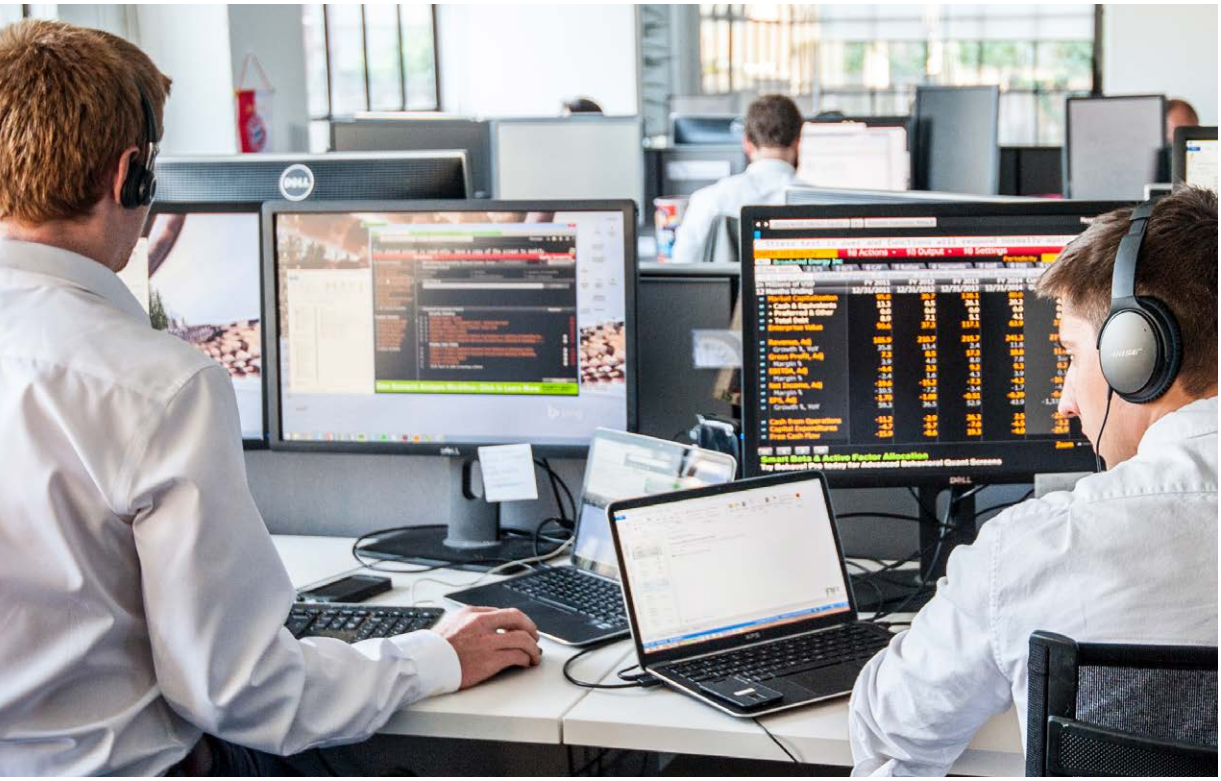
2015 ANNUAL REPORT



FOR THE MARKET, BY THE MARKET

FENNIE+MEHL; COVER: AMY PERL

"Transparent markets more efficiently distribute capital. Fair markets bring investors and their capital into the game."

Mary Schapiro
Chair
U.S. Securities & Exchange Commission

INTRODUCTION

Global megatrends – climate change, resource depletion, globalization, and technological innovation – are reshaping how corporations and their investors think and operate. The capital markets are responding to these forces, but without adequate information, they continue to face growing risks.

Investors are calling for effective disclosure on material sustainability factors. Issuers are concerned about the burden of disclosure. By issuing the first set of sustainability accounting standards to the U.S. capital markets, SASB is a solution for this need.

For the first time, issuers and investors will have the **material**, **decision-useful**, **cost-effective**, **evidence-based** and **industry-specific** information they need to better understand and manage sustainability risks and opportunities. But it isn't possible without market feedback and involvement, which is why companies and investors are integrally involved in our process.

These are the attributes of high-quality market standards. They're also the defining attributes of SASB. They're not buzzwords; they're authentic and integrated. They're deeply embedded in our DNA – shaping, accentuating, and driving who we are, what we do, and how we do it.

SASB standards are **for the market, by the market.**

OUR MISSION

The mission of SASB is to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors in a cost-effective manner, in mandatory filings such as the SEC Form 10-K and 20-F.

That mission is accomplished across 79 industries through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

LETTER FROM SASB FOUNDER & CEO

Capital markets depend on standards. They ensure depth, liquidity, trust, and fairness. And yet, we take standards for granted. Imagine a world without financial reporting standards. It would be chaos – inefficient, unstable, and biased. It would be hard, if not impossible, to obtain a true and fair representation of corporate performance, and challenging to put capital to its highest and best use. The world of sustainability reporting today is all of these things. It's dysfunctional and chaotic. But not for much longer.

Investors acknowledge that a company's performance on select environmental, social, and governance (ESG) issues can minimize downside risk and maximize upside opportunity. Companies are grappling with the challenges too – but many companies aren't yet disclosing these risks and opportunities in a decision-useful way. Both sides need better information in order to make better decisions. We hear you. You need better data, not more data; you need a focus on material factors. We're listening.

What's needed is accounting standards for measuring sustainability fundamentals alongside financial fundamentals. SASB is making significant progress toward standardizing sustainability disclosure for the capital markets. It is my great pleasure to report on SASB's most significant accomplishments of the past year, as we continue to advance our mission of developing standards for the market, by the market.

Of course, investors aren't the only ones thinking long term. The future is very much on our minds at SASB, as 2015 was a year in which we devoted significant time and energy to major transitions that will chart the course of our organization both in the near term and over the next decade. As we worked toward issuing all 79 provisional standards, we developed governance processes and organizational infrastructure to support codification and maintenance of the standards going forward. We transitioned our team from generalist researchers to dedicated sector analysts who examine industry issues and respond to market feedback on the standards. We launched earned-income programs, including an education credential that advances the field of sustainability accounting. We turned attention from standards development to implementation by issuers and use by investors, putting in place key staff and support mechanisms for market actors.

And finally, we moved our offices into a more functional and permanent headquarters in San Francisco's financial district. In the pages that follow, you'll see pictures from our new space – it's bright, bold, and primed for growth, mirroring the spirit of both our mission and our team.

Even in the midst of these major transitions, we never lost sight of delivering world-class standards to the market. Each set of provisional standards underwent 12-18 months of development that included gathering evidence of financial materiality and input from corporate professionals, investors, and other stakeholders. A Harvard Business School study validated our approach, demonstrating that focusing on material factors can help companies deliver significantly higher financial returns.

Our work is just beginning.

On the following pages, you'll find an overview of our 2015 accomplishments. Our progress – largely due to the continued support of our stakeholders – allows us to move the conversation forward. Together, we're creating a common language for issuers and investors. We're moving from transparency to performance. We're creating value for business, investors, and society.

We look forward to working with you in 2016 to account for a more sustainable future.

Jean Rogers, PhD PE
Founder & Chief Executive Officer

AMY PERL

"The more complete and reliable the information that investors have, the better markets work – and that benefits not only individual investors but all of society."

Michael R. Bloomberg
Chair, SASB Board of Directors

MATERIALITY

An objective legal standard, materiality puts the reasonable investor at the center of determining what would alter their perception of whether to buy, sell, or hold a stock. It's core to the conversation between issuers and investors. If it's not likely to affect the financial condition or operating performance of a company, then it's not in our standards. Materiality matters – to investors and to us.

SASB standards do not call for new regulation; instead we're helping companies comply with existing requirements. SASB standards are designed to be integrated into the Management's Discussion and Analysis (MD&A) and other relevant sections of mandatory SEC filings, such as the Form 10-K and 20-F, so that information is reliable and all investors have access to material, comparable information without the need to access separate reports, source it from questionnaires or purchase it from commercial vendors.

"Material information" is defined by the U.S. Supreme Court as presenting a substantial likelihood that the **disclosure** of the omitted fact **would** have been viewed by **the reasonable investor** as having significantly altered the **"total mix" of information** made available.

