enterprise Rent-A-Car owns Alamo and National, and Hertz owns Dollar and Thrifty.5

The larger companies in this industry operate globally and use a franchise or license model. For example, Hertz has corporate, licensee, and franchisee locations across all continents, with a presence in approximately 145 countries. Hertz’s other brands, Dollar and Thrifty, have approximately 1,400 corporate and franchisee locations in 75 countries. Franchisee locations and associated fleets are independently owned and operated.6 Avis licensees are located in more than 160 countries, representing about 52 percent of car rental locations and 30 percent of revenue. Similar to Hertz, Avis does not own independent licensee fleets. Licensee locations are more common outside of North America, with 1,300 locations compared to 600 company-operated locations.7

The Car Rental & Leasing industry can also be seasonal in some locations, with decreased business in the winter months and more demand in spring and summer. To accommodate these fluctuations, companies adjust the size of the workforce throughout the year, however, overhead costs associated with real estate, rent, utilities, etc. cannot be adjusted.8

Car rental companies use contracts with automobile manufacturers to manage their fleets. In some cases, these contracts have repurchase agreements requiring the manufacturer to repurchase the vehicle at a guaranteed depreciation rate during a specified time. These vehicles are referred to as “program” cars, and can have mileage caps and requirements for a minimum number of months of ownership. Cars that are purchased without a repurchasing agreement are called “risk” cars. Risk cars are usually disposed of at auctions.9 In 2013, 37 percent of Avis Budget’s fleet was program cars, down from 46 percent in 2012.10 The percentage of program cars also fell for Hertz’s U.S. fleet, from 48 percent in 2009 to 18 percent in 2013.11

Fleet cost, which is dependent on the purchase and disposal price of the fleet, is among the largest expenses for a car rental company. Program cars allow for pre-determination of depreciation, which is a significant cost. Declining percentages of program cars creates uncertainty around total depreciation value and the disposal price of the fleet. For the 2013 fiscal year, operating margins for Hertz and Avis were 13.7 and 11.1 percent, respectively, while net income margins were low, at 3.2 percent and 0.2 percent, respectively.12

Over the past five years, car-sharing models have emerged as both a product offering of car rental companies and a source of competition from new entrants. Car-sharing services allow customers to pay a monthly or annual membership fee and have access to hourly car rentals. Enterprise and Hertz have each launched their car-sharing services—CarShare and OnDemand—in select markets. In March 2013, Avis Budget acquired the only public car-sharing company, ZipCar, for $500 million.13 ZipCar had previously raised $200 million in its initial
public offering in April 2011. Companies will have to navigate key industry trends, along with specific regulations and significant environmental and social issues affecting the industry or its customers (discussed below), in order to protect shareholder value over the long term. Companies that manage these trends successfully will be able to capture opportunities for growth and attain a stronger competitive position.

LEGISLATIVE AND REGULATORY TRENDS IN THE CAR RENTAL AND LEASING INDUSTRY

The following section provides a brief summary of key regulations and legislative efforts related to this industry. Companies in the Car Rental & Leasing industry are subject to different environmental and operating regulations depending on the country in which a property is located.

Car rental companies are specifically regulated in more than half of the states in the U.S. The scope of regulations varies from state to state, and may include methods of advertisement, price quotes and changes, consequences for failing to honor reservations, terms of vehicle loss or damage for both the company and the products offered to renters, and the method of sale of optional insurance coverage.

Regulations around fuel efficiency of engines and emissions from vehicle use are growing more stringent across the board. In the U.S., a sales-weighted average fuel economy of 45 miles per gallon (mpg) is mandated by the 2021 model year. In California, 4.5 percent of cars sold in the state in 2018 must be zero emission vehicles (ZEV) or a mixture of ZEV and plug-in hybrid; by 2025, it must be 22 percent. E.U. regulations are more rigorous and based on tailpipe emissions. While these regulations directly impact auto manufacturers, they also affect the types of cars available for car rental companies to purchase for their fleet. Additionally, these regulations may shape consumer choice, driving the demand for more fuel-efficient cars and keeping up the resale value for the used fleet.

