

2019 ANNUAL REPORT

BUILDING RESILIENCE

SASB







OUR MISSION

THE MISSION OF THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) FOUNDATION IS TO ESTABLISH AND IMPROVE INDUSTRY-SPECIFIC DISCLOSURE STANDARDS ACROSS FINANCIALLY MATERIAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE TOPICS THAT FACILITATE COMMUNICATION BETWEEN COMPANIES AND INVESTORS ABOUT DECISION-USEFUL INFORMATION.

/ CLIMATE CHANGE / POVERTY / HUNGER
/ INEQUALITY / RESOURCE CONSTRAINTS /
/ BIODIVERSITY / DEFORESTATION

OUR VISION

THE SASB FOUNDATION ENVISIONS AN INVESTMENT UNIVERSE IN WHICH A SHARED UNDERSTANDING OF SUSTAINABLE BUSINESS PRACTICES ENABLES BOTH COMPANIES AND INVESTORS TO MAKE MORE INFORMED DECISIONS THAT DRIVE IMPROVED LONG-TERM OUTCOMES FOR NOT ONLY BUSINESSES AND THEIR SHAREHOLDERS, BUT ALSO FOR THE GLOBAL ECONOMY AND SOCIETY AT LARGE.

/ HEALTH AND WELLBEING / EDUCATION /
/ INFRASTRUCTURE / INDUSTRIALIZATION /
/ DESERTIFICATION / JUSTICE /

It has never been more apparent that the prosperity of business and society are deeply intertwined—one can't thrive for long when the other is weakened. For companies, investors, and the world at large, the ability to flourish in the 21st century will require transformative change at a scale that cannot be financed by governments and civil society alone. Now more than ever, the opportunity is within reach to unlock the power of financial markets as a catalyst for that change. By establishing market infrastructure that can support sustainable economic growth, we can build a future in which financial capital is more efficiently allocated to its highest and best use, addressing global challenges in a way that delivers environmental, social, and financial returns.

Large-scale challenges call for large-scale solutions. By identifying the economic upside of addressing critical global challenges, SASB mobilizes markets, facilitates capital formation, and unlocks an unprecedented level of impact.

Annual funding needed to achieve the UN Sustainable Development Goals (SDGs)
\$5-\$7 trillion

SOURCE: UN CONFERENCE ON TRADE AND DEVELOPMENT

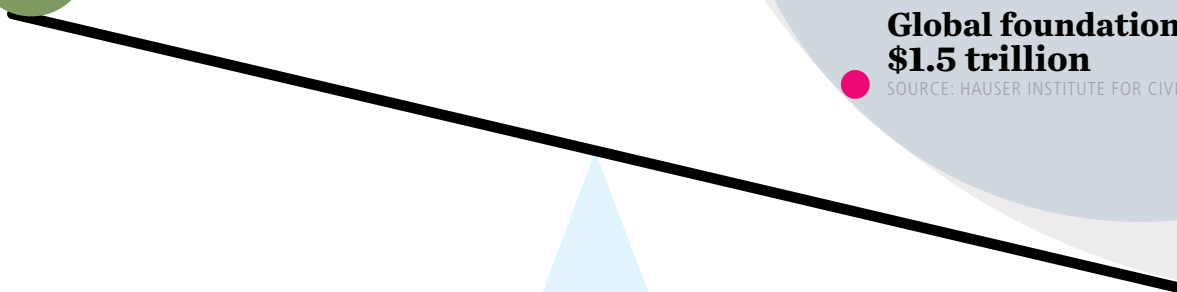
Global equity market capitalization
\$73 trillion

SOURCE: WORLD FEDERATION OF EXCHANGES, Q1 2020

SASB Investor Advisory Group (IAG)
\$40 trillion

Global foundation assets
\$1.5 trillion

SOURCE: HAUSER INSTITUTE FOR CIVIL SOCIETY





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2019 SASB FOUNDATION BOARD OF DIRECTORS

The SASB Foundation is responsible for the financing, oversight, and administration of the organization. In addition to carrying out its financial and strategic governance functions, the Board of Directors appoints the members of the SASB via the Governance & Nominating Committee and ensures SASB's compliance with due process via the Standards Oversight Committee.

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 Former Chairman, FASB

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 Assurance Partner and Leader of Governance Insights Center, PricewaterhouseCoopers

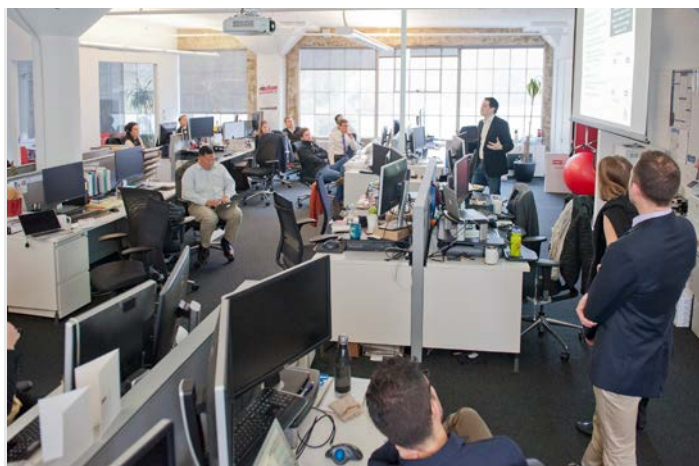
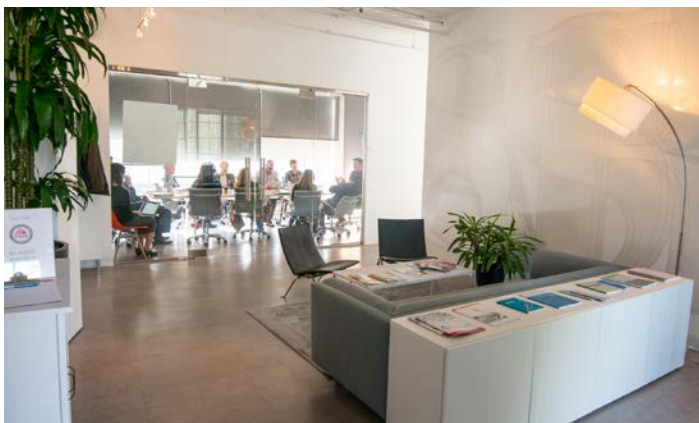
JAMES MCINTIRE, PHD
 Former Washington State Treasurer

LAURA TYSON, PHD
 Director, Institute for Business and Social Impact – Berkeley Haas School of Business

MATTHEW WELCH
 President, The SASB Foundation

JAY WILLOUGHBY, CFA
 Chief Investment Officer, The Investment Fund For Foundations

CHUCK ZEGAR
 Philanthropist, Co-Founder of Bloomberg LP



This Annual Report shines a spotlight on the important progress we made in 2019 at the Sustainability Accounting Standards Board (SASB) Foundation. However, as I write this letter in the second quarter of 2020, last year already seems like a lifetime ago. Until very recently, talk of “disruption” in business and investment circles was focused almost exclusively on how innovation—especially technology—can reshape the competitive landscape in sudden and dramatic fashion. Today, however, the term has taken on a new meaning, as historic social crises—including a global pandemic and protests for racial justice—have raised daunting challenges and thrown into sharp relief the fact that business and society need one another to thrive.

SASB’s work is aimed at bringing them into closer alignment. We do that by helping markets do what they have always done best: price risk. By facilitating more effective communication about existing and emerging environmental, social, and governance (ESG) issues, SASB standards help both the users and providers of financial capital better understand and manage the risks and opportunities they face. As a result, we help refocus the power of capital markets on delivering long-term outcomes that are mutually beneficial—financially, environmentally, and socially—not just for companies and their shareholders, but for the world at large.

COVID-19 is a stark reminder that sustainability issues—like financial capital—don’t have borders. With this in mind, much of our work in 2019 was focused on understanding and responding to the complex needs of investors with global portfolios and companies with multinational operations.

As you’ll read in this report, those efforts have resulted in international market momentum around SASB standards. Hundreds of companies across nearly every industry and every continent have begun using the standards in their core communications with investors. Meanwhile, the global investment community has increasingly embraced our work—including the 50 (and counting) members of our Investor Advisory Group (IAG), who collectively manage approximately US\$40 trillion. You’ll also learn how SASB standards are becoming further embedded in market infrastructure as we respond to demand for supporting resources like our *TCFD Implementation Guide* and *Good Practice Handbook*, educational opportunities like our Fundamentals of Sustainability Accounting (FSA) credential, and licensing our IP to power products such as State Street Global Advisors’ R-Factor scoring system and Bloomberg LP’s SASB family of indices.

In 2019 and beyond, we believe SASB’s work can help build resilience into business models, investment strategies, and markets at large. It’s what we need in the broader economy. It’s what we owe to a global society that continues to demonstrate extraordinary courage in the face of uncertainty.