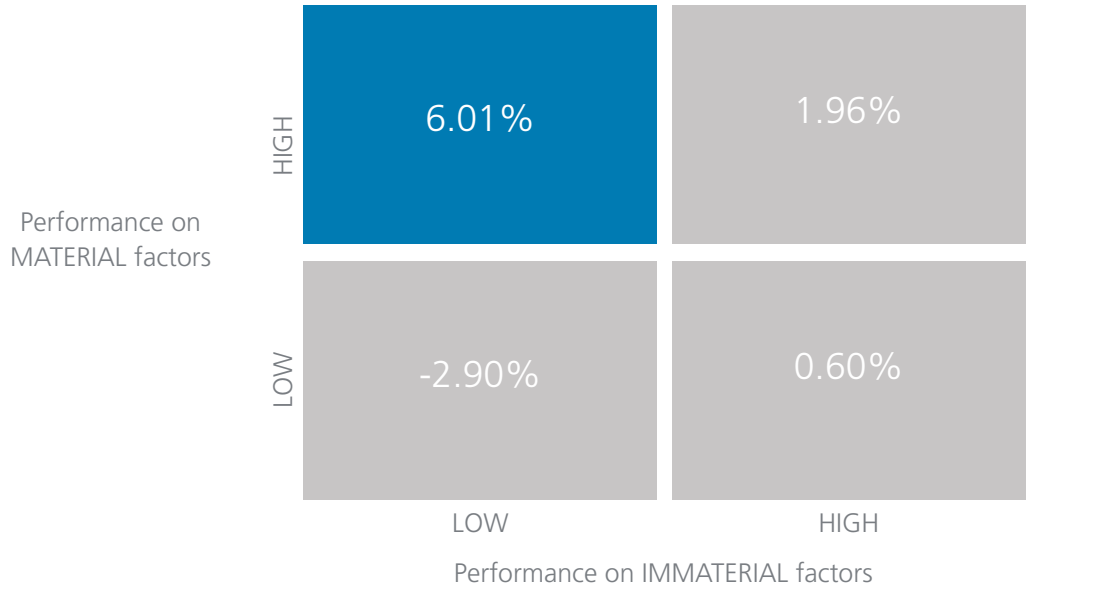
-TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976)

2015 research from Harvard Business School* validates SASB's approach to materiality.

- "Corporate Sustainability: First Evidence on Materiality" fills an important void in the academic literature investigating the link between sustainability and corporate performance. It's the first significant study to differentiate between sustainability factors likely to have material impacts and those that are not – using SASB standards as a foundation
- Firms with good performance on "material sustainability issues" and concurrently poor performance on "immaterial sustainability issues" enjoy the strongest financial returns

According to SASB research: 75% of the disclosure topics in SASB standards are already acknowledged as material and disclosed by companies in SEC Form 10-K – but not effectively.

Stock Returns (in annualized alpha) by Type of Sustainability Performance



*"CORPORATE SUSTAINABILITY: FIRST EVIDENCE ON MATERIALITY," WORKING PAPER BY MOZAFFAR KAHN, GEORGE SERAFEIM AND AARON YOON, HARVARD BUSINESS SCHOOL, 2015

"SASB's standards support the SEC's mission to protect investors and maintain efficient markets. In today's world, where intangible assets comprise a significant portion of S&P market value, investors need industry-specific data on non-financial factors which are important to risk mitigation and long-term value creation."

Aulana Peters, JD
Former SEC Commissioner
SASB Board Member

FENNIE+MEHL


ALCOHOLIC
BEVERAGES
TOBACCO
FOOD RETAILERS &
DISTRIBUTORS
DRUG RETAILERS &
CONVENIENCE
STORES
MULTILINE AND
SPECIALTY RETAILERS
& DISTRIBUTORS
E-COMMERCE
APPAREL
ACCESSORIES &
FOOTWEAR

INDUSTRY-SPECIFIC

Not all sustainability issues matter to all industries – and when they do, they require different metrics. Even nearly universal challenges, such as climate change, manifest differently from one industry to the next when viewed through the lens of materiality. Investors need industry-specific metrics in order to understand and price risk.

We can't set standards that are material and cost-effective unless they're industry-specific. Using SICS™ (Sustainable Industry Classification System), we develop a clear and comprehensive picture of material sustainability impact across the entire business landscape.

After all, analysts cover industries, not issues.

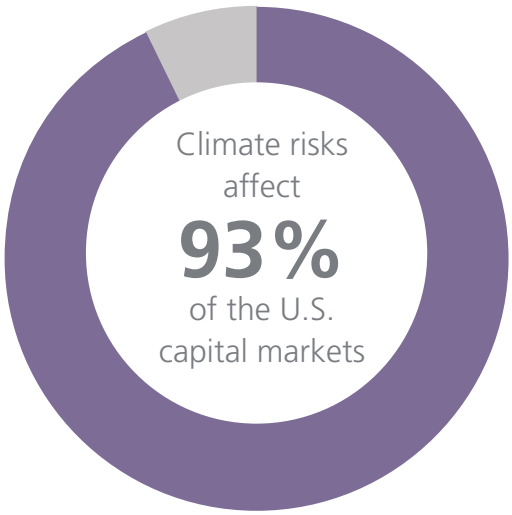
Through SASB's research, the unique sustainability profiles of 79 industries and 10 sectors have begun to emerge – and no two are alike.

For the first time, using SASB standards, investors can understand their exposure to ESG risk across the entire spectrum of an equities portfolio.

Climate risks affect most of the world – and the majority of capital markets. But the industry impacts are unique.

- Simply reporting GHG emissions across the board doesn't tell us anything about event readiness or disease migration in health care. Or the potential for stranded assets in fossil fuel-based industries. Or about the energy intensity of data centers in technology and communications.
- SASB's industry-specific approach provides key insights on the ultimate source of GHG emissions, and focuses on pressure points and signals for market-based approaches to mitigation and innovation.

SASB is the only sustainability standard to cover all 79 industries.



SASB research indicates that climate risk – defined as physical risks, transition risks, and regulatory risks – affect 72 out of 79 industries in the capital markets.

AMY PERL

"The investment world is constantly evolving and changing. If you're not learning, you're falling behind. As a CIO, I believe SASB standards will be part of our future investment curriculum."

Christopher J. Ailman
Chief Investment Officer
The California State Teachers' Retirement System (CalSTRS)

DECISION-USEFUL

The current state of sustainability information and disclosure is chaotic, positively biased, and incomplete. In a word, it's not decision-useful. Analysts and investors need to be able to type in a ticker and pull up sustainability fundamentals alongside financial fundamentals. This is our vision and we're bringing it to life.

With access to complete data sets, investors can benchmark and compare performance – creating a race to the top on the sustainability issues most closely tied to value creation in their industry.

SASB is the only accounting standard in the world designed to provide investors with the information they require to understand and price sustainability risk and opportunity.

By helping companies identify the ESG topics most relevant to their industry – and the best accounting metrics to manage performance – we're making disclosure more complete, more comparable, and more useful. It's not a matter of getting one company to do better, but encouraging all companies to compete on performance.

More than 40% of all disclosures on sustainability topics contain boilerplate language. Only 15% use metrics.