The National Highway Traffic Safety Administration (NHTSA), under the National Traffic and Motor Vehicle Safety Act of 1966 and the Highway Safety Act of 1966, carries out safety programs. Its goal is to reduce deaths, injuries, and economic losses resulting from motor vehicle crashes. NHTSA sets and enforces safety performance standards for motor vehicles and motor vehicle equipment. To provide consumers with information about the crash protection and rollover safety of new vehicles beyond what is required by federal law, the NHTSA created a 5-Star Safety Ratings Program in 1978. The safest cars are ranked with five stars. On the heels of unprecedented recall levels in 2014, the U.S. Department of Transportation developed a tool to look up recalls for cars by their unique Vehicle Identification Number or by make, model, and year. The goal is to help car buyers, owners, and renters know whether their vehicles are safe and whether safety defects have been addressed. A group of U.S. senators are working on a bill that would address rental car safety for the first time. The bill, the Raechel and Jacqueline Houck Safe Rental Car Act of 2013, is currently awaiting review by both the House of Representatives and the Senate. Current law prohibits the sale of recalled vehicles by dealerships, however no such ban exists for car rental companies. If passed, the Raechel and Jacqueline Houck Safe Rental Car Act of 2013 will require that any “rental vehicle subject to a safety recall cannot be rented or sold until the safety defect is remedied.”

---

8 This section does not purport to contain a comprehensive review of all regulations related to this industry, but is intended to highlight some ways in which regulatory trends are impacting the industry.
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 Car Rental & Leasing industry:

- **Environmental externalities and consumer demand:** The Transportation sector, and road transportation in particular, makes significant contributions to the global greenhouse gas (GHG) inventory. Since the Car Rental & Leasing industry owns large fleets, it has the ability to impact transportation-related emissions.

- **Safety management to maintain license to operate:** Accidents due to poorly maintained or defective vehicles can impact company reputation and lead to lawsuits. Additionally, unsafe cars pose a risk to not only customers driving them but also others on the road.

As described above, the regulatory and legislative environment surrounding the Car Rental & Leasing industry emphasizes the importance of sustainability management and performance. Specifically, recent trends suggest a regulatory emphasis on both environmental and consumer 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 Car Rental & Leasing 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.

ENVIRONMENT

The environmental dimension of sustainability includes corporate impacts on the environment. This could be through the use of natural resources as inputs to the factors of production (e.g., water, minerals, ecosystems, and biodiversity) or environmental externalities and harmful releases in the environment, such as air and water pollution, waste disposal, and GHG emissions.

Because car rental companies do not actually operate the vehicles they rent, fleet fuel economy is not discussed in this section, and instead, it will be discussed in the Business Model and Innovation section.
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.

Management of issues related to social capital will enable investors to assess whether companies are positioned to deal with emerging regulations and customer concerns about vehicle maintenance and safety, and therefore protect shareholder value.

Customer Safety

Meeting customer satisfaction standards for the Car Rental & Leasing industry means ensuring that vehicles are in proper working condition and that customers understand how to safely operate the vehicles. For companies in this industry, this can mean balancing the conflict between saving on costs and ensuring safety. Adding to the complexity of the issue is the franchise model under which car rental companies operate. Licensees own and manage their own fleets.

While safety advancements like seat belts, air bags, and crumple zones have improved passenger safety in the event of a crash, technologies are now applied toward the prevention of accidents. Vehicles sold in the U.S. must meet stringent safety requirements, and should they fail any safety requirement, they must be recalled and the feature repaired or replaced at the manufacturer’s cost. While the burden of building safe vehicles falls on auto and auto parts manufactures, responding to these safety recalls is an important part of a Car Rental & Leasing company’s operations. Diligently responding to safety recalls ensures that car rental companies are providing safe cars, while also shifting the maintenance costs as much as possible to manufacturers. Additionally, proper maintenance plans and adequately trained staff are important to minimizing fleet downtime and ensuring passenger safety.

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

- Percentage of vehicles with high safety ratings; and
- Number of vehicles recalled.

Evidence

The Centers for Disease Control and Prevention (CDC) cites motor vehicle crashes as one of the leading causes of death in the U.S. According to the World Health Organization, traffic injuries are the leading cause of death worldwide for people between the ages of 10 and 24. The total number of road traffic deaths globally is 1.24 million per year. While many accidents are due to human error, accidents due to mechanical faults can impact brand reputation, particularly for car rental companies.

Depending on the proportion of the fleet affected, recalls can have material impact on car rental companies. Both Hertz and Avis disclose risks associated with auto recalls in their annual SEC filings. Hertz reports, “depending on the severity of any recall, it could materially adversely affect our revenues, create customer service problems, reduce residual value of the recalled cars and harm our general reputation.” Avis Budget highlights purchasing safer cars as a focus area in its annual report, stating, “we face risks associated with sourcing vehicles for our fleet and potential safety recalls affecting vehicles in our fleet.”

