asbof

Supporting Trust in Advertising

Annual Report 2020/21

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A word from Mark Lund

Asbof Chairman

The year 2020/21 has been a year of unprecedented upheaval, uncertainty and for many has seen a great deal of personal pain and loss. We began it in March 2020 going into full Covid lockdown and were there again as the year ended.

In the report last year, I spoke of our preparations for the pandemic's effects on the advertising market, the raising of the levy and thus the financial wellbeing of the self – regulation system that has served the UK well for forty years, underpinning the trust and health of a vibrant and successful market.

Our preparations were modelled on the shape and effects of the 2008/9 financial crisis which hit the advertising market very hard for more than 2 years. Asbof cut its own costs quickly and the ASA rose to the challenge magnificently creating an emergency budget with real speed and judgement, that allowed them to reduce costs for the year significantly while maintaining a core service of real quality, within the government's 'lighter regulation' framework.

The effect of the pandemic on the first two quarters of spend was predictably savage, with Q2 falling by 34%. But the health of the market was underlined by the way recovery started in the final part of the year and continued into Q1 of 2021 despite a renewed set of restrictions.

The effect of this, together with the savings made, meant that the cutting into accumulated funding reserves that we anticipated was largely mitigated.

Within this the effect of the pandemic was predictably uneven with media such as OOH and Cinema being ravaged while TV and even more online fared much better.

The net effect was that the Asbof levy fell by 7% during the year, Basbof by 13% and Masbof most significantly by 37%.

Within this though there were some encouraging developments for the health of the system. Our income both direct and indirect from Online media and Platforms continued to grow and is expected to reach 50% of the total in 2022.

Direct income was boosted by Google becoming a member and direct funder of EASA (benefiting the ASA) and Facebook increasing their funding significantly while newer platforms like Tiktok were very welcome additions to the funding system. In addition, Asbof and the ASA made outreach into the field of Influencer marketing and agencies to ensure that as they grow they too play a part in funding. This, together with the continued measured growth of direct client income, has gone some way to reducing the structural imbalance in the funding system and has been aided by a new website and materials that explain much better the value exchange inherent in support for self-regulation.

This is timely as the year has also seen growing momentum behind legislation that may well impact advertising self-regulation. Asbof, together with the AA, ISBA and ASA remain closely vigilant of these developments. From a funding point of view our best defence remains a system that is healthily supported in a balanced way across the advertising ecosystem. We continue to fit our narrative within that of the AA's Trust agenda as the overall voice of the industry.

The ASA under the leadership of David Currie and Guy Parker, as well as reacting so commendably to the crisis continued to pursue an active and progressive movement towards more digital fluency, reflecting their five-year strategy of More Impact Online. They have made real progress in the use of AI and machine learning and the appointment of the ASA's first head of AI will pay dividends in the years ahead.

CAP, stewarded sagely by James Best, also had a highly productive year. The new gender stereotyping rules were perhaps predictably criticised when they came in but some months later are being increasingly seen as being presciently ahead of the industry curve. There was also a great deal of good work on the government's HFSS consultation and the continuing issue of the codes for gambling advertising.

I would also like to thank Hayden Phillips, whose independent reviews combine acuity and elegance in equal measure and the Asbof and Basbof secretariat whose work under difficult circumstances continues at the highest level.

In this context it is with great gratitude that we salute and say farewell to Stephen Hemsted, who is retiring from the post of CFO and Treasurer after 21 years of exemplary service. Stephen has been the backbone of Asbof/Basbof, not only during my term but also during those of my two predecessors. He has been a remarkable CFO and a most memorable colleague. We wish him the very best in retirement.

The year ahead will doubtless continue to pose more challenges, both predicted and unexpected, but the last 12 months has shown the reliance of the system when the industry comes together and I remain convinced that we will be able to preserve the relevance and vitality of the self– regulation system

Mark Lund

Chairman

ASA

Advertising Standards Authority

If 2020 began in a similar vein to 2019, that did not last. In the first two months, Brexit and climate change dominated the news. Pressure for tighter advertising restrictions in the gambling and HFSS[1] sectors traded places with societal concerns around online harms in demanding our attention. And within the ad industry itself, turning around low trust in advertising and putting ASA system funding on a more sustainable basis continued to be key themes. Then came Covid-19.