almost

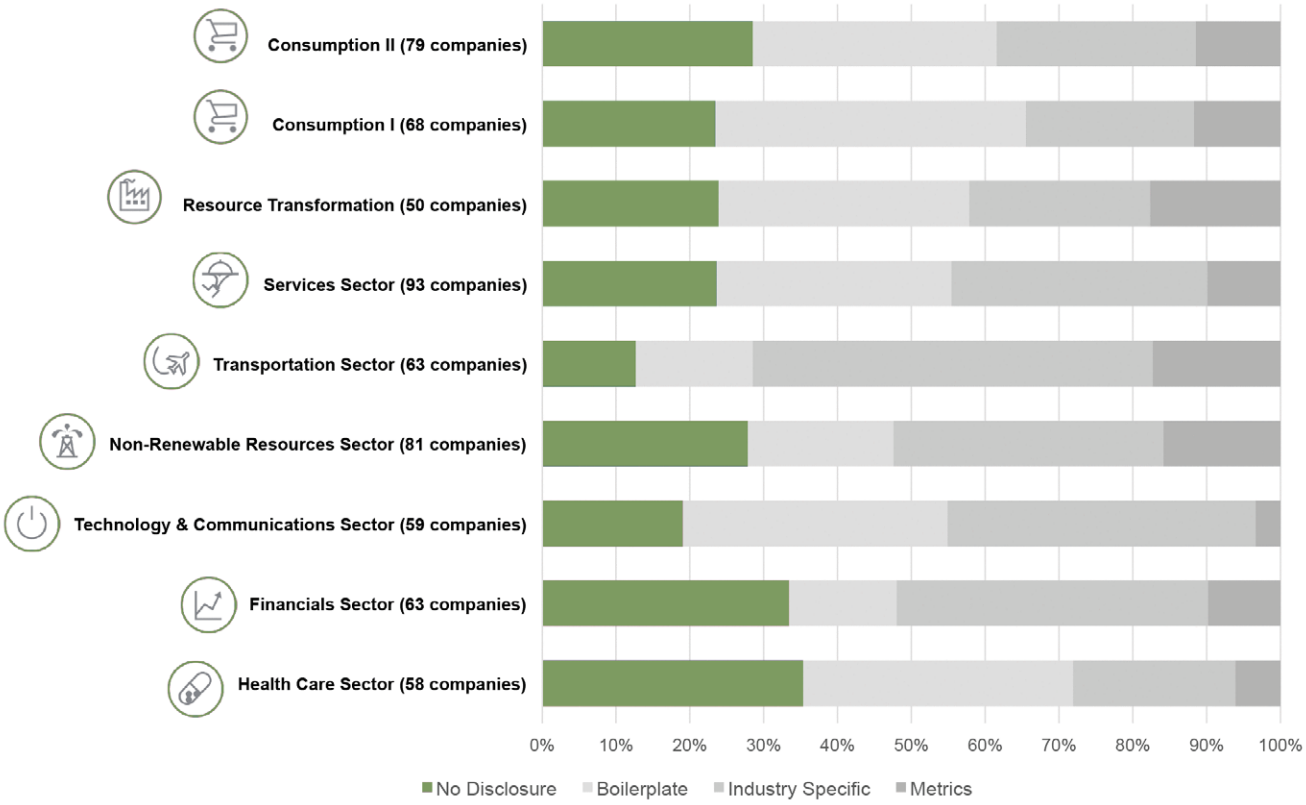
75%

of institutional investors

consider sector-specific criteria to be very beneficial

to investment decision-making

SOURCE: 2015 EY SURVEY



90%

of the significant negative corporate events

are not reported

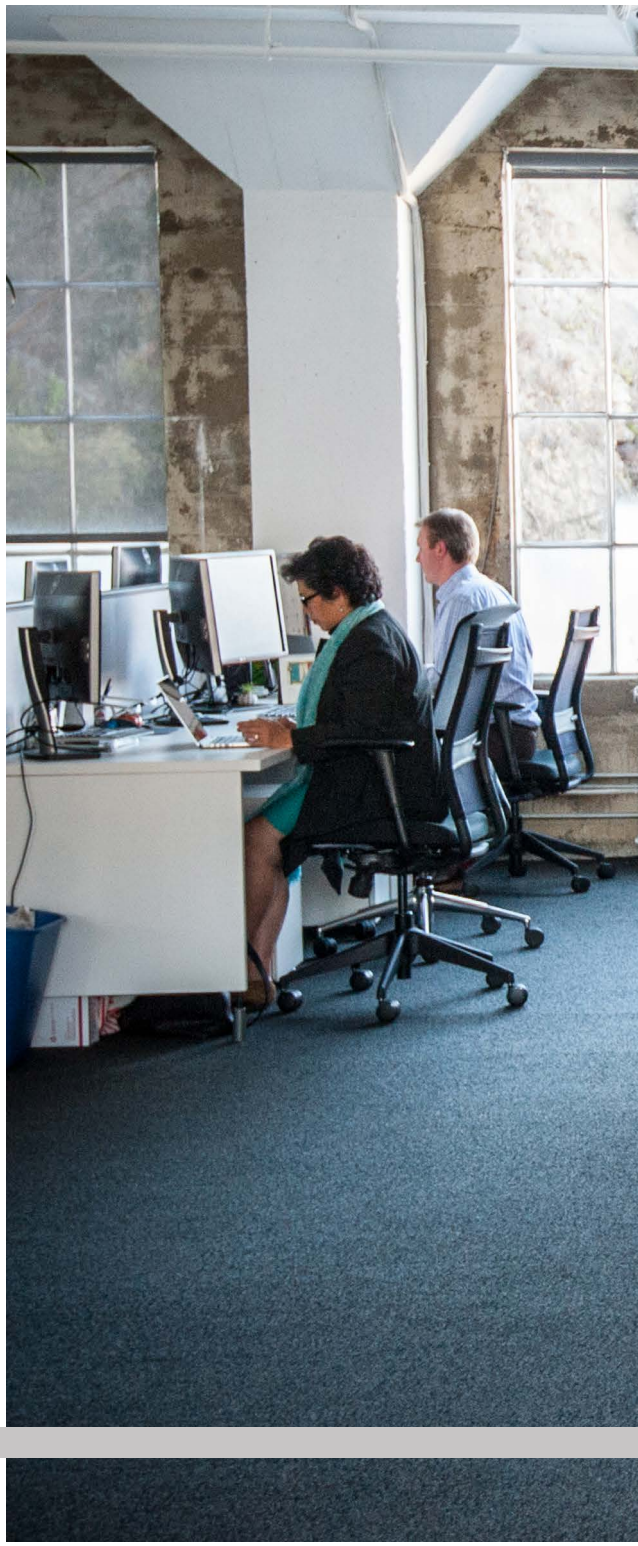
by companies in their CSR reports

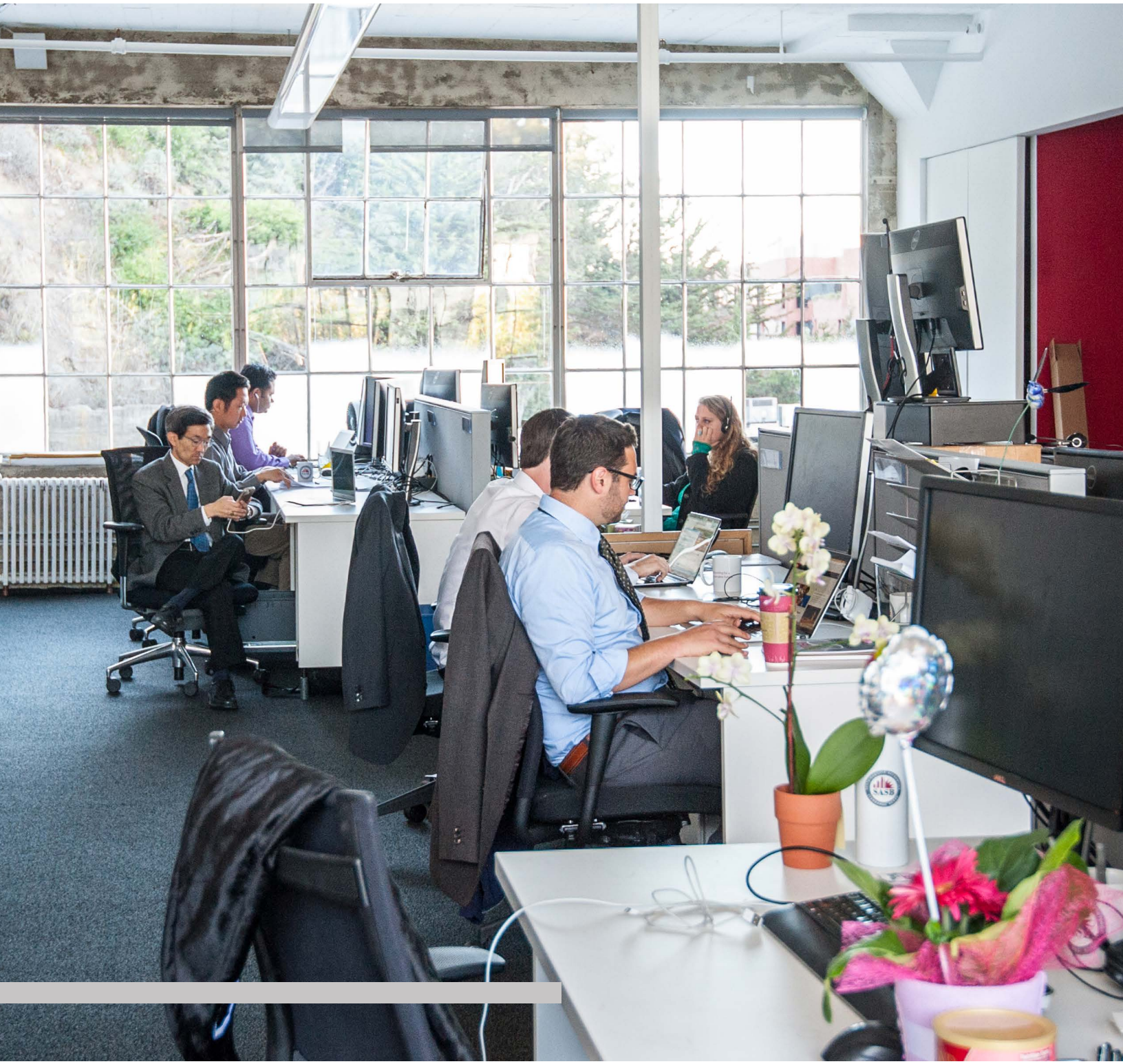
SOURCE: ACCOUNTING, AUDITING & ACCOUNTABILITY JOURNAL STUDY

"SASB's work to develop accounting standards for specific sustainability metrics is key to helping organizations determine what is material to their businesses and report on these metrics in a consistent manner."