2014 saw an unprecedented number of automobile recalls—by August, more than 40 million cars had been recalled. In addition to automakers, car rental
companies have been affected by recalls. In August 2014, Hertz stock dropped by as much as 23 percent when the company announced a lower-than-expected financial forecast due to recalls and costs associated with an accounting error. General Motors recalls have hurt Hertz more than Avis, because cars made by GM account for about 28 percent of its fleet, compared to 19 percent for Avis. Avis has also been affected by recalls. In the first two quarters of 2014, 125,000 vehicles, or a third of its peak fleet, were recalled. In its 2014 Q2 earnings call, Avis CEO Ron Nelson reported that recalls cost the company in the range of tens of millions of dollars and that “some cars have been grounded for literally months because of an inability to get parts.” The recalls are expected to affect third-quarter earnings as well.

The proposed Raechel and Jacqueline Houck Safe Rental Car Act of 2013 would prohibit the rental of any car that has been recalled until the defect has been fixed. This type of legislative activity highlights the importance of safety best practices as a mechanism for staying ahead of legislation while also ensuring customer satisfaction. Hertz, Avis, and Enterprise have since established policies of repairing all recalled vehicles prior to renting or selling them. While Avis’s policy makes specific reference to its operations in the U.S., its policies with regards to its international and franchise operations are not evident. Hertz and Enterprise policies do not specifically mention any region, however, it is not clear whether the policies apply to their franchise locations.

Car rental companies face competing incentives to reduce costs while also providing a high level of safety to customers. Enterprise was found to have removed safety features from its car orders in order to save costs. The company offered rental cars to customers that were missing side airbags that are a standard feature in the model of the car in question. Enterprise had acquired the cars as part of a special order and removed the side airbags to save $145 per vehicle. This type of action can upset customers who may be familiar with a particular car model and will have safety expectations based on standard features. Another key factor to maximize fleet safety and utilization is having a structure and staff dedicated to providing vehicle maintenance and repair. Avis Budget reports in its Annual Report that 68 percent of its technicians are Automotive Service Excellence-certified. Avis Budget states, “we place a strong emphasis on vehicle maintenance for customer safety and customer satisfaction reasons, and because quick and proper repairs are critical to fleet utilization.”

While major accidents involving rental cars are not common, when they do occur, costs can be significant. The Raechel and Jacqueline Houck Safe Rental Car Act of 2013 is named after two sisters who were killed in 2004 while driving a rental car that had been recalled for a power steering hose defect but had not yet been repaired. The Houck family received a $15 million settlement. In 1988, Hertz agreed to pay $2.5 million in an out-of-court settlement to a man left paralyzed after a multi-car pileup caused by a stalled Hertz rental car. The stalled car had faulty wiring as the result of an earlier accident, and the wiring was never properly repaired. The then-renter of the car had visited two Hertz locations for a repair before the accident, but was turned away after the car was deemed to be working properly.

Both Hertz and Avis are able to perform a lot of their fleet maintenance and smaller repairs in-house through their own auto repair shops. This puts additional responsibility on the companies to ensure that the maintenance work performed meets high standards.

**Value Impact**

In their Form 10-K filings, Car Rental & Leasing companies recognize the importance of assuring passenger safety and customer satisfaction to their businesses. Increased maintenance costs,
investments in developing specialized training programs for employees, and higher capital expenditures toward safer fleets will suppress operating margins in the short to medium term, but are likely to be beneficial in the long term. The benefit will be realized through lower risks associated with accidents (as the evidence shows, companies can be subject to sizable damages when the cause of an accident can be attributed to the company). Additionally, safety measures can improve customer satisfaction, which is one of the main drivers of market share and revenue, cost of capital, and efficient fleet utilization. Vehicle recalls from manufacturers are likely to have a negative impact on results of operations and financial condition of car rental companies. Recalls impact labor costs, fleet utilization, and overall fleet costs. Furthermore, holding cars for repair prior to renting or selling impacts revenues and the resale value of vehicles.

BUSINESS MODEL AND 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. It also includes product innovation and 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.

Rising environmental concerns among consumers, reflected in higher environmental requirements and standards for auto makers, are creating new innovation and business opportunities for companies in the Car Rental & Leasing industry. By providing fuel-efficient fleets, car rental companies can limit environmental externalities while gaining a competitive advantage and market share through innovative service offerings.