Sincerely,



JANINE GUILLOT

CEO of the SASB Foundation

LETTER FROM THE CEO



SASB STANDARDS BOARD

The Sustainability Accounting Standards Board is an independent standard-setting board that is accountable for the due process, outcomes, and ratification of the SASB standards, including any changes to the standards. Members of the Standards Board are appointed by the SASB Foundation Board of Directors.

JEFFREY HALES, PHD
CHAIR

Charles T. Zlatkovich Centennial Professor of Accounting, University of Texas at Austin

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VERITY CHEGAR
CO-VICE CHAIR

Director, BlackRock Sustainable Investing

SECTOR CHAIR FOR EXTRACTIVES & MINERALS PROCESSING

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CO-VICE CHAIR

Senior Managing Director, Protiviti; Chairman Emeritus, Committee of Sponsoring Organizations of the Treadway Commission (COSO)

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Retired Partner, Baker & McKenzie LLP

SECTOR CHAIR FOR SERVICES

KURT KUEHN

Former CFO, UPS

SECTOR CHAIR FOR TRANSPORTATION AND INFRASTRUCTURE

LLOYD KURTZ, CFA

Senior Portfolio Manager, Head of Social Impact Investing, Wells Fargo Private Bank

SECTOR CHAIR FOR HEALTH CARE

ELIZABETH SEEGER

Director, Sustainable Investing, KKR

SECTOR CHAIR FOR CONSUMER GOODS

MARC SIEGEL, CPA

Partner, EY

SECTOR CHAIR FOR RESOURCE TRANSFORMATION

STEPHANIE TANG, JD

Director of Legal, Corporate Securities, Stitch Fix

SECTOR CHAIR FOR FOOD & BEVERAGE



Suppose I asked you if setting standards for disclosure is essentially a scientific process of discovery, like finding a new species of plant to observe, or more of a commitment to stewardship, akin to a gardener who plants a seed and cultivates its growth over time. How would you respond? A cynic might say it's neither. In my opinion, it ought to be both.

Disclosure standards should cost-effectively facilitate communication about relevant issues with an eye toward helping users make better-informed decisions. To do so, the development stage of standard setting necessarily involves discovery and identification: What are the key issues? Where are the reporting frictions?

During my first six years with SASB, we were deeply involved in the process of discovery. In that time, we produced 77 industry standards and launched them in late 2018. Although that felt like the culmination of our discovery phase, we can't expect to stop there any more than we can expect the world in which those standards were meant to be applied to remain unchanged.

Just as markets must be resilient in the face of unexpected events, our standards must adapt to ever-evolving circumstances if they are to remain relevant for companies and investors. That requires a gardener's watchful eye. In recognition of that, we shifted in 2019 to the next phase of our efforts.

In 2019, the Standards Board and staff undertook extensive market consultation to identify research and standard-setting priorities and began work on our first set of standard-setting projects, two of which reflect the importance of stewardship to keep the standards relevant. In the Asset Management industry, we are responding to a change in the regulatory oversight of systemic risk. Meanwhile, in the Extractives sector, we're ensuring the standards reflect increased awareness among investors of the risks associated with mismanaged tailings storage facilities.

In late 2019, we also initiated a comprehensive review of SASB's approach to human capital in response to heightened scrutiny of the issue by investors and regulators. As the project continues in 2020, it provides a timely platform to ensure our standards reflect the lessons of COVID-19 and any resulting shifts toward a "new normal."

In addition to these projects, we invested in a gap analysis to identify opportunities for enhancing the global applicability of our metrics; participated in the Better Alignment Project to explore and articulate how different sustainability reporting approaches are complementary; managed a review of our technical protocols to ensure they're fit to serve as the basis for suitable criteria in an independent, third-party assurance engagement; and led an ongoing review of corporate and investor implementation to identify technical improvements that may strengthen the ability of SASB standards to supply investors with decision-useful information or to provide companies with a cost-effective means of disclosure.

Finally, we also began updating the Rules of Procedure and Conceptual Framework that guide our efforts to make sure we are communicating about our principles and processes in a way that is clear and resonates in today's environment.

With 2020 well underway, I'm excited as ever about the work that lies ahead. While those efforts will lead to changes in the standards, those changes are precisely what allow us to continue to serve the same, unchanged mission at SASB.

Sincerely,



JEFFREY HALES, PHD
Chair of the Standards Board

LETTER FROM THE CHAIR

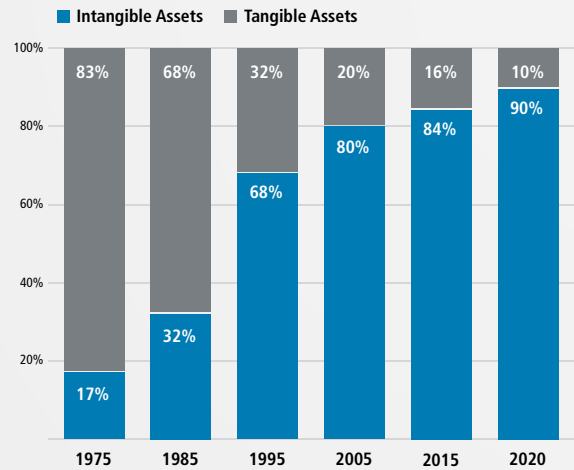


SURVEYING THE LANDSCAPE

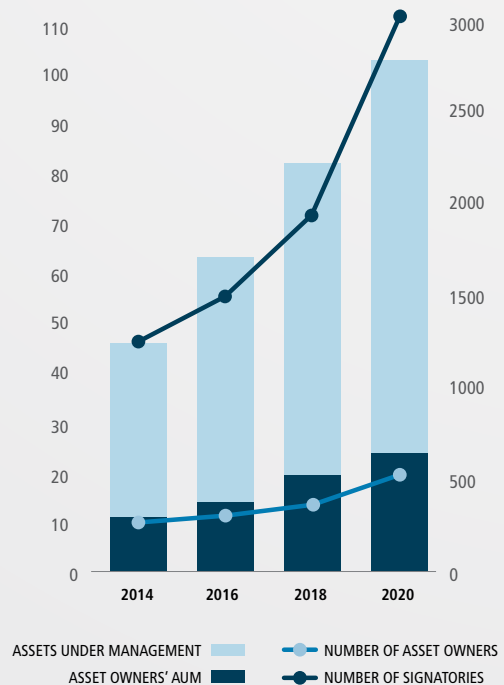
Like the world around them, today's business leaders—and the markets that provide their financing—face no shortage of great challenges. Broad macroeconomic trends such as population growth, globalization, and technological innovation have contributed to environmental, social, and financial impacts as daunting as they are unsustainable—climate change, resource scarcity, and rising economic inequality among them. Ongoing efforts by governments and civil society are important but offer an incomplete solution. Creating a sustainable, robust, and resilient future requires not only a globally coordinated effort, but extraordinary financing. By mobilizing capital markets to address these challenges head-on, SASB is helping direct trillions of dollars toward more sustainable outcomes in a way that creates value for companies, investors, economies, and the world alike.

BY THE NUMBERS

An increasing share of the market cap of S&P 500 companies is attributable to intangible assets. Sustainability issues are among a variety of factors that contribute to this increasing gap between book and market values.



As a result, a growing number of investors are looking beyond traditional financial statements, as evidenced by the rise in signatories to the Principles for Responsible Investment.



Source: Ocean Tomo

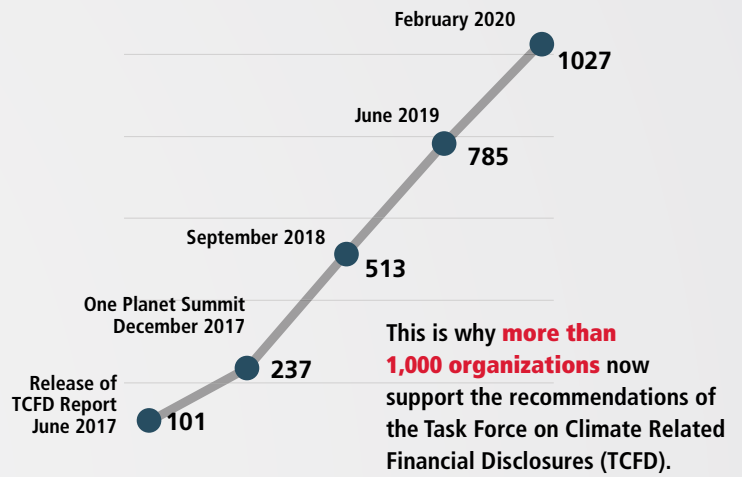
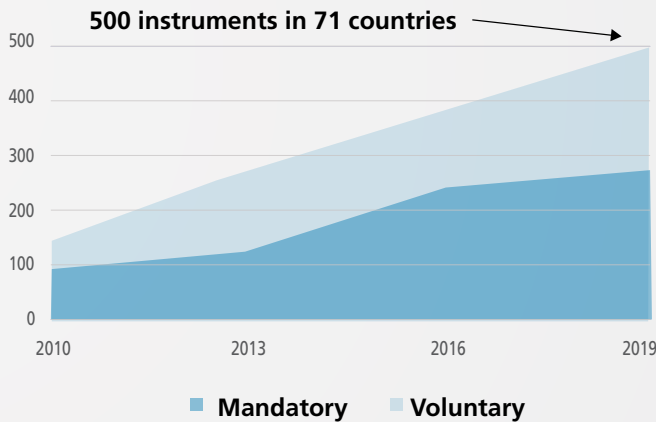
Source: UN Principles for Responsible Investment



Today, roughly **one of every three** dollars under professional management globally is invested using sustainable strategies—an increase of 34 percent in just two years.