Nick Pfeiffer
Corporate Controller
FMC Corporation

AMY PERL





COST-EFFECTIVE

Large-cap companies respond to hundreds of information requests every year – leading to "questionnaire fatigue" and information asymmetry. Questionnaires and surveys lack a materiality focus; they also add noise to the chaos, masking what matters. This means of providing information is a burden for companies and provides little value to investors.

SASB standards address the sustainability topics – on average, five per industry – that are reasonably likely to have material impacts on the financial condition or operating performance of companies in an industry. Focusing on the sustainability issues most likely to have a financial impact helps business mitigate risk and identify innovation opportunities. A market standard eliminates the need for the practice of selective disclosure, and encourages companies to measure and manage the issues that matter.

Disclosing material sustainability information in the mandatory filings in a decision-useful way will eliminate the need for questionnaires and mitigate shareholder resolutions that pertain to disclosure.

- SASB provides a cost-effective way to report on material sustainability factors – averaging 5 topics and 13 metrics (78% quantitative) per industry
- SASB goes to great lengths to identify, harmonize, and reference metrics already in use by industry from 200+ organizations
- At GE, responding to over 650 ESG questionnaires involved more than 75 people and took several months, "with virtually no value to (GE's) customers or shareholders and even less impact on the environment."

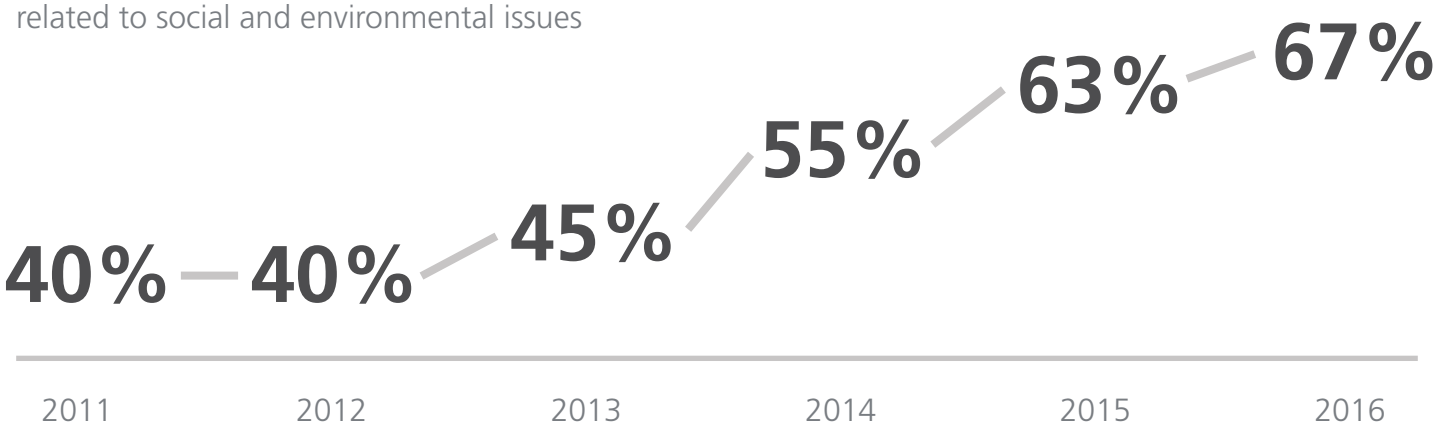
  SOURCE: ANN R. KLEE, THE ENVIRONMENTAL FORUM, MAY/JUNE 2015
- 48% of participants stated they were starting to evaluate SASB disclosures within their industry to integrate with their filings

  SOURCE: FEI MEMBER WEBCAST

On average, SASB standards contain just 5 topics and 13 metrics per industry. Over 80% of the metrics in SASB standards are already in use by companies and disclosed elsewhere.

Shareholder Proposals

Percent of total proposals filed that are related to social and environmental issues



SOURCES: EY, 2011-2014; AS YOU SOW, 2015-2016

Global Institution Investors

89%

Will request sustainability information directly from the company

67%

More likely to consider ESG information if common standards used

50%

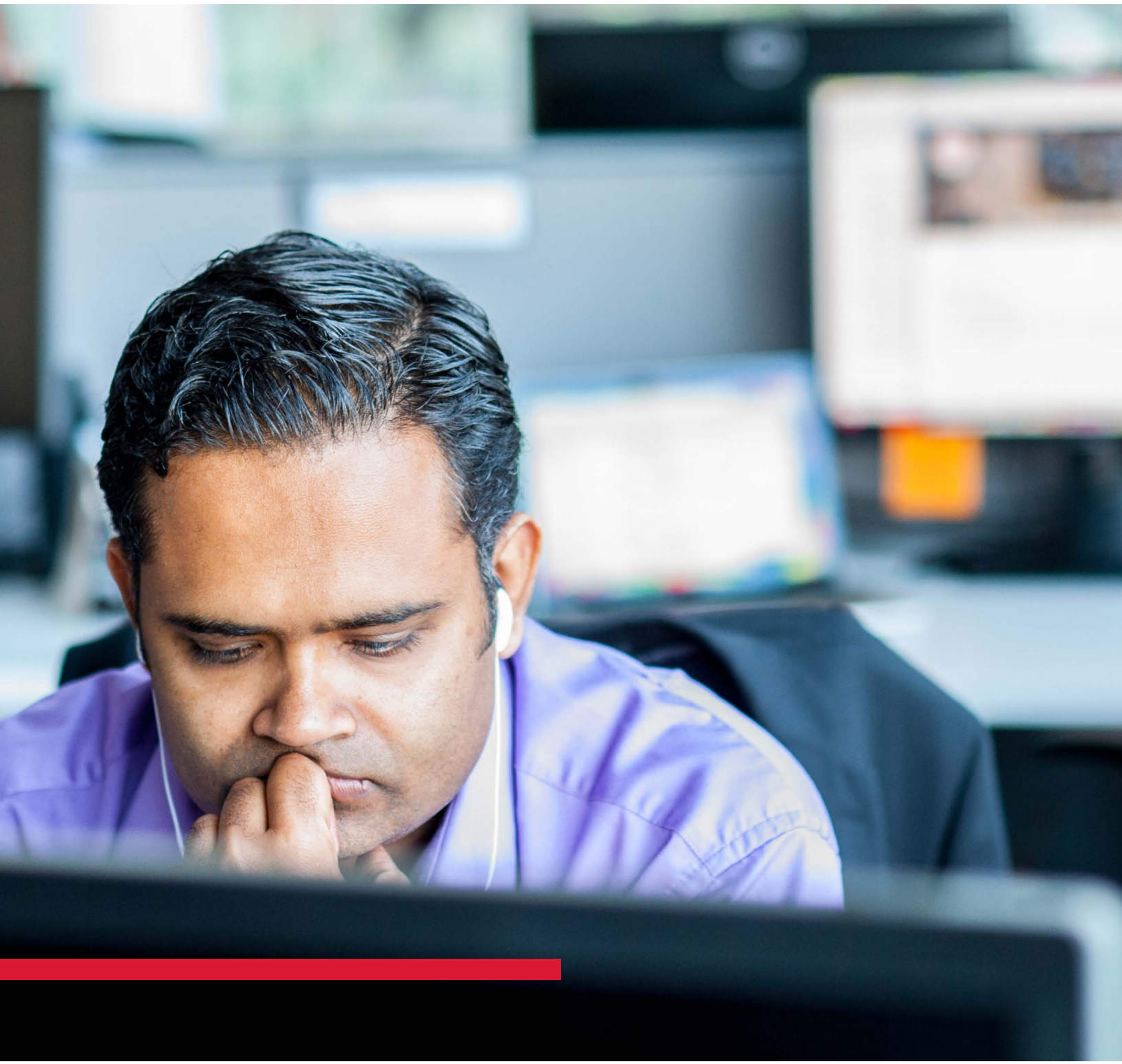
Very likely to sponsor or co-sponsor a shareholder proposal

SOURCE: PWC, 2014

"A thorough and robust due process is the most important asset of any standards-setting organization."