Fleet Fuel Economy & Utilization

While the Car Rental & Leasing industry is not a likely candidate for direct climate-related regulation, it may be indirectly impacted in markets that develop emissions limits and fuel efficiency requirements. By providing fuel-efficient and alternative fuel vehicles, Car Rental & Leasing companies can limit environmental impacts of their services while serving growing consumer demand for more efficient vehicles. In addition to providing fuel-efficient and low-emission fleets, companies in the industry are also adapting to changing vehicle needs by providing car-sharing services. In urban settings, car sharing is an attractive alternative to vehicle ownership that reduces congestion and environmental costs associated with private ownership of vehicles.

Consumer demand for fuel-efficient vehicles is likely to impact both the rental and the resale value of cars. It may also introduce challenges for Car Rental & Leasing companies in terms of adapting their operations to alternative fuel and electric vehicles and supporting the infrastructure needed for consumers to operate these vehicles.

Companies in this industry operate outside the U.S. in countries that may not have fuel efficiency standards, or inversely, may have more stringent standards. Additionally, the age of rental company fleets may vary in different countries, depending on management practices, which has a direct impact on fuel efficiency. Going beyond local regulations, if any exist, to minimize environmental impact reduces externalities and offers more resilience to rising fuel prices or costs as well as liability in markets that develop emissions limits and fuel efficiency requirements in the future.
Company performance in this area can be analyzed internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Weighted average rental fleet fuel economy; and
- Fleet utilization rate.

**Evidence**

As discussed previously, car rental companies often purchase “program” vehicles from auto manufacturers with a guaranteed resale value. The rest of the cars (characterized as “risk” cars) must be sold in auctions, sold directly to dealerships, or sold to consumers through e-commerce websites. There has been a recent trend toward a decline in the percentage of program cars, particularly within the U.S. fleets of car rental companies. With the share of program cars falling, these companies bear more risk in terms of resale value and uncertainty of depreciation. As Avis disclosed in its FY2012 annual SEC filing, program cars “limit ... residual risk with respect to cars purchased under the programs and allow (determination of) depreciation expense in advance.” However, with fewer program cars, “a reduction in residual values for non-program cars and trucks in our vehicle rental fleet could cause us to sustain a substantial loss on the ultimate sale of such vehicles or require us to depreciate those vehicles at a more accelerated rate while we own them.” 35

A national survey published in April 2013 by the Consumer Federation for America indicates that consumers strongly support higher mileage standards, and expect high fuel economy in their next car purchase. 36 Car rental companies that do not stay on pace with or ahead of consumer purchasing preferences may find it more difficult to resell their vehicles in the used car market. Fuel-efficient cars may have a higher resale value than less efficient vehicles, thus lowering depreciation and increasing the resale value of the used fleet.

Car rental companies are also experiencing growing customer demand for fuel-efficient vehicles. Most major car rental companies offer fuel-efficient rental options, including electric vehicles and hybrids. The Hertz Dream Car rental program recently started offering the Tesla Model S at a rate of $400 per day. Avis requires that 100 percent of its economy, compact, and intermediate car classes meet the U.S. EPA’s SmartWay Certified requirements. 37 The company also offers different models of gas/electric hybrid vehicles and flex fuel cars for those customers who wish to reduce their environmental footprint through the use of ethanol fuel.

Corporate responsibility reports boast the fuel efficiency of company fleets. For example, Hertz reported that 74 percent of its U.S. rental fleet averaged at least 28 miles per gallon (mpg) and 57 percent averaged over 32 mpg. 38 Interestingly, the Form 10-Ks of the two U.S.-domiciled publicly traded companies, Avis and Hertz, include the same exact disclosure regarding fleet fuel efficiency: “The U.S. Congress and other legislative and regulatory authorities in the United States and internationally have considered, and will likely continue to consider, numerous measures related to climate change and greenhouse gas emissions. Should rules establishing limitations on greenhouse gas emission or rules imposing fees on entities deemed to be responsible for greenhouse gas emissions become effective, demand for our services could be affected.” 39 Hertz goes slightly further on this issue to say, “our fleet and/or other costs could increase, and our business could be adversely affected.” 40

Fleet utilization captures both business efficiency and environmental sustainability. Car-sharing models, in which vehicles are rented by the hour, can increase fleet utilization. As mentioned earlier, all three major car rental companies have car-sharing segments that capture recent social trends—Enterprise launched CarShare, Hertz introduced OnDemand, and Avis Budget acquired ZipCar.
Improving fleet utilization directly enhances business efficiency while also addressing urban market demand for car sharing.