Source: Global Sustainable Investment Alliance

Sustainability Reporting Instruments (regulations, codes, standards, guidance, requirements)



This is why **more than 1,000 organizations** now support the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

Source: TCFD

And it's why governments, stock exchanges, and other institutions around the world have introduced a rapidly growing array of different measures to either encourage or require companies to report on environmental, social, and governance (ESG) matters.

Source: Carrots & Sticks

The SASB Solution

A growing body of research indicates SASB's approach to sustainability can mobilize an unprecedented amount of financial capital to address sustainability challenges. By identifying those areas where the interests of companies and their investors are well-aligned with those of broader society—in other words, where they can "do good while doing well"—SASB helps transform global capital markets into powerful and efficient forces for good.

In 2019, the **Global Alliance for Banking on Values** and **KKS Advisors** used SASB's Materiality Map® to analyze data from 100 large commercial banks over a 10-year period (2007-2017) and found those that perform well on SASB disclosure topics also deliver higher-than-average risk-adjusted financial returns. Trends observed in the data suggest that ESG factors may be increasing in importance while improving data quality may be enabling markets to more efficiently price ESG risks and opportunities.

Meanwhile, research from the **Wharton School** of the University of Pennsylvania used data from TruValue Labs, which leverages SASB's materiality framework, to explore the connection between company performance on ESG topics and credit risk. The study found that companies that effectively manage SASB topics relative to industry peers were significantly less likely to experience adverse incidents that could increase their likelihood of default.

For more information, see sasb.org/research-on-sasb.

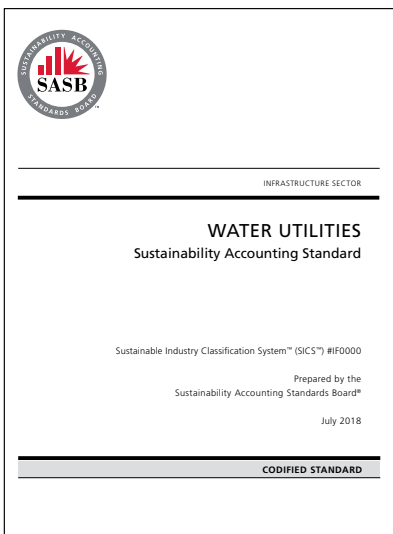
Sources: KKS Advisors, European Investment Bank, Global Alliance for Banking on Values, and Deloitte, "Do Sustainable Banks Outperform?" (December 2019); ESG, Witold J. Henisz and James McGlinch, "Material Credit Events, and Credit Risk," Journal of Applied Corporate Finance (July 2019).

EVOLVING WITH THE MARKET

When SASB officially released its 77 industry-specific standards in 2018, it established market infrastructure that will enable a race to the top on sustainability performance. This, in turn, creates mutual benefit for companies, investors, and society at large. However, that race can continue only as long as SASB standards remain relevant to the users and providers of financial capital. In 2019, SASB established a project-based approach to its standard-setting work that enables it to prioritize the most critical market needs and ensure the standards evolve alongside the markets they are designed to serve. As companies and investors navigate the shifting sands of the competitive landscape, social trends, regulatory considerations, and macroeconomic factors, SASB continues to closely monitor these developments, engage with market participants, and expand its understanding of how the lessons learned can best inform standards development over time.

BY THE NUMBERS

SASB's standard-setting process is driven by evidence-based technical research, detailed input from a broad and balanced set of market participants, and expert-led oversight with full transparency and multiple opportunities for public feedback.



5 Research Projects

- Alternative Meat & Dairy
- Content Moderation on Internet Platforms
- Human Capital
- Plastics Risks & Opportunities
- Tobacco Supply Chain Management

3 Standard-Setting Projects

- Raw Materials Sourcing in Apparel
- Systemic Risk in Asset Management
- Tailings Management in Extractives

2 Other Projects

- Conceptual Framework
- Rules of Procedure

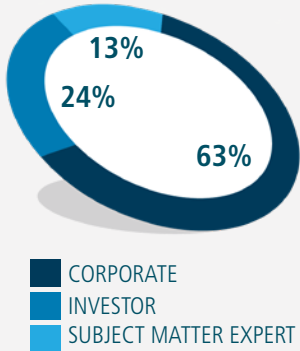
SASB has developed standards for **77** industries across **11** sectors
 Containing an average of **6** topics and **14** metrics

82%

SASB metrics that can be used by companies and investors globally without modification. (SASB is engaging with markets to enhance the remaining 18 percent.)



Standards Advisory Group
Makeup



The SASB Standards Advisory Group (SAG)

User-centered design enables corporations across a variety of industries to optimize products around how customers want or need to use them. SASB takes a similar approach to ensure its standards meet the needs and expectations of market participants.

In addition to soliciting market feedback through regular, ongoing consultation with companies and investors, SASB established a formal Standards Advisory Group (SAG) in 2018. This diverse group of experts—whose perspectives represent a wide range of corporate and investment functions across a variety of industries, sectors, and geographical regions—helps SASB better understand implementation considerations, emerging issues, and other market needs related to sustainability disclosure.

Today, the SAG consists of 176 industry experts from leading companies, investment firms, and third parties who advise SASB as it works to improve the quality and comparability of sustainability-related disclosure. Representing organizations headquartered in 23 different countries around the world, these members have contributed their views to SASB’s analysis of general and industry-specific implementation considerations, SASB guidance, and SASB’s standard-setting approach.

For example, in 2019, input from the SAG helped SASB:

- Prioritize a systematic, evidence-based review of human capital management and how this cross-cutting issue plays out across SASB’s 77 industries;
- Identify an opportunity to revise and clarify metrics related to raw materials sourcing in the Apparel, Accessories & Footwear industry;
- Inform our understanding of tailings management in the Extractives & Minerals Processing sector as we consider updates to key industry standards; and
- Identify an emerging issue in the Food & Beverage sector related to the rapid growth of alternative meat and dairy products.

This feedback ensures SASB standards evolve with the market and effectively serve the needs of companies and investors. The SAG thus plays a vital role in positioning the standards to become essential, next-generation market infrastructure.

For more information, see sasb.org/sag.

GLOBAL MOMENTUM

In the first full year since SASB standards were released, investors continued to take increasingly robust approaches to incorporating the standards into their decision-making while use among reporting companies ballooned. Users of SASB standards now include many of the world's largest investors, corporations, and other market participants who recognize that delivering shareholder returns and sustainable environmental and social outcomes are not mutually exclusive, but rather mutually supportive pursuits. Companies are using SASB standards to drive greater transparency, better risk management, improved long-term performance, and a stronger, more valuable brand. Investors are using them across asset classes to inform their analyses, drive their engagement with companies, and better meet their risk and return objectives.

BY THE NUMBERS

Early adopters of SASB standards include many of the world's largest companies and investors, representing nearly every industry, sector, and geographic region.



SASB REPORTING COMPANIES (AS OF DEC. 31, 2019)

133 companies using SASB standards

Representing 45 SICs® industries

Domiciled in 20 different countries

SASB INVESTOR SUPPORT (AS OF DEC. 31, 2019)

49 members of SASB's Investor Advisory Group (IAG)

Across 9 countries:

- Canada
- Denmark
- France
- Japan
- Norway
- Sweden
- The Netherlands
- United Kingdom
- United States

Representing \$34 trillion in assets under management

SASB STANDARDS DOWNLOADS (AS OF DEC. 31, 2019)

336,204 SASB standards downloaded

By 28,948 unique users

In 170+ countries



The SASB Investor Advisory Group (IAG)

The SASB Investor Advisory Group (IAG) comprises leading asset owners and asset managers from around the world who recognize the need for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability information. The IAG has more than doubled in size since it was founded in 2016 and by the end of 2019 included 49 members with more than \$34 trillion in assets under management.

Perhaps more importantly, the group expanded its geographic footprint to include members from 9 countries in the Americas, Asia, and Europe. This increasing diversity among SASB supporters represents a growing consensus within the investment community that capital markets need a globally accepted system of sustainability disclosure. It also helps SASB ensure that its work is informed by a broad range of perspectives and amplified internationally through a broad network.