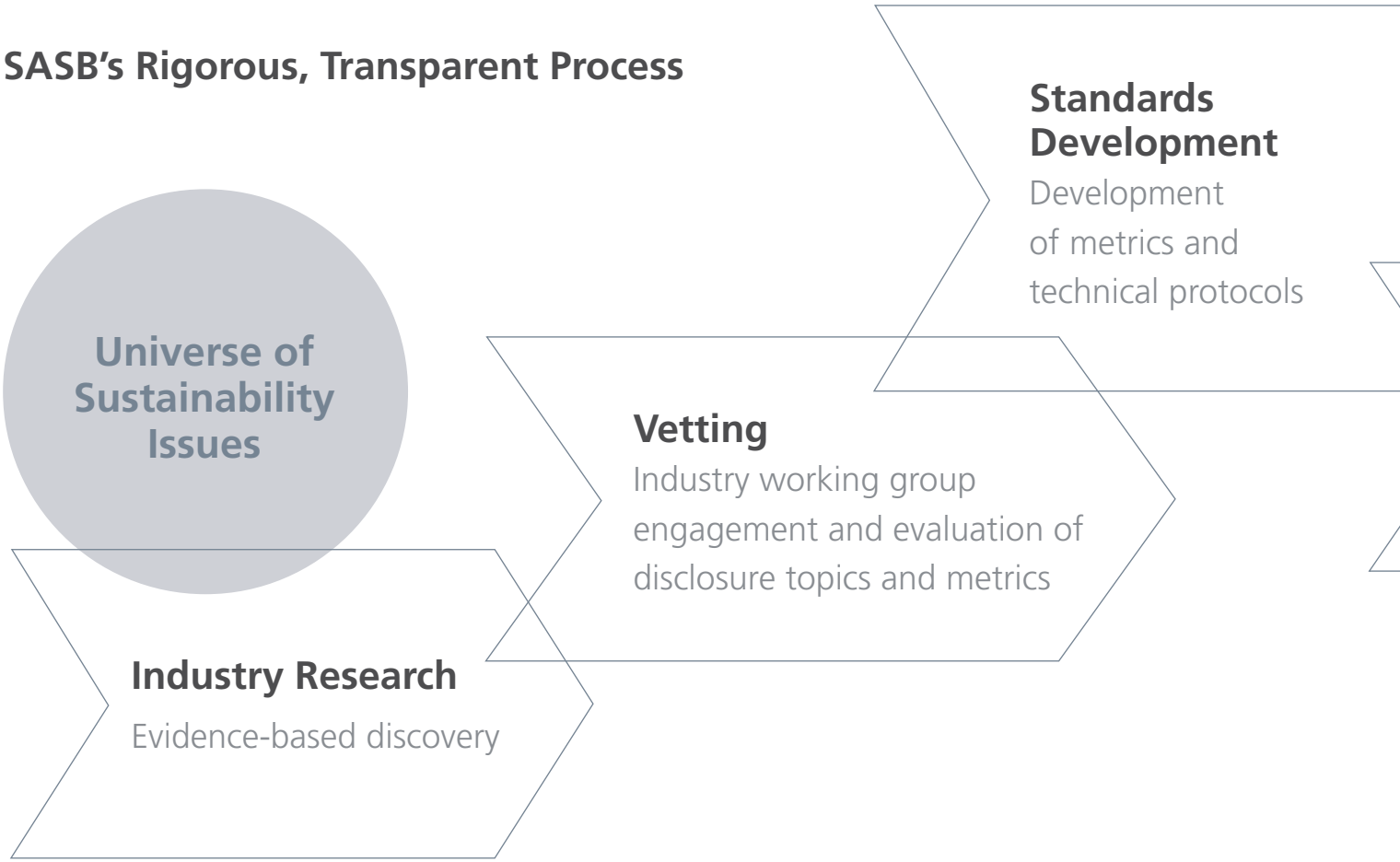
Robert Herz
Former FASB Chair
SASB Board Member

AMY PERL



EVIDENCE-BASED

SASB's Rigorous, Transparent Process



SASB standards are rooted in evidence and shaped by the market. Every standard is created with two types of evidence at its core: evidence of investor interest and evidence of financial impact. Evidence of interest is gathered by searching tens of thousands of industry-related documents – such as Form 10-Ks, shareholder resolutions, CSR reports, media, and SEC comment letters – for keywords related to 30 general sustainability issues. Evidence of financial impact is gathered by examining sell-side research, investor call transcripts, third-party research, data sets on sustainability issues and related costs and regulatory actions, and news articles, in order to assess likelihood of impact on revenue, costs, cost of capital, and assets and liabilities.

Each industry's standards have undergone 12-18 months of development, including vigorous research, robust, balanced working groups, independent review by our Standards Council, and 90 days of public comment prior to release.

Public Comment
Feedback and refinement

Provisional Standards Release
Road testing by companies

Consultation
with issuers and investors, internal review, cost-benefit analysis (2016)

Codification
Proposed changes, public comment, basis for conclusion, and codification (2017)


Env. risk
exposure
Promoting
ESG disclosure
/16/2013
HIMANI

"SASB's efforts to help improve sustainability-related reporting of material issues to investors are of significant importance to the public real estate community…We are very pleased to constructively interact with SASB as it seeks to improve sustainability reporting and to carefully review the provisional standards applicable to infrastructure, including real estate."

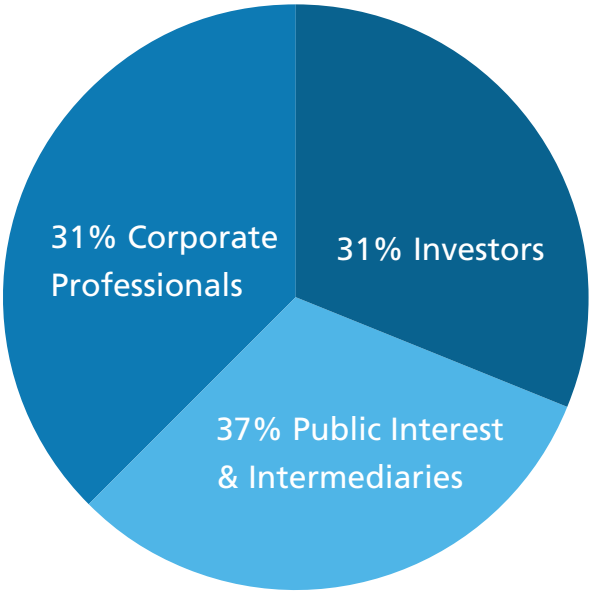
Steve Wechsler
President and CEO
National Association of Real Estate Investment Trusts (NAREIT)

MARKET-INFORMED

Balance is everything. No other sustainability standard setting organization in the world actively seeks input from a balanced group of corporations, investors, and other stakeholders. SASB asks for, listens to, and acts on the input of the market. Our standards development process is driven and upheld by strength of evidence and consensus.

SASB standards are a market solution. Issuers and investors have come together to create standards that are truly for the market, by the market. Our disclosure topics, metrics, and industry classification system are market-informed. They empower all market participants to better understand, manage, and more efficiently price the sustainability risks and opportunities they face – industry by industry.

Working Groups



>2,800
participants

$23.4T
assets under management

$11.0T
market capitalization

81%
of investors and issuers agreed on the likely materiality of SASB's proposed disclosure topics

Surfacing the Right Disclosure Topics

"Counterfeit Drugs" added to standard after being raised during IWG process

A stakeholder raised the issue of counterfeit drugs during the Industry Working Group (IWG) process for the Health Care sector. Upon review, SASB researchers found that such drugs represent a $431 billion global market, presenting a significant threat to both corporate value and consumer health. As a result, SASB included counterfeit drugs as a disclosure topic in the sustainability accounting standards for both the Pharmaceuticals and Biotechnology industries.

Industry Reclassification

Forestry & Paper industry split in two

When SASB asked IWG participants which issues are likely to have material impacts on companies in the Forestry & Paper industry, it became clear that a large divide existed between the issues faced by Forestry & Logging companies and Pulp & Paper Products companies. To address this misalignment, the industry was split in two.

The Evolution of a Metric

Finding the right metric for the Food Retailers & Distributors industry

In response to a proposed SASB metric, a stakeholder suggested that "to report on the total addressable market would be very difficult as that figure can be very subjective." As a result, SASB modified the style of the metric from "total addressable market and share of market" for a certain product line, to a simpler, more credible metric to report—"total revenue" from a certain product line.