**Value Impact**

As the evidence shows, increasing demand for fuel-efficient vehicles is likely to push companies to increase their capital expenditures and invest in fleet upgrades. Cash outflows from investing activities in the short to medium term can result in higher operating revenue and capture of a greater market share in the medium to long term. Moreover, the improved environmental impact associated with lower GHG emissions from rental vehicles can improve a company’s reputation and ultimately its long-term revenue growth.

Furthermore, a more fuel-efficient fleet can lead to lower depreciation costs, reflecting a relatively higher resale value over time. As the demand for fuel efficiency rises, car rental companies will maximize resale value of their fleet by maximizing fleet fuel efficiency. Conversely, resale value could be impacted for less fuel-efficient cars, reflecting a mismatch between supply and demand. Lastly, underperformance in fleet fuel efficiency may lead to costs or liability in markets that develop emissions limits and fuel efficiency requirements in the future.

Companies in this industry recognize in their SEC filings that laws and regulations governing GHG emissions are likely to become stricter over time, making this issue increasingly material over the short to medium term.
This list includes both the publicly-traded companies that are representative of the Car Rental & Leasing industry and its activities. This includes only companies for which the Car Rental & Leasing 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 July 11, 2014.

<table>
<thead>
<tr>
<th>COMPANY NAME (TICKER SYMBOL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hertz (HTZ)</td>
</tr>
<tr>
<td>Avis (CAR)</td>
</tr>
</tbody>
</table>
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</td>
<td>Revenues &amp; Costs Assets &amp; Liabilities Cost of Capital EFI Probability &amp; Magnitude Externals FLI</td>
</tr>
<tr>
<td>Customer Safety</td>
<td>42 *</td>
<td>40 2 High</td>
<td>•                      • High</td>
</tr>
<tr>
<td>Fleet Fuel Economy &amp; Utilization</td>
<td>83 *</td>
<td>60 1 High</td>
<td>•                      • High</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, 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></td>
<td>Market Size</td>
<td>New Markets</td>
<td>Pricing Power</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Safety</td>
<td>•</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>Fleet Fuel Economy &amp; Utilization</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

**Legend:**
- Light grey: MEDIUM IMPACT
- Dark grey: HIGH IMPACT
### APPENDIX III
SUSTAINABILITY ACCOUNTING METRICS – CAR RENTAL & LEASING

<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><strong>Customer Safety</strong></td>
<td>Percentage of rental fleet vehicles with overall 5-star safety rating</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TR0103-01</td>
</tr>
<tr>
<td></td>
<td>Number of vehicles recalled&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Quantitative</td>
<td>Number</td>
<td>TR0103-02</td>
</tr>
<tr>
<td><strong>Fleet Fuel Economy &amp; Utilization</strong></td>
<td>Weighted average rental fleet fuel economy</td>
<td>Quantitative</td>
<td>Miles per gallon (mpg), gCO&lt;sub&gt;2&lt;/sub&gt;/km</td>
<td>TR0103-03</td>
</tr>
<tr>
<td></td>
<td>Fleet utilization rate</td>
<td>Quantitative</td>
<td>Rate</td>
<td>TR0103-04</td>
</tr>
</tbody>
</table>

<sup>a</sup> Note to TR0103-02 - Disclosure shall include a discussion of the registrant’s policy for renting vehicles for which a recall has been issued.
APPENDIX IV: Analysis of SEC Disclosures  
Car Rental & Leasing

The following graph demonstrates an aggregate assessment of how the U.S.-listed Car Rental & Leasing companies by revenue are currently reporting on sustainability topics in the SEC Disclosures.

<table>
<thead>
<tr>
<th>TYPE OF DISCLOSURE ON MATERIAL SUSTAINABILITY TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Rental &amp; Leasing</td>
</tr>
<tr>
<td>Customer Safety</td>
</tr>
<tr>
<td>Fleet Fuel Economy &amp; Utilization</td>
</tr>
</tbody>
</table>

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

3. Author’s calculations based on Bloomberg Professional service, accessed July 10, 2014, using the ICS <GO> command. The data represents global revenues of companies listed on global exchanges and traded over the counter from the Car Rental & Leasing industry, using Level 4 of the Bloomberg Industry Classification System.
9. Ibid.
14. Samadi, "IBISWorld Industry Report 53211: Car Rental in the US."


38 “Living Journey Sustainability 2012.” Hertz, May 2013, p. 6