Our focus changed from delivering year two of our More Impact Online strategy — still vital — to responding to the pandemic. We successfully cut our budget by c20%, no easy feat when a quarter of the year was already gone. We moved seamlessly to working from home. We quickly adapted our day-to-day regulation. Most important, we successfully kept our staff safe and secure.

Despite the huge challenges, we made substantial progress on many fronts. We doubled-down on protecting children and people in vulnerable circumstances, including by focusing on misleading Covid-19 ads, launching a Scam Ad Alert system and starting our Racial and ethnic stereotyping in ads project. We increased our use of technology, working with tech third parties and beginning to build our own data science team.

We continued to prioritise our reactive complaints casework, including through Regulatory Forbearance (our temporary public policy of going easier on businesses facing an existential threat from the pandemic, but doubling down on advertisers exploiting the pandemic for commercial gain), to free-up more resources for proactive regulatory projects. Complaint receipts (about ads in any medium) were just 2% lower than 2019, but the impact of the pandemic was more evident in case receipts, which fell by 9.5%. Our productivity held up and we met all of our speed of casework targets.

[1] Foods and drinks high in fat, salt or sugar

The impact of Covid-19 meant that website claims fell back as a share of all complaints cases resolved (from 46% to 37%), and our ongoing focus on prioritisation saw a further decline in website claim cases as a share of investigation cases (from 65% to 58%). Website claim cases continued to be more focused on misleading issues (85% v 70%), more likely to be investigated (28% v 18%) and marginally more likely to be upheld (54% v 50%) than all complaint cases.

Our performance on our two priority KPIs was outstanding: we secured the amendment or withdrawal of 36,491 ads (up 346% on 2019 and easily our record yet); and we exceeded our target of delivering 600,000 pieces of advice and training, achieving 722,376 (up 31% on 2019 and again our record yet).

We worked ever more closely with regulatory and other partners. We began the task of exploring holding online platforms and networks to greater account through our Online Platform and Network Standards (OPNS) initiative. We launched our ASA ad campaign, in Scotland to start with, to remind people of the ASA's vital role keeping ads, including those online, legal, decent, honest and truthful; key to maintaining trust in ads. Google joined the European Advertising Standards Alliance (EASA), agreeing to contribute more fully to ad self-regulatory bodies (us included) and marking a tipping point, we hope, in putting the ASA system's funding on a stronger footing.

We continued to receive support for the ASA system from the government, officials, commentators, other regulators, media and the public. However, that did not stop the government announcing its intention to restrict/ban HFSS TV and online ads from 2023. We are well positioned to co-regulate video sharing platform ads, with Ofcom, from 2022. We continued to argue that whatever additional statutory regulation of online advertising is introduced, there are significant consumer and industry benefits to the ASA system continuing as the frontline, one-stop shop for regulating UK advertising in all media, including online.

Of course, some things gave under the pressure of the pandemic. We published fewer rulings than we had targeted, in part due to Regulatory Forbearance, below where we need to be in 2021; the low number of rulings, coupled with the media's focus on Covid-19, Brexit and Trump, resulted in our media coverage dipping to £12m, £6m below our target. We were just under our complainant satisfaction target for Formal Investigations. We had to delay our Competitor complaints review, Independence strand activities, Climate change project and a couple of lower priority projects. We had to freeze recruitment, including three 'on hold' roles, Senior Management Team recruitment and data science recruitment (although we did recruit a data scientist earlier than expected). We had to cancel our planned public research. The pandemic caused a big backlog in the courts, with implications for our cases referred to Trading Standards. And our staff training suffered, with significant declines in training impacts and the proportion of employees trained, compared to 2019.

Looking ahead, we are investing substantial time in both HFSS and gambling ad regulation. Our OPNS initiative is a key priority, and an important plank in our campaign to raise awareness of our online ad regulation to parliamentarians and other important audiences. And we expect to roll-out our ASA ad campaign to the rest of the UK, following the post campaign research that demonstrated its success in Scotland.

Our project pipeline is healthy, with important projects, the first two involving public research, in the following areas: Racial and ethnic stereotyping in ads; Climate change; Tech4Good online ad targeting; Influencer compliance; Body image; Finance-related issues; and Scam ads.

Our new Head of Data Science is building our in-house data science capability and overseeing our data science plan and data science projects.

And, last but not least, our full year net expenditure was c£7,293,100, which was £174,300 (2.3%) under our Crisis Budget of c£7,467,500. After removing legal fees and extraordinary capital expenditure, the adjusted net expenditure was £7,235,400, which was £132,000 (1.8%) under. That was well within our 97.5 — 100% spend target.