2015 BY THE NUMBERS

Provisional standards issued for **26 industries** in **4 sectors**, developed at an average cost of $135,000 per industry

---

923 participants in Industry Working Groups, affiliated with $20.1T in assets under management and $1.6T in market capitalization

---

25,400

standards downloads

2,150

media mentions

13,650 monthly

website pageviews

200

Fundamentals of Sustainability Accounting (FSA) registrants

2015 BY THE MONTH

THE STANDARDS

March
Standards issued for five industries in the Resource Transformation sector

Chemicals • Aerospace & Defense • Electrical & Electronic Equipment
Industrial Machinery & Goods • Containers & Packaging

June
Standards issued for seven industries in the Consumption I sector

Agricultural Products • Meat, Poultry & Dairy • Processed Foods
Non-Alcoholic Beverages • Alcoholic Beverages • Tobacco
Household & Personal Products

September
Standards issued for eight industries in the Consumption II sector

Multiline and Specialty Retailers & Distributors
Food Retailers & Distributors • Drug Retailers & Convenience Stores
E-Commerce • Apparel, Accessories & Footwear
Building Products & Furnishings • Appliance Manufacturing
Toys & Sporting Goods

December
Standards issued for six industries in the Renewable Resources & Alternative Energy sector

Biofuels • Solar Energy • Wind Energy • Fuel Cells & Industrial Batteries
Forestry & Logging • Pulp & Paper Products

THE ORGANIZATION

July
Data Provider Partner Program launched to give investors access to high-quality information on corporate sustainability performance

August
SASB moved into new headquarters in San Francisco's financial district

October
Fundamentals of Sustainability Accounting (FSA) Credential launched to provide training on how to identify, manage, and analyze the sustainability issues that affect the financial performance of a company

December
Implementation Guide for Companies released, providing guidance for issuers on integrating SASB standards into their existing 10-K or 20-F disclosure processes

“The general rule of law is, that the noblest of human productions – knowledge, truths ascertained, conceptions, and ideas – become, after voluntary communication to others, free as the air to common use.”

Louis D. Brandeis
Associate Justice
U.S. Supreme Court

FENNIE+MEHL

LOOKING AHEAD

Sustainability accounting is still an emerging practice. The link between business value and sustainability factors has only recently become well understood. As SASB prepares to codify our provisional standards, we recognize that our work just beginning.

In 2016, SASB is entering a period of deep consultation on the provisional standards. We're engaging with companies and investors to get feedback on the materiality and decision-usefulness of the standards, and the feasibility and cost-effectiveness of their implementation.

In this next phase, we look forward to deepening and broadening industry participation, so that we can ensure the codified standards truly meet the needs of the market.

LETTER FROM THE CHAIRMAN

Investors rely on financial statements to gauge a company's strengths and weaknesses, but increasingly, those statements don't provide a full picture of a company's health. That poses challenges for investors that SASB aims to help solve.

Many other factors influence a company's long-term outlook. Take environmental risks: As natural resources become constrained, how sustainable is a firm's supply chain? As climate change accelerates a global transition to cleaner fuels, how well are a company's products positioned to compete – and how vulnerable are its assets to potential risks, like sea level rise and extreme weather?

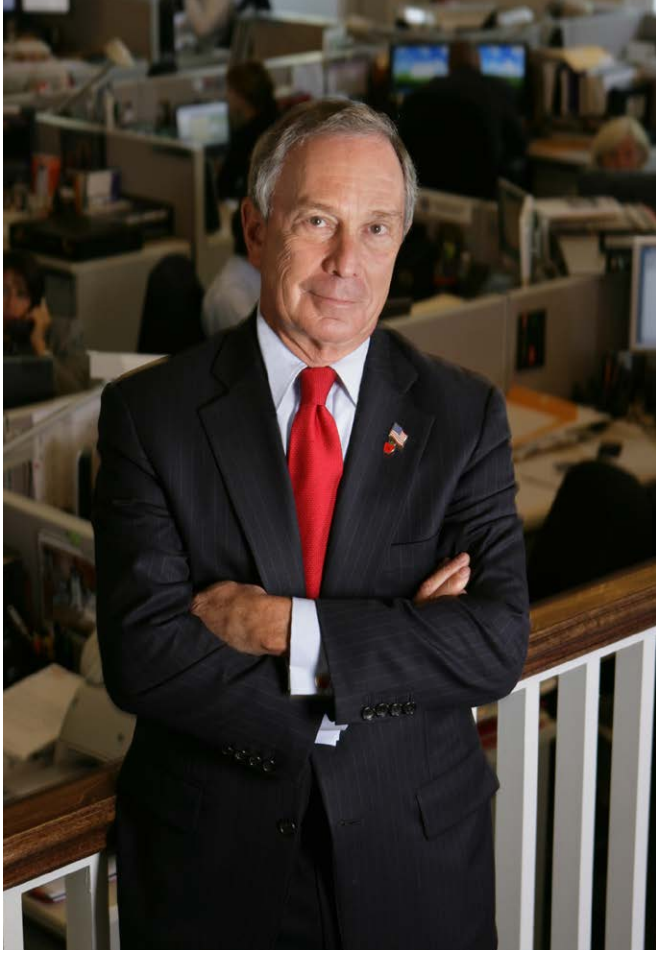
Investors are increasingly asking these questions and others like them. But until recently, there were few answers.

I've always believed in the mantra, "If you can't measure it, you can't manage it." In 1981, I founded a company, Bloomberg, on the idea that reliable data leads to better decision-making and more efficient capital markets. Today, our company collects sustainability information on more than 11,000 of the most actively traded securities.

Of course, more data doesn't always mean better data. Before SASB, sustainability data was often not standardized across companies and industries, which meant that investors couldn't compare apples to apples when making decisions about how to allocate their capital.

SASB is working to address this challenge by creating sustainability measurement and reporting standards and by helping companies to adopt them. More and more companies are, because it allows them to measure their own performance against others and take steps to address vulnerabilities.

In 2015 SASB expanded its work to cover more industries with standards that help reduce risks and improve decision-making. With input from companies and investors, we can continue our progress in 2016 – and continue making markets more efficient and stable.



RUBENSTEIN

Sincerely,

Michael R. Bloomberg
Chair, SASB Board of Directors

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Philanthropist, Founder of Bloomberg LP, and the 108th Mayor of New York City

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AMY PERL

FINANCIALS AND MD&A

MANAGEMENT'S DISCUSSION & ANALYSIS

2015 SUMMARY

SASB's mission is to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors. That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

In 2015 SASB continued to see increased demand for improved sustainability disclosure. Developments included:

- SEC Chair Mary Jo White addressed the need to evaluate the quality of ESG disclosure in the SEC's disclosure effectiveness initiative.[1]
- Secretary of Labor Tom Perez set forth supplementary views to a 2008 Department of Labor bulletin, which served to affirm that investor consideration of ESG factors is consistent with fiduciary duty.[2]
- The G20's Financial Stability Board established a task force to develop disclosure guidance on climate-related financial risk, in order to address the need for more standardized climate disclosure to the capital markets.
- CalPERS (a $307B fund) announced the requirement for all of its managers to identify and articulate ESG in their investment processes. A one year pilot of the ESG integration project begins in June 2016.[3]
- A PwC study found that investors are increasingly interested in evaluating sustainability performance, but 79% are dissatisfied with comparability of sustainability reporting between companies in the same industry.[4] Investors are spending time and expense getting the information they need. 89% of global institutional investors say they will request sustainability information directly from the company.[5]
- The SEC announced a formal review of Regulation S-K, which governs disclosures to investors, including addressing the adequacy of sustainability disclosures in mandatory filings.

As the markets call for increased sustainability disclosure in a comparable format, SASB is viewed as a means to this end. Signs of momentum include:

- More than 2,800 individuals affiliated with companies with $11T market capitalization and $23.4 T AUM participated in SASB's industry working groups to set provisional standards.
- 50 companies reference SASB in their corporate communications, and many early adopters are beginning to understand their performance on material sustainability factors, and prepare the internal controls and approvals necessary for investor grade disclosure in their mandatory filings. SASB standards have been downloaded more than 55,000 times in more than 100 countries.
- The SASB Implementation Guide for Companies has been downloaded more than 1,300 times.
- Harvard Management Company is using SASB standards to encourage better management and disclosure of climate risk among energy companies in its investment portfolio.
- 2015 Harvard Business School research confirms companies that perform well on material sustainability factors—as identified by SASB standards—enjoy enhanced market returns over firms that perform poorly.