Indeed, the IAG not only provides strategic guidance to SASB, the group also acts as an important lever for corporate uptake of the standards. Through their engagement with portfolio companies, IAG members continue to serve as advocates and ambassadors for SASB's approach. In 2019, the IAG expanded its collaborative engagement program, more than doubling the number of companies reached across Asia, Europe, North America, and South America, and thereby helping to:

- Encourage adoption of SASB standards by communicating investor demand for standardized disclosure on financially material ESG factors to investors;
- Demystify investor interest in and use of financially material sustainability information for investment decision-making;
- Improve understanding of how SASB standards can be used in conjunction with a variety of principles-based frameworks, such as the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and the Integrated Reporting <IR> Framework; and
- Clarify that SASB standards are globally relevant and may be used in a variety of core channels for communicating with investors.

Together, these efforts delivered a unified message: SASB standards help companies produce comparable, consistent, reliable data on the subset of sustainability issues that can influence financial performance and that are therefore of interest to investors.

For more information, see sasb.org/investor-use/supporters/.

SUPPORTING THE MARKET

As uptake of SASB standards expands, so does the market's need for support. SASB provides a variety of tools, resources, events, and programs to help companies, investors, and other market participants more effectively integrate sustainability factors into their work. From licensing SASB's work for integration into third-party products and services, to membership programs and publications, SASB offers a full suite of first- and third-party solutions to help companies, investors, and other market participants drive performance in the key areas where the interests of business and broader society are well aligned.

BY THE NUMBERS

Interest in SASB's first- and third-party resources is growing along with uptake of the standards.

(ALL FIGURES AS OF DEC. 31, 2019)



116 SASB Alliance members from 14 countries



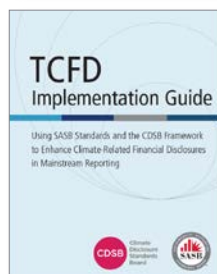
80 licensing organizations from 17 countries

1,254 Fundamentals of Sustainability Accounting (FSA) registrants from 62 countries



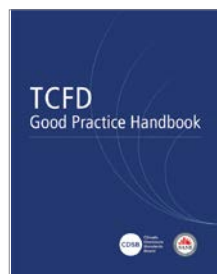
588 SASB Symposium attendees from 21 countries

Meanwhile, SASB supports awareness, understanding, and action among market participants through publications, events, presentations, and speaking engagements around the world.



205 events at which the Standards Board, SASB staff, and SASB Foundation board members spoke or presented in 2019, an increase of 78% over 2018.

2,771 downloads of the TCFD Implementation Guide, jointly published with CDSB



1,619 downloads of the TCFD Good Practice Handbook, also co-published with CDSB





Jeff Cohen, Director of Capital Markets Integration, helps facilitate dialogue about the value of integrating SASB Standards into market infrastructure and investment decision making across asset classes.

SASB Licensing

As global capital markets continue to seek out and rely upon high-quality sustainability information, SASB standards increasingly represent vital market infrastructure to help both companies and investors. A growing number—and variety—of organizations are helping build that infrastructure through licensing use of SASB’s intellectual property in their products and services.

Since 2014, the SASB Foundation has licensed its standards—along with related tools and resources—to power a range of investment strategies, platforms, and products. Examples from recent months demonstrate a growing diversity of applications of SASB standards, including sell-side research and private markets intelligence. For example, Redburn, Europe’s largest independent equities broker, licensed SASB standards to help its analysts more readily identify and assess the financially material ESG factors that intersect with equity valuations. Meanwhile, London-based Preqin, which provides data, solutions, and insights to the alternative assets market, uses SASB standards to power ESG Indicators, a scoring methodology that assesses private capital funds and investor portfolios. These tools and many others further embed SASB standards into the plumbing global capital markets rely on to function efficiently.

Mission-aligned products such as these enable market participants to allocate capital in line with SASB’s approach to sustainability and thus help realize the SASB Foundation’s vision: An investment universe in which a shared understanding of sustainable business practices enables market participants to make more informed decisions that drive improved long-term outcomes for not only companies and investors, but also for the global economy and society at large.

For more information, see sasb.org/license-sasb-framework/.

SELECT
ORGANIZATIONS
LICENSING
SASB’S WORK:

Bloomberg[®]

Danske Bank

 Datamaran[®]

 preqin

REDBURN

STATE STREET
GLOBAL ADVISORS

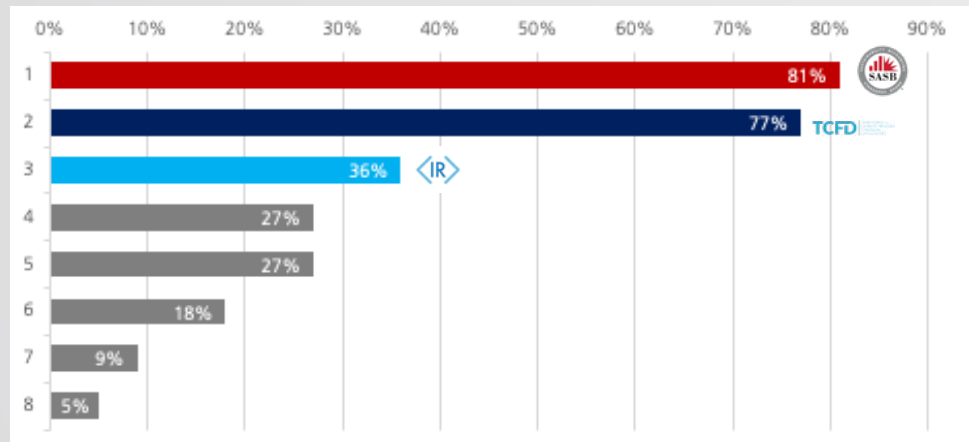
ACHIEVING IMPACT

The expanding geographic footprint of SASB users in 2019 set the stage for truly global impact in the new year and beyond. As 2020 began, European policy initiatives appeared likely to lead to the establishment of an internationally accepted system of standards for non-financial disclosure. At the same time, public statements by leading investors such as BlackRock and State Street Global Advisors made a clear case that SASB standards should play a foundational role in that system. SASB's theory of change is premised on the idea that when markets have access to consistent, comparable, and reliable ESG information, investors can better evaluate performance, more accurately price risks and opportunities, and more readily allocate capital to the firms putting it to its highest and best use. In this way, SASB standards unlock the power of capital markets as a catalyst for change.

BY THE NUMBERS

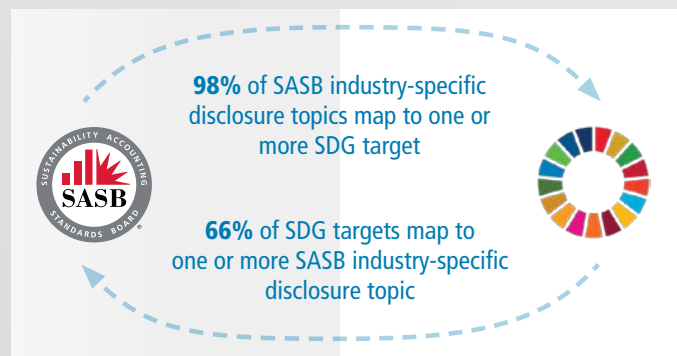
Widespread adoption of SASB standards will unleash competitive forces to tackle sustainability challenges, forging a future in which successful businesses and sustainable outcomes are mutually reinforcing.

SASB standards are the preferred method of ESG disclosure among 41 institutional investors managing \$26 trillion:



Source: Morrow Sodali

SASB is 1 of 12 members of the Impact Management Project's Structure Network, a collaborative effort to provide complete rules of the road for impact measurement, management, and reporting



Source: SASB Industry Guide to the Sustainable Development Goals

SASB Standards: Unlocking Impact at Scale

Around the world, countries, companies, and capital markets have embraced the Sustainable Development Goals (SDGs) as a shared blueprint for a future in which people, planet, and prosperity can peacefully coexist. Although the SDGs were designed to be actionable by governments and civil society, contributions from the private sector will be essential to their achievement. SASB's work can help unlock this potential.

According to estimates from the UN Conference on Trade and Development, \$5 trillion to \$7 trillion each year is required to realize the Goals by 2030—a sum far beyond the capacity of governments and civil society alone. To fill this funding gap and achieve the SDGs, global capital markets must be activated. A growing number of companies and investors recognize the important roles they can play and are poised for action. However, to unlock meaningful contributions that are strategic and scalable, many capital market participants need clarity on how to align their impact goals with their financial objectives.

In response to market demand, SASB conducted a detailed mapping between the impact-focused SDG framework and the financial-materiality-focused SASB standards. This effort aims to help companies and investors turn ambition into action by identifying the "sweet spot" where they can pursue financial returns in a way that also yields social and environmental benefit.

SASB's mapping project found that nearly every SASB disclosure topic (434 of 444) maps to one or more SDG target. Meanwhile, nearly two-thirds of SDG targets (111 of 169) map to one or more of SASB's industry-specific disclosure topics. This high degree of connectivity is important, as it demonstrates that capital markets have a real opportunity to "do good while doing well."