Guy Parker

Chief Executive, Advertising Standards Authority (Broadcast)

CAP

Committee of Advertising Practice

CAP's year, like everybody else's, was hit by the COVID crisis. All three of CAP's divisions — Advice, Compliance and Regulatory Policy -- had members of their teams on furlough for significant periods, but work continued; and it was good work.

On the **Regulatory Policy** front, for instance, the team quickly responded to the boom in live streaming with a public statement on how the Code applies to advertising in that online environment — part of the ASA's drive to demonstrate its effectiveness online.

The rapid growth of Buy Now, Pay Later services similarly stimulated swift action, with new CAP guidance on their responsible advertising quickly produced.

Significant consultations were run on two issues of considerable public interest: gambling and in-game purchases. The first responded to GambleAware's research on problem gambling and the effect of gambling advertising on children; it is leading to further changes to the Codes. 'Random item' in-game purchases, which despite their elements of risk and uncertain reward are not legally classified as gambling, required a very careful appraisal to ensure adequate protection for users without straying beyond the boundaries of the Codes' remit.

Compliance were also able to demonstrate the ASA system's ability to respond with agility to emerging issues with a series of effective actions to quell COVID-generated advertising abuses. In harness with fellow-regulators including the CMA, MHRA and the Office for Product Safety & Standards, CAP/ASA issued Enforcement Notices and guidance concerning IV drip treatments, vitamin shots and air purifiers.

Another issue of considerable contemporary interest caused Compliance to take stern action. After monitoring over 24,000 social media posts from 122 influencers, they published findings showing a disappointingly low level of clear labelling of ads. Non-compliant influencers were put on notice of sanctions, resulting in a significant uplift in consistent labelling.

Advice showed its real value to the industry in the time of COVID, too. Advice Online entries were dedicated to pandemic-related issues including the depiction of COVID safety measures, antibody testing, disrupted promotional marketing, IV drips and vitamin shots, as well as current topics like deferred payment services, influencer marketing and loot boxes.

All in all, CAP's resources may have been depleted, but the systematic rotation of people and the sensible prioritisation of projects enabled the rare skills and commitment of all staff to achieve some telling work throughout the crisis. As ever, my thanks and those of our committees go to them.

James Best

Chairman of the Committee of Advertising Practice (BCAP)

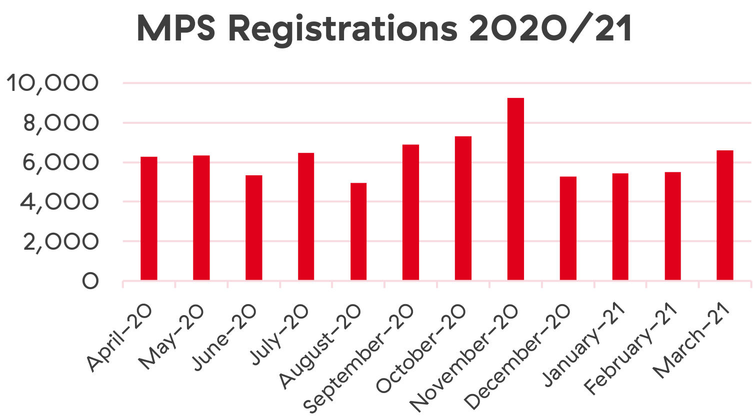
Mailing Preference Service

Funding

The Masbof Levy is collected by the industry to support the costs of industry self-regulation such as the Mailing Preference Service and the Advertising Standards Authority. In recent financial years we have seen the collection of the MASBOF levy reduce year on year as a result of the decline in use of the Royal Mail's Advertising Mail product (the levy is currently collected on addressed mail only). Mailing volumes in FY21, as well as complaints and registrations were much lower than expected because of the COVID-19 pandemic. In the coming year it will be important to monitor the business recovery and the associated increase in volumes of direct mail sent; however, the return to pre-pandemic volumes is not expected until FY23.

File Size

The size of the MPS file continues to increase, but at a slightly lower rate than previous years. At the end of March 2021 there were 6.8 million names and addresses registered on the file. This represents a 1% increase on the previous year. The monthly increase in registrations was uneven throughout the year due to the effects of lockdowns and unpredictable mailing volumes. There was an average of 6,300 registrations per month. The number of people registered with MPS is still modest compared with the Telephone Preference Service (18 million).