[1] https://www.sec.gov/news/speech/securities-regulation-institute-keynote-white.html

[2] https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-27146.pdf

[3] http://www.top1000funds.com/news/2015/05/22/calpers-gives-its-managers-esg-ultimatum/

[4] PwC, *Sustainability Goes Mainstream* (2014), available at http://www.pwc.com/us/en/pwc-investor-resource-institute/publications/assets/pwc-sustainability-goes-mainstream-investor-views.pdf

[5] EY, Tomorrow's investment rules: Global survey of institutional investors on non-financial performance (2014), available at http://www.ey.com/Publication/vwLUAssets/EY-Institutional-Investor-Survey/$File/EY-Institutional-Investor-Survey.pdf

2015 FOCUS OF WORK

SASB continues to operate against a strategic plan adopted in 2014 to guide its work through 2017. The plan establishes five goals for the organization, with several initiatives to support each:

goal 1	Develop and maintain world-class accounting standards
goal 2	Promote investor use of SASB standards to make decisions
goal 3	Promote corporate use of SASB standards in SEC filings
goal 4	Align with international efforts
goal 5	Transition to a sustainable business model

To achieve these goals, SASB operates in three major program areas:

1. Standards Setting
2. Education & Partnership
3. Market Outreach and Adoption

2015 RESULTS

SASB delivered on its promise of issuing world-class standards for one sector each quarter. Twenty-six industry standards were released on time throughout the year, and by the end of 2015, SASB had cumulatively delivered provisional standards for 71 industries in 9 sectors, addressing 90% of the capital markets. The standards were developed in an extremely cost-effective manner, at just $135,000 per industry, with 12-18 months of market engagement and research underpinning each standard.

SASB's core work of standards setting was accomplished under the condition of uncertain funding and cash flows. The organization began 2015 with funding commitments for just 35% of its budget. Earned income was still a new and *de minimus* portion of the overall funding streams, and SASB was heavily dependent on philanthropic grants. Grant funding requires long cultivation times and is highly uncertain in terms of the timing and outcome of grant proposals. The development staff was successful in advancing existing opportunities and expanding the grants pipeline, but those efforts delivered late in 2015. SASB took actions to contain expenses, including delaying and foregoing planned hires, and the organization took a zero-interest bridge loan of $2 million to cover a cash flow gap in the middle of the year.

Cost containment efforts saved $500K against the budget for the year. However, these savings were attained by deferring planned investments in adoption efforts, sales and marketing expenses, and investments in earned income programs. SASB maintained as a priority its standards setting efforts, but all other programs were constrained. A planned Market Strategy group dedicated to promoting adoption through four channels was disbanded, with adoption efforts partially deferred and partially absorbed by other groups. The team dedicated to earning income was under-capitalized and under-resourced, which hampered efforts to develop a customer base, monetize IP, bring products to market, develop distribution partnerships, and gain market share. Therefore, SASB missed its earned income goal and did not generate appreciable earned income in 2015 ($86K, or 1.2% of budget). In addition to the challenges SASB faced with investing in earned income at appropriate levels, product success was hampered by external factors, the most significant of which is finalization and adoption of the standards. Once companies and investors are using the standards, there will be greater demand for the products and services associated with them. That said, some products, such as the Standards Navigator tool and education programs, build awareness and drive adoption. Those areas will be the focus in 2016.

2015 REVENUE: SALES OF EARNED INCOME PRODUCTS

Sales performance is summarized in the table below, followed by some commentary for each product area.

	2015 Sales
Education	
FSA Exam	$52,250
FSA Test Prep Partner Revenue	$3,750
Partnerships	
ERP Software	$30,000
Total	**$86,000**

Education

The FSA Level I program, focused on principles of sustainability accounting, launched publicly in October, and grew to 200 paid test takers by year end. In 2015 SASB achieved over 18,000 FSA website visits, 1,600 people downloaded FSA materials from the website (e-book, sample questions), and over 400 people created test taker accounts. The professional mix of the 200 test takers was:

28% consultants

26% investment analysis/ portfolio management

20% professionals

16% other

6% accounting/assurance

4% students

The FSA Level II program, focused on the practice of sustainability accounting, was also under development in 2015 and will be launched in 2016.

Partnerships

Toward the end of 2015 SASB reorganized its licensing and tools offerings into five major partnerships categories: Investible Products, Data Providers, ERP Reporting Software, Advisory Partners, and Research & Insight Partners.

While many of these partnerships with service providers are dependent upon adoption, SASB contracted with a small number of partners in 2015. Many of these agreements are structured as revenue shares. It often takes several months after contract signing for the partner to integrate SASB's framework and launch its product, and it can take them additional months to make their first sales and begin generating quarterly revenue share payments to SASB. The organization looks forward to many of these partnerships releasing products to the market and generating income in 2016.

By December 31, 2015, SASB had a total of 14 commercial contracts in place.

2015 REVENUE: GRANTS

Philanthropic funding—primarily from foundations—supported the majority of SASB's 2015 operations (99%). The development team secured $7 million in new commitments vs. $5.2 million in the prior year, covering the organization's $6.3 million expense base and making up for the earned income deficit.

In addition to significant new commitments, SASB diversified its sources of grants and remains grateful for all in-kind support. SASB began soliciting inaugural members of a Chairman's Circle of high net worth individuals and the first gifts from the Circle are expected in 2016.

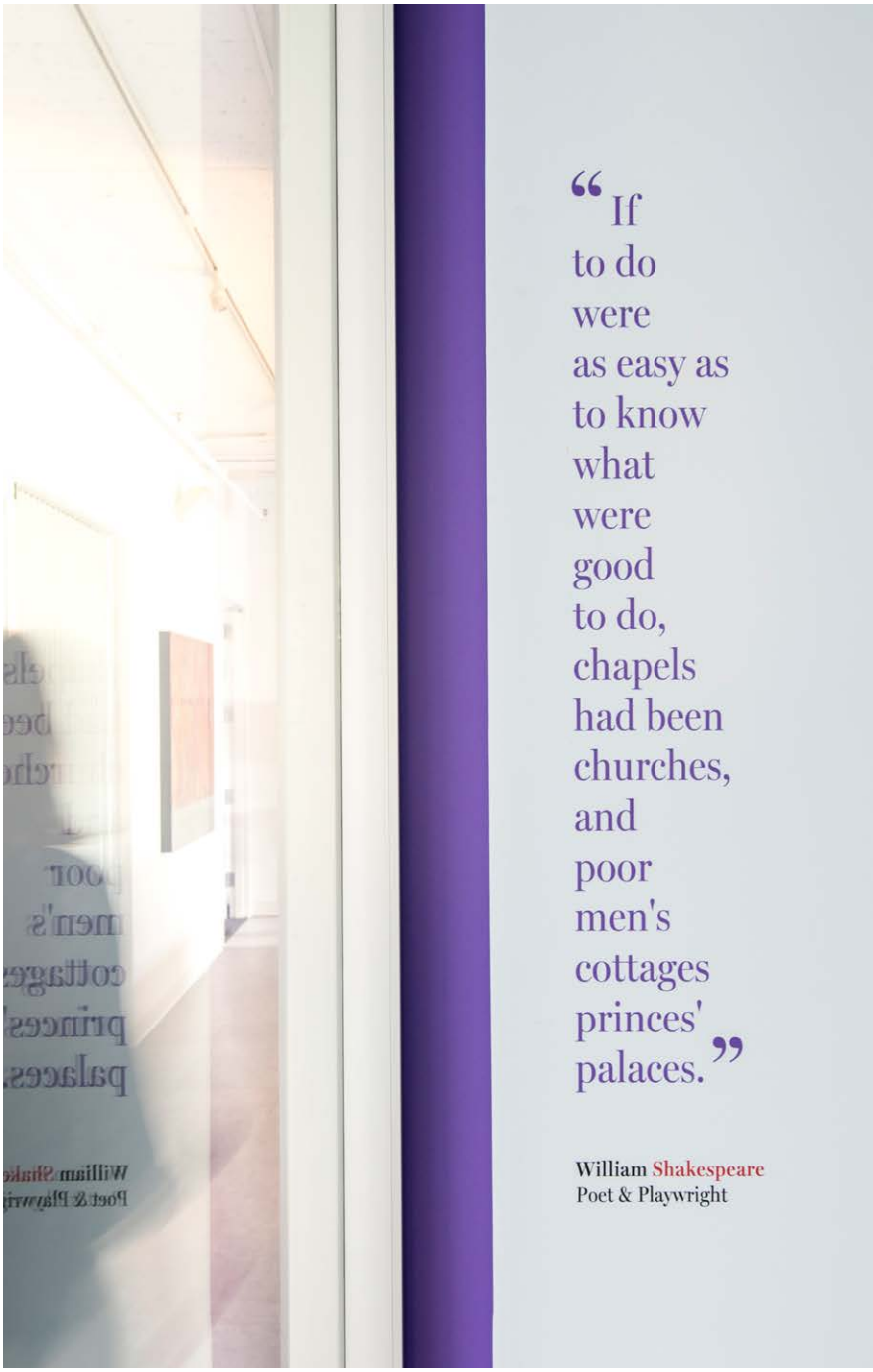
2015 Results

Average time to close grants	6.5 months
Closing success rate *(gift of any size following a proposal)*	83% (10 won, 2 lost)
Capture rate *(% of the "ask" in the proposal that is received)*	53%
Average duration of grant period	1.9 years with 60% of gifts multiyear
Average size of gift	$694,000
New institutional donors in 2015	7
Percentage of 2016 budget covered by committed grants at end of 2015	79% (vs. 52% in 2014)

2015 USES OF FUNDS

2015 expenses (excluding in-kind contributions) of $6.3 million rose 8.6% over the previous year. The majority of the increase was due to salaries (21% increase) and occupancy (37% increase). The increase in salary expense was driven by a higher average of FTEs in 2015, standard salary increases, and promotions.