When taken into action, this mapping can enable and empower companies and investors in the following ways:

Investors

- Identify financially relevant SDG targets by industry.
- Inform engagements with companies regarding the links between specific SDG targets and financial performance.
- Inform allocation of capital to industries based on their potential to impact specific SDG targets.

Companies

- Identify financially relevant SDG targets by industry.
- Prioritize activities to address the SDGs that are aligned with industry-specific drivers of value.
- Gather decision-useful performance information on company-specific activities related to key SDGs.

And, perhaps more importantly, by providing companies and investors with a detailed understanding of the important interconnections between industry activities and SDG targets, SASB helps enable the financial horsepower of global capital markets—roughly \$70 trillion in equity markets alone—to help shape a more robust and resilient future for the world and its businesses.

For more information on SASB's mapping to the SDGs, please see our *Industry Guide to the Sustainable Development Goals* white paper at sasb.org/knowledge-hub.



SHARING OUR VISION

SASB is extremely grateful to the following group of committed organizations and individuals with the vision to support standards that enhance the efficiency of capital markets and powerfully address the sustainability challenges of our time. Their generosity fuels the research and outreach needed to develop and maintain our standards and to engage with global capital markets, helping corporations and investors focus on financially material sustainability issues. We are pleased to recognize this distinguished group upon whose shoulders SASB stands. With their support, we work to enhance the efficiency, stability, and resilience of global capital markets so that they may support sustainable, inclusive economic development.

DONORS & SUPPORTERS 2012 – 2019

Contributors at \$1,000,000 and above

Bloomberg Philanthropies
Deloitte ^
Ernst & Young ^
Gordon and Betty Moore
Foundation
KPMG ^
PwC ^
Robertson Foundation
The David & Lucile
Packard Foundation
The F.B. Heron Foundation ^
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The Rockefeller Foundation
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Other Generous Foundation Contributors

Ainslie Foundation
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Rockefeller Brothers Fund
Rockefeller Philanthropy Advisors
Surdna Foundation
TAUPO Fund
The Fink Family Foundation
The Investment Fund
for Foundations
The Kresge Foundation
The McKnight Foundation
The San Francisco Foundation

Other Generous Corporations and Organizations

Angelo Gordon*
Aon PLC*
Arisaig Partners*
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Management LLP*
Ascent Partners Group Limited*
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AXA IM*
Bank of America Merrill Lynch
Barrow Hanley*
BC Investment
Management Corp.*
BlackRock Inc*
Bloomberg L.P.^
Blue Harbour Group*
Boston Trust Walden Company*

Breckinridge Capital
Advisors Inc ^
Brookfield Asset
Management Inc*
Brunel Pension Partnership, Ltd.*
Caisse de dépôt et
placement du Québec*
CalPERS*
CalSTRS*
Calvert Research &
Management*
Capital Group International*
CarVal Investors, L.P.*
CBRE Group Inc*
Charles Schwab Investment
Management*
Cliffwater LLC*
Copper Rock Capital
Partners, LLC*
CPA Canada*
CPP Investments*
Crowe Horwath LLP
Danske Bank A/S*
Desjardins Global Asset
Management*
Domini Impact Investments, LLC*
Eagle Capital*
Equilibrium Capital*
ESG Global Advisors Inc.*
European Investment Bank*
Equilibrium Capital*
Fannie Mae*
Federated Hermes*
Fidelity Investments*

FINANCIALS

MANAGEMENT'S DISCUSSION & ANALYSIS

2019 SUMMARY

The mission of the Sustainability Accounting Standards Board (SASB) Foundation is to establish and improve industry-specific disclosure standards across financially material environmental, social, and governance topics that facilitate communication between companies and investors about decision-useful information. That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

The SASB Foundation envisions an investment universe where a shared understanding of companies' sustainability performance enables companies and investors to make informed decisions that drive improved sustainability outcomes and thereby lead to improved long-term value. The SASB Foundation supports the work of the Standards Board, engages with SASB Alliance members, and provides the market with education and resources that advance the use of SASB standards and the field of sustainability accounting.

The organization operates in three program areas:

- Standard Setting
- Outreach and Adoption
- Education and Resources

We fund our work through three sources: philanthropic grants, market support grants, and earned income from products and membership fees. Since 2017, we have worked to increase funding from diversified, annually recurring sources and to reduce reliance on one-time capital. 2019 saw significant growth in earned income and continuation of major market support grants, and SASB's budget continues to be 100% supported from annually recurring revenues.

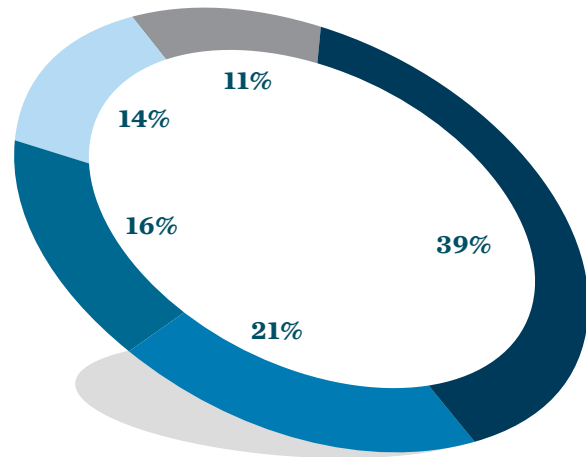
In 2019, net assets decreased by \$2.8 million and the organization ended the year with \$4.5 million in net assets. SASB moved from a \$1.3 million operating deficit for 2018 to a \$300,000 operating surplus in 2019. This shift was largely due to full-year recognition of sizable multi-year year grants from the accounting profession. Net cash increased by \$1.7 million, and the organization ended 2019 with a \$3.7 million cash balance.

SASB's financial condition continues to improve, as more of our budget is based on earned income and predictable multi-year philanthropic and corporate grants. The repayment timeline for \$3 million in zero-interest loans has been extended and these are now due at the end of 2025. We are simultaneously advancing our mission and making significant progress on the business model that funds our work.



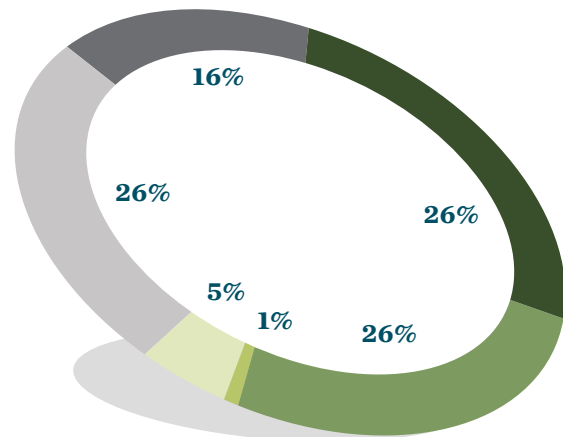
Uses of Funds 2019 (cash basis)

Standards	3,503,039
Outreach	1,886,833
Education & Partnerships	1,442,836
G&A	1,233,949
Fundraising	990,514
Total	9,057,170



Sources of Funds 2019 (cash basis)

Foundation Grants	3,172,333
Corporation Grants	3,150,000
Individual Donations	130,000
In-Kind Contributions	608,213
Earned Income	3,160,832
Prior Year Cash Carryover	1,940,834
Total	12,162,212



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FINANCIAL RESULTS

SASB's financial statements are presented according to U.S. GAAP standards and they reflect the specific reporting requirements of not-for-profit organizations. The following discusses highlights of SASB's activities and financial position as presented in the accompanying audited financial statements.

2019 Revenues

SASB's funding model was developed after investigating the business models of similar standard setters. Under this structure, SASB focuses on three types of revenue to fund annual expenses: Earned income, philanthropic grants, and market support grants.

2019 Revenue: Earned Income

Revenue recognized from earned income is presented on the Statement of Activities and totaled \$2.5 million in 2019 vs. \$1.36 million in 2018. Revenue recognition lags actual product sales, since the service period for many products is allocated over the following 12 months and frequently extends into the next fiscal year.

2019 saw significant growth in year-over-year sales, with the total reaching nearly \$3.2 million (vs. \$1.6 million in 2018). We attribute this growth to several factors:

- Increasing interest in SASB, as we shift market perception from a US-focused tool to globally relevant standards
- Increased and more diversified investor support, as seen in our Investor Advisory Group and SASB Alliance membership
- Increased staffing and travel for outreach to market participants in the US and internationally, including educating them on SASB offerings
- Continued focus on Alliance membership and licensing (and a bundled offering of the two) as key tools for organizations to educate their staff and incorporate SASB standards into their commercial work

	2019 Sales	2018 Sales
Education	\$2,113,544	\$1,175,387
FSA Exam (Levels I & II)	\$319,370	\$184,445
Publications	\$6,240	\$17,157
Webinars / Trainings	\$6,303	0
SASB Symposium	\$524,681	\$389,485
SASB Alliance	\$1,256,950	\$584,300
Resources	\$1,047,289	\$410,980
Navigator	\$70,958	\$72,700
Licensing Partnerships	\$936,331	\$338,280
Total	\$3,160,833	\$1,586,367

Education

SASB Alliance Membership Program

The SASB Alliance provides a forum for education and community among organizations and professionals that wish to help shape and advance the field of sustainability accounting. The number of organizational members grew dramatically again in 2019, ending the year at 116 members, up from 59 in 2018. 2019 renewals remained strong, with 91% of organizational members renewing, which suggests participants get strong value from the program. The number of individual members also increased, up to 84 members in 2019 from 80 in 2018.