Public Relations and Awareness

Local authorities, national politicians and regulatory officials continue to view MPS as a critical consumer protection from unwanted marketing, it is also often included in environmental campaigns.

Following the implementation of the GDPR the DMA undertook a large program of work to create industry guidance, and general awareness highlighting the significance of Legitimate Interest as a legal ground for direct marketing, particularly postal communications. This is an ongoing piece of work as several regulators in the EU have challenged the use of LI for marketing. Even the ICO in the UK, in its draft Direct Marketing Code (January 2020), recommended that best practice would be to use Consent for all marketing communications. The DMA challenged this in its response to the draft and continues to publish articles, speak at webinars and events as well as work with members, FEDMA and the ICO to preserve this vital option for traditional marketers. The final version of the Code is expected to be published before the end of 2021.

The Department for Culture Media and Sport (DCMS) has recently issued a consultation entitled Data: A new direction that is intended to use the fact that the UK is no longer part of the EU to build on the exiting data protection regime legislation and improve aspects that remain complex or vague and those that remain uncertain.

The consultation contains the following chapters:

- Reducing barriers to responsible innovation
- Reducing burdens on businesses and delivering better outcomes for people
- Boosting trade and reducing barriers to data flows
- Delivering better public services
- Reform of the Information Commissioners Office

DCMS has already enlisted the support of the DMA by asking us to host an industry roundtable to discuss the subjects that most affect our industry. This will allow us to make the case once again for the effective use of Legitimate Interests which is central to the collection and use of data for direct marketing, reducing uncertainty and concern for use of data by overly cautious brands and increasing mailing volumes.

There were 47 items of press coverage relating to MPS in the last 12 months ranging from Daily Mail, BBC TV & Radio, and LBC, to Which? and Moneysupermarket.com.

JICMAIL was launched successfully in January 2018 in a collaboration of the postal companies, Royal Mail, Whistle, UK Mail, and the DMA, which chairs the JICMAIL, ISBA, IPA and other members of the ASBOF community. Jicmail established a currency for advertising mail identical to all other channels and has demonstrated that advertising mail increases reach and reduces excessive frequency when added to a multi-channel media plan.

Complaints

172 complaints were received in 2020, a significant reduction from 323 in the previous year caused by the COVID-19 pandemic and its effect on mailing volumes. Of these only 10 or 5.8% needed to be passed to the Advertising Standards Authority. Early trends for 2021 suggest that we will see a similar number of complaints and referrals.

Chris Combemale

Group CEO

A word from Hayden Phillips

The Independent Reviewer of the Rulings of the ASA

In the year to the end of March 2021 I dealt with 21 requests for reviews of the Rulings of the ASA Council in relation to non-broadcast advertising. In historical terms this was quite a low figure. Five requests were ineligible for review. Of the remaining 16, I asked the Council to reconsider its Ruling in 5 cases — in historical terms quite a high proportion but not one that raises any serious questions about the decisions made. In each case I instructed the ASA to re-open the investigations in order to get to the bottom of the issues I had identified.

I have selected two cases to illustrate my work in the last year: one in which I found the Council's ruling fair and reasonable and one which raised some issues on which, in my view, further work was required.

The first was a national newspaper ad for the health effects of Manuka honey, in particular for its efficacy in relieving a cough. However, while that was traditional and known the Council decided that the reference in the ad to 'treating' a cough went further and implied that honey could treat a disease. Such medicinal claims for foodstuffs in ads are prohibited. The advertiser in asking me to review the ruling made the procedural mistake in offering me an expert opinion after the ruling had been made which I was bound to rule was inadmissible. They also appeared to place weight on the argument that their honey killed human pathogens in lab tests which came back full circle to the prohibition on medicinal claims for foodstuffs. In my view it was a pity that this ad's language was framed in such a way as to cross a red line when the value of honey in relieving cough symptoms is accepted. Indeed, when I wrote to the advertiser I said, *"as a child my mother made me drink hot milk and honey or, better to the taste, hot lemon juice and honey whenever I developed a cough"*.

The second ad was a local press ad for a gold-mining company in Northern Ireland, Dalradian Gold. A member of a campaigning group against the mining project had challenged whether the claim "100% carbon neutral from day one. The mine will not contribute to climate change" was misleading and could be substantiated. The Council decided to uphold the complaint and the advertiser requested a review. I decided they had presented a persuasive case and instructed the ASA to reopen the issue. When that work had been done, I supported a recommendation to the Council that it should overturn its first decision. The arguments for doing so were that the original ruling was based on a literal interpretation of the claim whereas I thought the audience were sophisticated enough to know that would be impossible and that the claim would be interpreted as meaning that over the mine’s lifecycle a method was in place to offset the carbon emissions. The ASA had satisfied itself that the advertiser had in place a credible plan for establishing carbon neutrality that adhered to agreed national and international standards for carbon offsetting. The Council agreed to change its mind.

Last year’s review requests as usual covered a wide range of different issues: arguments about published music charts, vacuum cleaners, ads for ‘influencers’ (a growing business), mobile phones, ads from Amazon, from Public Health England, central heating systems, and ads for the LGB Alliance. I hope in all these areas I have added the value of independent scrutiny both for consumers and advertisers.

Hayden Phillips

The Independent Reviewer of the Rulings of the ASA Council

Stephen Hemsted

Treasurer

FINANCIAL RESULTS FOR THE YEAR

The statutory accounts in the format required by the Companies Act 1985, and including the auditors' report, which was unqualified, have been lodged with the Registrar of Companies and are available on request from the Secretary. The Balance Sheet and Profit and Loss Account which follow have been extracted from the statutory accounts.

BALANCE SHEET AT 31 MARCH 2021

	2021 £000s	2020 £000s
Tangible Fixed Assets	2	1
Current Assets		
Debtors & Prepayments	117	27
Cash at bank an in hand	386	444
	503	471
Less Current Liabilities	38	38
Net Current Assets	465	433
TOTAL ASSETS	467	434
ACCUMULATED RESERVES	467	434

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £000s	2020 £000s
Income:		
Advertising Levy	5,017	5,375
Mailing Standards Levy	692	1,098
Interest	–	9
Total Income	**5,709**	**6,482**
Payments to Self-Regulatory Bodies:		
The Advertising Standards Authority	4,930	5,483
Mailing Preference Service	313	420
Direct Marketing Authority	70	92
Independent Reviewer	45	50
Committee of Advertising Practice	28	34
Advertising Association	–	8
Other	94	145
Total Self-Regulatory Payment	**5,480**	**6,232**
Administrative Costs:		
Staff costs	131	161
Other Operating costs	56	64
Depreciation	1	0
Total Admin Costs	**188**	**225**
Total Costs	**5,668**	**6,457**
Profit (Loss) before Tax	**41**	**25**
Corporation Tax	8	6
Profit (Loss) after Tax	**33**	**19**

THE BOARD OF DIRECTORS AND COUNCIL OF THE ADVERTISING STANDARDS BOARD OF FINANCE LIMITED

DIRECTORS AND MEMBERS OF COUNCIL as at 31 March 2021

Mark Lund	Chair
Paul Bainsfair	IPA
James Best	CAP
Lord Guy Black	NMA
Tim Cable	RM
Justin Cochrane	Outsmart
Chris Combemale	DMA
Elizabeth Fagan	ISBA
Stephen Hemsted	asbof
Mark Howe	IAB
Paul Hunter	NMA
Kathryn Jacob	CAA
John McLellan	SNS
Owen Meredith	PPA
David Newell	NMA
Charles Ping	DMA
Phil Smith	ISBA/EASA
Martin Telling	IPA
Robert Fitch	PPA
Stephen Woodford	AA

Secretary & Treasurer: Stephen Hemsted

The thirteen associations represented are shown above by their initials

asbof is an independent body set up by the main organisations of those involved in advertising, and the associations now represented on the Board of Directors at 31 March 2021 are:

The Advertising Association	AA
Committee of Advertising Practice	CAP
Cinema Advertising Association	CAA
Direct Marketing Association	DMA
European Advertising Standards Alliance	EASA
Incorporated Society of British Advertisers	ISBA
Institute of Practitioners in Advertising	IPA
Internet Advertising Bureau	IAB
News Media Association	NMA
Outsmart Out of Home Ltd	Outsmart
Professional Publishers Association	PPA
Royal Mail	RM
Scottish Newspaper Society	SNS

(company limited by guarantee and not having a share capital)

+44 20 7340 0210 | info@asbof.co.uk | advertisinglevy.co.uk

12 Henrietta Street, London, WC2E 8LH

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