Fundamentals of Sustainability Accounting (FSA)

The FSA credential educates professionals on the newly evolving practice of sustainability accounting, helping them to see the role it plays in investment analysis, sustainability,

accounting, and law. The credential is earned by passing both Level I (principles) and Level 2 (practices) exams. The Level I exam was released in fall 2015 and Level II was released in fall 2016. By the end of 2019, over 1,250 candidates had registered for the FSA program, 846 people had taken the Level I exam to begin the credential process, 388 had taken the Level II exam, and 328 passed both exams and were awarded the credential.

FSA test takers live in 62 countries, with two-thirds in the US, 10% in Canada and the rest living around the world. The professional mix at the end of 2019 was:

23%	Consulting
32%	Investor
12%	Corporate Sustainability
6%	Finance/Accounting
4%	Professor
5%	Student
18%	Other

39% of test takers are less than 7 years into their career, 34% are 7-20 years into their career, and 27% are 20+ years into their career.

SASB Symposium

SASB held its fourth annual conference, the SASB Symposium, at Fordham University on December 3. The conference again sold out, with over 600 attendees from 21 countries working in the fields of sustainability, investment management, accounting and corporate reporting, and law and policy. The speakers were 50% women and 31% from outside the U.S. There were 24 organizations sponsoring the Symposium, including 7 new sponsors.

Publications Library

In Q1 2019 we retired the Publications Library as a stand-alone product offering and instead repurposed the content as either free downloads or as a component of our other programs, depending on the content. We believe providing content in this way better supports our goal of promoting better understanding and use of SASB standards, while not significantly impacting SASB revenue.

Resources

Licensing

Licensing allows for organizations to use SASB's intellectual property (IP) to develop a robust and standardized ESG data architecture for use in their commercial activities, including research, processes, services, and products. SASB

offers organizations the opportunity to license SICSTM, SASB standards, and related data. Customers have licensed SASB's IP for integration into data platforms and investor tools, investible products, sustainability management and reporting software, and services that make use of, or reference, SASB's work. Licensing grew dramatically again in 2019 representing nearly 300% growth from 2018.

Navigator

The SASB Navigator is a subscription-based research and information tool providing easy navigation and searchability for all of the SASB topics, metrics, and technical protocols as well as the evidence of materiality for each topic and analysis of disclosure quality of those topics in four years' worth of annual SEC filings for 4,400+ companies. There were 80 paying subscribers in 2019, with a much greater number of Navigator users who don't pay for subscriptions outright but instead have them included with other programs, like licensing and Alliance.

2019 Revenue: Grants

Total grant revenue held steady in 2019, primarily through continued receipts under multi-year pledges secured in prior years. Grant contributions are either motivated by philanthropic considerations (i.e., the social outcomes enabled by SASB standards) or by business considerations (i.e., SASB standards improve the business conditions in which market participants operate). Therefore, SASB segments its grant-seeking by philanthropic grants and market support grants.

2019 Revenue: Philanthropic Grants

In 2019, SASB enjoyed support from a broad base of philanthropic funders. Individual donors and private foundations associated with the SASB board of directors remain our strongest source of funding, totaling approximately \$3 million in 2019. Individual gifts came largely from the SASB board, although other individual contributors include SASB staff, SASB Alliance members, and other individuals supportive of SASB's mission.

2019 Revenue: Market Support Grants

Market Support Grants from organizations that benefit from the implementation and use of the standards provide another pillar in SASB's sustainable revenue model. Significant multi-year pledges secured in 2018 from the accounting profession yielded 2019 contributions totaling \$3.25 million. Additional grants were received from financial market organizations and their corporate foundations.

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2019 Expenses

Program expenses include the staff and vendor costs associated with Standards, Adoption Outreach, and Education and Resources. In addition, these program expenses include an allocation of shared services costs for direct support of these activities (e.g., marketing and communications, technology, occupancy, etc.).

General and administrative expenses represent the unallocated portion of shared services costs as well as un-allocable costs, such as expenses associated with the board and purely corporate expenses.

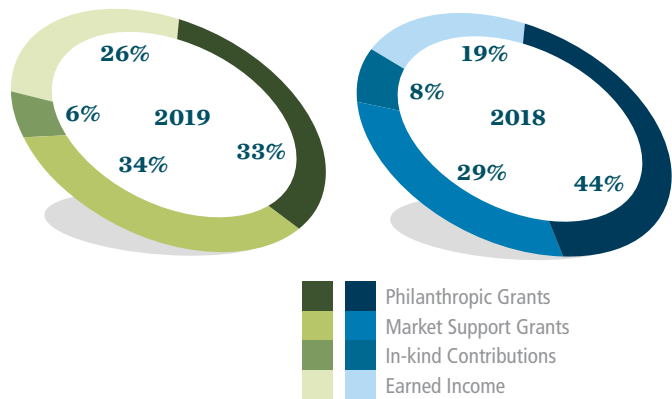
2019 expenses increased to \$9.1 million from \$8.4 million in 2018.

Key components of the expense increase were:

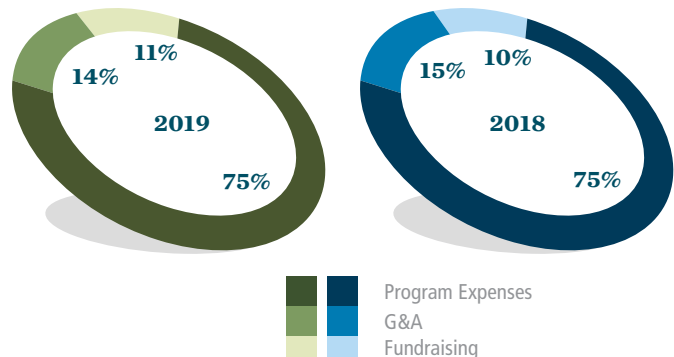
- Addition of CEO and Corporate Outreach positions
- Recruitment to fill vacant staff positions
- Increased international and domestic travel to support standards adoption efforts
- Symposium production cost increases to support event growth from 400 to 600+
- Costs associated with CEO transition

Comparison with Prior Year

Sources Of Operating Revenue	2019	2018
Philanthropic Grants	33%	44%
Market Support Grants	34%	29%
In-kind Contributions	6%	8%
Earned Income	26%	19%



Expenses	2019	2018
Program Expenses	75%	75%
G&A	14%	15%
Fundraising	11%	10%



FINANCIAL POSITION

Net assets decreased by \$2.7 million, moving from \$7.3 million to \$4.5 million. The difference is primarily due to partial recognition of multi-year grant commitments for which future year renewals have not yet been secured. Loans payable remained at \$3 million (these are zero interest loans now payable in December 2025) and current liabilities increased by \$942,000, primarily due to service obligations for an increased amount of earned income that is booked but not recognized in 2019 (now valued at \$1.1 million).

OUTLOOK FOR 2020

While funding is a challenge for all organizations setting voluntary standards, SASB expects to build on its past success for a strong 2020. We expect to continue to fund our budget with sustaining annual revenues and to have breakeven or surplus budgets.

2020 Priorities

In 2020 SASB leadership will continue working to achieve ambitious adoption goals, bolster international uptake of the standards, focus on rationalizing the reporting landscape with greater clarity for corporations and investors, and make strides toward the systems-based impact we seek. Subsequent to December 31, 2019, the world has struggled with the challenges of the Covid-19 pandemic. Despite these challenges and market uncertainty, SASB's financial performance during 2020 should remain solid.

CHALLENGES AND OPPORTUNITIES

Fundraising

Raising philanthropic dollars is challenging for any organization, and SASB's market orientation makes it less known and less understood within traditional philanthropic circles. In addition, SASB is no longer a new organization, of the type that attracts general operating support grants as startup capital. At this

point in SASB's life cycle, philanthropic gifts are smaller and more often directed to specific projects and opportunities.

Corporate grants, especially from the accounting and auditing profession, have become a significant source of annual funding, representing roughly one-third of the annual budget. Other corporate support takes the form of corporate purchases of SASB products and resources, and we are working to build those revenues.

Attracting and Retaining Staff

Achieving the SASB mission requires a highly capable and committed staff. SASB has continued to attract a talented staff and has worked to retain them in the face of the scarce resources and changing conditions common to ambitious startup enterprises.

While we must guard against overwork or burnout that could weaken retention of key staff, SASB's successes and market momentum have given it a high profile and a strong reputation, which attracts top-tier talent for open positions. We have added talented fresh recruits to our existing staff, which allows a team with a blend of experience and fresh thinking and perspectives.

Conflict of Interest

As an independent, non-partisan standard setter, SASB must conduct its work with the highest integrity, in ways that avoid both conflicts of interest and the appearance of such conflicts. Our two-tier governance structure, which has The SASB Foundation delegating standard setting authority to the independent operations of the SASB Standards Board helps to ensure the insulation of standard setting activities from funding considerations.

Confidentiality and Information Security

SASB stakeholders entrust SASB with the information SASB needs to understand an issue from multiple views and create good, balanced standards. To maintain this trust, SASB and its stakeholders must both be clear when comments and feedback are meant for private advice or the public record, and its systems and processes should support that separation. In addition, systems must remain secure, with SASB noting and mitigating risk factors. SASB continues to monitor processes and systems in to ensure the tightest possible management of data and information.

FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF FINANCIAL POSITION

As of December 31	2019	2018
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	3,677,383	1,940,834
Accounts, grants, and pledges receivable	3,649,616	3,768,402
Prepaid expenses	175,696	248,256
Total current assets	7,502,695	5,957,492
<i>Noncurrent Assets</i>		
Grants and pledges receivable, net	2,218,500	5,481,592
Equipment, leaseholds, and trademarks	58,851	103,731
Right of use asset - premises	832,186	1,052,784
Other Assets	29,475	64,350
Total noncurrent assets	3,139,012	6,702,457
Total assets	10,641,707	12,659,949
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	274,241	221,039
Unearned income	1,112,135	500,305
Lease payable - current portion	223,648	201,177
Accrued payroll liabilities	871,474	616,844
Total current liabilities	2,481,498	1,539,365
<i>Noncurrent Liabilities</i>		
Loan payable	3,000,000	3,000,000
Lease payable - noncurrent portion	627,959	851,607
Total noncurrent liabilities	3,627,959	3,851,607
Total liabilities	6,109,457	5,390,972
Net Assets		
Without donor restriction	(3,172,694)	(3,489,294)
With donor restriction	7,704,944	10,758,271
Total net assets	4,532,250	7,268,977
Total Liabilities and Net Assets	10,641,707	12,659,949

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FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF ACTIVITIES

As of December 31	2019	2018
<i>Changes in net assets without donor restrictions</i>		
Revenue and support		
Foundation grants	2,007,5370	2,181,000
Corporation grants	339,115	113,275
Individual donations	148,969	77,448
In-kind contributions	608,213	552,716
Earned income	2,471,367	1,365,066
Other income	-	1,296
<i>Net assets released from restrictions</i>		
Foundation grants	902,778	891,667
Corporation grants	2,885,791	1,920,829
Individual donations	10,000	10,000
Total net assets released from restrictions	3,798,569	2,822,496
Total changes in net assets without donor restrictions	9,373,770	7,113,297
Expenses		
Program expenses	6,832,707	6,375,100
General and administrative	1,233,949	1,236,085
Fundraising	990,514	828,334
Total expenses	9,057,170	8,439,519
Change in net assets without donor restrictions	316,600	(1,326,222)
<i>Changes in net assets with donor restrictions</i>		
Revenue and support		
Foundation grants	700,000	200,000
Corporation grants	-	10,775,000
Changes in discount on long-term receivables	45,242	(44,220)
Net assets released from restrictions	(3,798,569)	(2,822,496)
Total changes in net assets with donor restrictions	(3,053,327)	8,108,284
Increase (decrease) in net assets	(2,736,727)	6,782,062
Net (deficit) assets at beginning of year	7,268,977	486,915
Net assets at end of year	4,532,250	7,268,977

FINANCIAL STATEMENTS & AUDITOR'S NOTES

STATEMENT OF CASH FLOWS

	Year ended December 31	2019	2018
Operating activities			
Increase (decrease) in net assets		(2,736,727)	6,782,062
Adjustments to reconcile to cash provided by operating activities			
Depreciation and amortization		53,396	88,025
Change in discount on long-term receivables		(45,242)	44,220
Changes in:			
Accounts, grants, and contributions receivable		3,427,120	(6,639,127)
Prepaid expenses		72,560	(66,530)
Right of use asset - premises		220,598	-
Other assets		34,875	(21,700)
Accounts payable and accrued liabilities		53,202	(33,503)
Unearned income		611,830	244,812
Accrued payroll liabilities		254,630	28,224
Deferred rent liability		-	(18,467)
Cash provided by operating activities		1,946,242	408,016
Investing activities			
Acquisition of equipment, leaseholds, and trademarks		(8,516)	(20,961)
Capitalization of right of use asset		-	(1,052,784)
Cash used for investing activities		(8,516)	(1,073,745)
Financing Activities			
Principal payments applied to lease payable		(201,177)	-
Establishment of Lease payable		-	1,052,784
Cash provided by (used for) financing activities		(201,177)	1,052,784
Net increase (decrease) in cash and cash equivalents		1,736,549	387,055
Cash and cash equivalents at beginning of year		1,940,834	1,553,779
Cash and cash equivalent at end of year		3,677,383	1,940,834
Additional cash flow information:			
State registration taxes paid		225	150
Interest and finance charges paid		-	4,693

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1. Organization

Previously registered as the Sustainability Accounting Standards Board before changing its name in 2017, the SASB Foundation (SASB) is a 501(c)(3) non-profit organization incorporated in California in 2011.

The mission of the Sustainability Accounting Standards Board (SASB) Foundation is to establish and improve industry specific disclosure standards across financially material environmental, social and governance topics that facilitate communication between companies and investors about decision-useful information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of SASB have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to SASB's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

SASB's cash and cash equivalents consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk

Financial instruments that potentially subject SASB to concentrations of credit risk consist principally of cash and cash equivalents. SASB maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. SASB manages deposit

concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, SASB has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of SASB's mission.

Contributions Receivable

SASB records receivables that are expected to be collected within one year at net realizable value. When material, receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue in the statement of activities. The allowance for doubtful accounts is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Receivables and Credit Policies

SASB uses an allowance for doubtful accounts receivable as needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets. SASB follows the provisions of ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit

Entities and has estimated the fair value of its investments using available market information and other valuation methodologies.

Equipment, Leasehold Improvements, and Trademarks

SASB records any equipment and leasehold improvements additions with a cost of \$2,500 or over, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. SASB reviews the carrying values of equipment, leaseholds, and trademarks for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. SASB has determined that no long-lived assets were impaired during the years ended December 31, 2019 and 2018, respectively.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

In-Kind Contributions

In-kind contributions are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Unearned Income

Unearned income represents funds received in advance for annual membership and licensing fees which will not be earned until the subsequent fiscal year.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, professional services) have been allocated based on time and effort using SASB's payroll allocations. Other expenses (depreciation and amortization, insurance, and occupancy) have been allocated based on headcount at either SASB or the SASB San Francisco office.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). SASB groups assets at fair value in three

FINANCIALS

2. (continued ...)

levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted not to do so as of December 31, 2019.

Net Assets with Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes

SASB is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. SASB is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. SASB is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it had no unrelated business taxable income for the year ended December 31, 2019.

SASB has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that SASB continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements

The following pronouncements were recently applied to SASB financial statements:

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an

entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of August 7, 2020 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that SASB has the ability to continue as a going concern.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) Accounting for Leases, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11. This new pronouncement is effective for fiscal years beginning after December 15, 2020, but SASB has elected early implementation.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SASB has adjusted the presentation of these statements accordingly.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should

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2. (continued ...)

be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, the Organization has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and money market accounts) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at December 31:

	2019	2018
Checking accounts	\$1,237,020	\$406,946
Money market and savings accounts	2,440,363	1,533,888
Total cash and cash equivalents	\$3,677,383	\$1,940,834

Money market and savings accounts earn interest at rates at 0.11% per annum at December 31, 2019.

4. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable of \$5,903,400 and \$9,326,736 at December 31, 2019 and 2018, respectively, consist of current and noncurrent amounts due from foundations, corporations, and individual donors.

As of December 31, 2019, management has established an estimated allowance for doubtful collections in the amount of \$3,784. There was no allowance for doubtful accounts as of December 31, 2018. Bad debt expense amounted to \$3,784 and \$8,329 for the years ended December 31, 2019 and 2018, respectively.

Accounts, grants and pledges receivable are expected to be collected as follows:

	2019	2018
Year ending December 31, 2019	\$ -	\$3,768,402
Year ending December 31, 2020	3,653,400	3,408,334
Year ending December 31, 2021	1,250,000	1,150,000
Year ending December 31, 2022	1,000,000	1,000,000
Total accounts, grants and pledges receivable	5,903,400	9,326,736
Less: Allowance for estimated doubtful collections	(3,784)	-
Less: Amounts due within one year	(3,649,616)	(3,768,402).
Less: Unamortized discount	(31,500)	(76,742).
Accounts, grants and pledges receivable long term, net	\$2,218,500	\$5,481,592

Accounts, grants and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.4% per annum. The discount related to the present value calculation is accreted back into income over the estimated collection period of the accounts, grants and pledges receivable.

5. Fair Value Measurements

Composition of investments utilizing fair value measurements at December 31, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts, grants and pledges receivable	\$5,903,400	\$-	\$3,684,900	\$2,218,500
Totals	\$5,903,400	\$-	\$3,684,900	\$2,218,500

Composition of investments utilizing fair value measurements at December 31, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
Accounts, grants and pledges receivable	\$9,326,736	\$ -	\$3,845,144	\$5,481,592
Totals	\$9,326,736	\$ -	\$3,845,144	\$5,481,592

6. Equipment, Leaseholds, and Trademarks

Equipment, leaseholds, and trademarks consist of the following at December 31:

	2019	2018
Leasehold improvements	\$324,808	\$324,808
Equipment and furnishings	29,477	20,961
Trademark	71,884	71,884
Less: accumulated depreciation and amortization	(367,318)	(313,922)
	\$58,851	\$103,731

Depreciation and amortization expense amounted to \$53,396 and \$88,025 for the years ended December 31, 2019 and 2018, respectively. There were no dispositions during the years ended December 31, 2019 and 2018.

7. Right of Use Asset and Leases

In accordance with ASU 2016-02, Leases, SASB is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. At December 31, 2019, SASB has recorded a total lease liability in the amount of \$851,607 (split between current amount of \$223,648 and noncurrent amount of \$627,959) with a corresponding right of use asset for the premises in the amount of \$832,186.

At December 31, 2018, SASB has recorded a total lease liability in the amount of \$1,052,784 (split between current amount of \$201,177 and noncurrent amount of \$851,607) with a corresponding right of use asset for the premises in the amount of \$1,052,784 at December 31, 2019.

SASB leases corporate office space in San Francisco under a multi-year operating lease agreement from an unrelated third party with an expiration date of May 31, 2023. The monthly base rent as of December 31, 2019 is \$21,700 per month and is subject to a 3% increase annually every June 1. Office rent expense amounted to \$289,961 and \$218,025 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments as of December 31, 2019 are as follows: year ending December

31, 2020: \$264,957; year ending December 31, 2021: \$272,906; year ending December 31, 2022: \$281,093; and year ending December 31, 2023: \$118,561.

8. Liquidity

SASB regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. SASB has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, SASB considers all expenditures related to setting industry-specific standards for corporate sustainability disclosure as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, SASB operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The following table shows the financial assets held by SASB and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2019	2018
Cash and cash equivalents	\$3,677,383	\$1,940,834
Accounts, grants and pledges receivable	3,653,400	3,768,402
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(472,222)	-
Financial assets available to meet general expenditures over the next twelve months	\$6,858,561	\$5,709,236

SASB receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, SASB must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of SASB's liquidity management, it has a

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policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

9. In-Kind Donations

During the years ended December 31, 2019 and 2018, SASB was the recipient of a substantial amount of in-kind donations. The values of these contributions have been reflected in the financial statements because such donations were susceptible to objective measurement and therefore met the criteria for recognition under ASC 958.30 Gifts in Kind and are reflected in the financial statements as follows for the years ended December 31:

Description	2019	2018
Consulting services	\$470,000	\$467,500
Computer terminal rentals	94,560	71,027
Travel	28,282	4,200
Events	15,371	9,989
Totals	\$608,213	\$552,716

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, Compensated Absences. Under ASC 710.25, SASB is required to record a liability for the estimated amounts of compensation for future absences. Sick leave is not paid upon termination. Estimated annual leave accruals of \$237,112 and \$249,700 are recorded in the financial statements as accrued payroll liabilities on the statements of financial position. Total accrued payroll liabilities amounted to \$871,475 and \$616,844 at December 31, 2019 and 2018, respectively.

11. Loan Payable and Related Party Transactions

Loan payable of \$3,000,000 at December 31, 2019 and 2018 represents a noninterest-bearing loan from Bloomberg Philanthropies to be repaid as SASB raises sufficient funds from its earned income activities. Michael Bloomberg is the Chairman Emeritus of the Board at SASB. There was no interest expense for the years ended December 31, 2019 and 2018. On May 20, 2020, SASB

signed a first amendment to the loan agreement which extended the maturity date of the loan payable to December 31, 2025.

12. Retirement Plan

SASB offers employees the opportunity for participation in a salary reduction retirement plan (the "Plan") qualified under Internal Revenue Code Section 401(k). The Plan provides employees with the opportunity to defer a portion of their salary subject to annual statutory limitations. Employees must meet certain age and work requirements in order to be eligible to participate in the Plan. The Plan provides for discretionary employer contributions which amounted to \$373,300 and \$305,789 for the years ended December 31, 2019 and 2018, respectively. Employer contributions are subject to a vesting schedule in accordance with Internal Revenue Service regulations.

13. Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of (\$3,172,694) and (\$3,489,294) at December 31, 2019 and 2018, respectively, represent the cumulative net deficits since the organization's inception. The Board of Directors may elect certain unrestricted balances to be set aside as Board-designated funds, with future changes subject to approval by the Board. There were no Board-designated funds at December 31, 2019 and 2018.

Net Assets with Donor Restrictions – Time and Purpose

SASB recognizes support from donations with restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Time restricted donations:		
Deloitte & Touche LLP	\$1,125,000	\$2,020,847
Ernst & Young	662,500	1,062,500
Ford Foundation	66,667	116,666
KPMG	1,000,000	1,666,666
PriceWaterhouseCoopersLLP	3,500,000	4,500,000
Robertson Foundation	333,333	666,667
Robert Wood Johnson Foundation	472,202	-
Rockefeller Brothers Fund	-	41,667
Zegar Family Foundation	500,000	750,000
Board Pledges	-	10,000
Unamortized discount on long-term receivables	45,242	(76,742)
Total net assets with donor restrictions	\$7,704,944	\$10,758,271

During the years ended December 31, 2019 and 2018 SASB received \$700,000 and \$10,975,000, respectively, in donations with restrictions. Donations released from donations with restrictions amounted to \$3,798,569 and \$2,822,496 for the years ended December 31, 2019 and 2018, respectively.

14. Commitments and Contingencies

In the normal course of business there are various outstanding commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate SASB to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond SASB's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject

to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

15. Subsequent Events

In compliance with ASC 855, Subsequent Events, SASB has evaluated subsequent events through August 7, 2020, the date the financial statements were available to be issued. Subsequent to the end of SASB's fiscal year on December 31, 2019, a novel coronavirus emerged, which the World Health Organization declared as a global pandemic in March 2020. The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which SASB conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. As of August 2020, management represents that SASB's net financial results have not been negatively impacted. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by SASB as a result of these events.

On May 20, 2020, SASB signed a first amendment to the loan agreement (see Note 11) which extended the maturity date of the loan payable to December 31, 2025. In the opinion of management, there are no other subsequent events which are required to be disclosed.

16. Operating Results and Going Concern

SASB has developed resources, publications, and education programs which generate earned income, contributing to the organization's diversified funding model and supporting SASB's independence as a standard setter. SASB has experienced real growth in earned income. Earned income amounted to \$2,471,367 in 2019, \$1,365,066 in 2018, \$756,549 in 2017, and \$352,742 in 2016. Management is proud of the offerings

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supporting the communities which have been created with Fundamentals of Sustainability Accounting (FSA) program, SASB Symposium, licensing agreements, SASB Navigator, SASB Library, and SASB Alliance.

Market support grants from organizations which benefit from the implementation and use of the standards provide another pillar in SASB's sustainable revenue model. Significant multi-year pledges secured in 2018 from the accounting profession materialized into 2019 contributions totaling \$3.25 million. Additional grants were received from financial market organizations and their corporate foundations.

The remaining pillar in SASB's business model is annual philanthropy from foundations, individuals, and SASB's board of directors. Funding from these sources during 2019 was similar to the 2018 fiscal year.

SASB closed 2019 with its strongest ever cash balance of \$3.7 million. Cash expenses for the full year were approximately \$8.4 million, against a Board-approved budget of \$8.6 million.

MANAGEMENT'S REPORT ON FINANCIAL RESPONSIBILITY AND INTERNAL CONTROLS

The SASB Foundation's management is responsible for preparing the organization's financial statements and ensuring the accuracy of the information in this report. The statements have been prepared according to US GAAP. Management also establishes and maintains the systems for financial reporting and internal controls designed to ensure the completeness, accuracy, and integrity of financial reporting.

The SASB Foundation's Board of Directors, through the Audit Committee and the office of the Treasurer, oversees the organization's financial and accounting policies, policies and procedures for internal controls, and its independent audits. The organization's auditors render an objective, outside opinion on the financial statements each year, and they have direct access to discuss matters with the Audit Committee, both with and without the presence of management.

The Foundation's internal controls are designed to provide reasonable assurance that the financial statements present fairly, in all material respects, the financial position of the organization as of December 31, 2019.



Matthew Welch
SASB Foundation President & COO



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