Regarding occupancy, SASB moved its San Francisco headquarters into a more cost-effective leased facility in the second half of the year, which lowered rental expense by $100K annually and which can accommodate up to 45 FTEs. SASB was able to obtain the lease at a very favorable rate—approximately 20% below market—in a year when San Francisco office rents exceeded Manhattan rents for the first time since 2000. The 2015 occupancy expense is higher than both the 2014 expense and the projection for 2016 because of two factors: 1) increasing costs with the pay-per-desk model in the first part of the year, prior to the move to a new facility, and 2) amortization expense from the move and build out costs at the new facility. Nonetheless, the organization looks forward to a greatly reduced occupancy expense in 2016 as a result of the move.



FENNIE+MEHL

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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 section discusses highlights of the financial statements that follow.

Overview

The organization ended 2015 with a net operating loss of $3.1 million vs. a smaller net loss of $1.9 million in 2014. The 2014 loss was due to growth in the organization's operations and expenses, which outpaced fundraising during that year. Fundraising caught up to expenses in 2015, with total grant awards slightly exceeding the expense base. However, many of the 2015 grants were committed late in the year and the majority of the funds will be recognized in future periods, as required by accrual accounting. Given this timing issue, the financial statements show an accrual loss, despite SASB having raised more than enough cash to cover the year's expenses.

Due to the uncertain grant amounts and timing, the organization spent cautiously through the year, and deferred a number of activities and expenses. Therefore, the organization incurred just $6.3 million in expenses (excluding in-kind contributions), which was approximately $500K under the original $6.8 million budget.

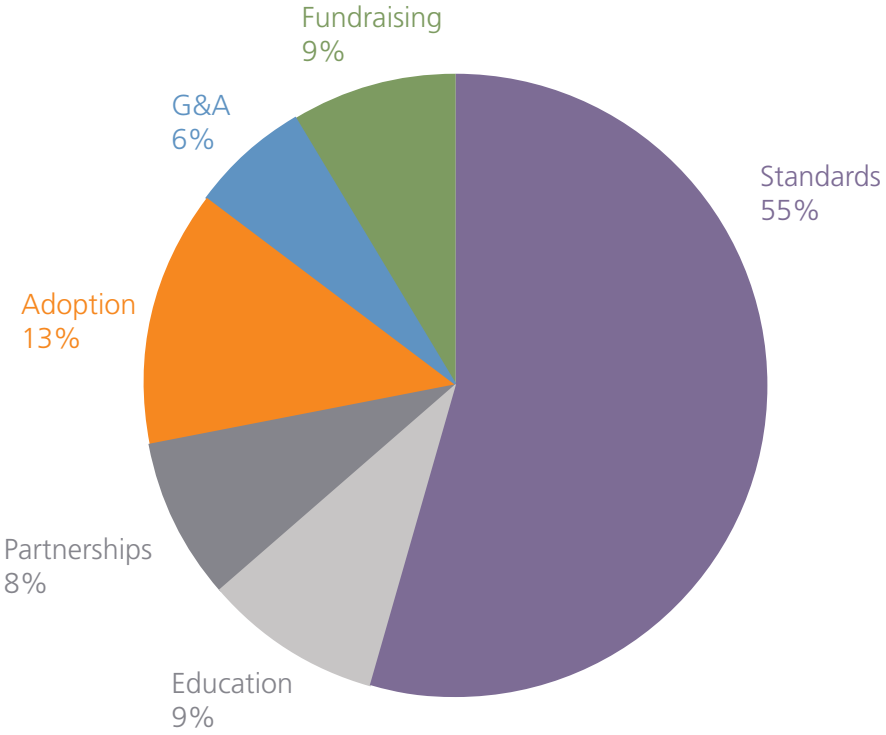
Despite the accrual operating loss, the organization was fully funded on a cash basis, with over $6 million collected in grant funds and an additional $2 million from a loan taken in June to bridge the gap between grant disbursements. Net cash for the year increased by $2 million and SASB ended the year with nearly $3.8 million in cash, which represents approximately six months of operating expenses.

Earned income increased, from $30K in 2014 to nearly $50K in 2015. The revenue recognized from earned income products is less than sales ($86K) for the same period, since FSA test taker revenue is recognized when the test is taken (not when the registration is paid) and partnership contracts are recognized ratably over a 12-month period.

The Statement of Financial Position shows that the organization's liabilities are higher than last year, due in part to the introduction of deferred and unearned revenue from earned income products, but mostly due to the $2 million loan. The loan was offered at zero interest with a five-year term for repayment; SASB expects to repay it in year five, when it can be repaid from earned income proceeds.

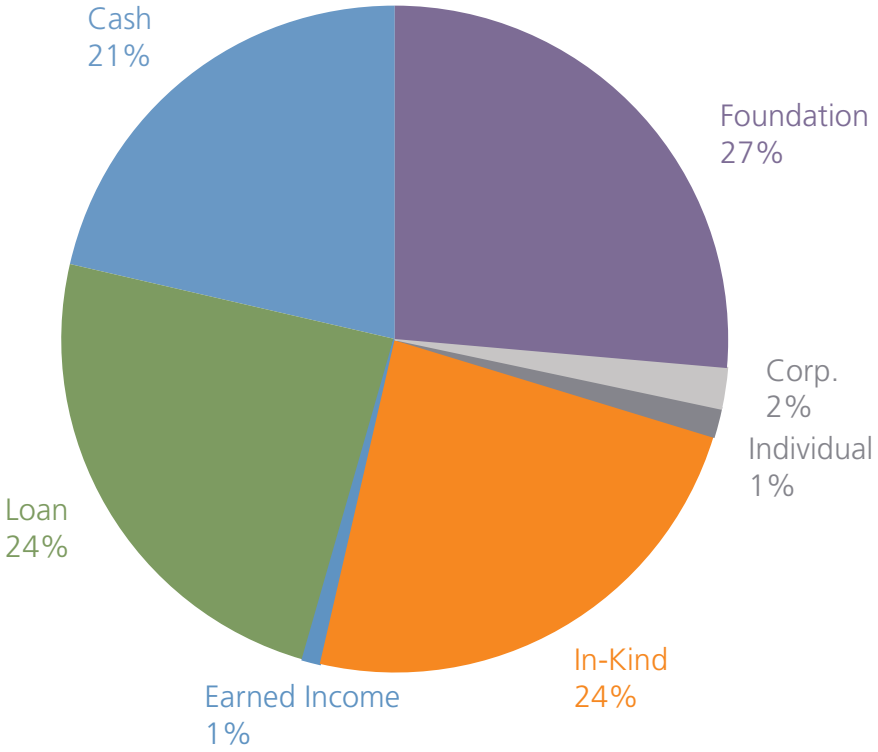
Despite the increased liabilities, overall net assets increased by $1.8 million from the previous year.

USES OF FUNDS



Standards	4,527,347
Education	745,018
Partnerships	681,016
Adoption	1,103,677
G&A	516,554
Fundraising	700,357
Total	8,273,969

SOURCES OF FUNDS



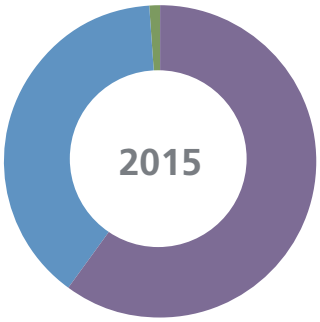
Foundation grants	2,199,308
Corporation grants	156,092
Individual donations	126,346
In-kind contribution	1,974,909
Earned income	52,591
$2M zero interest loan	2,000,000
Prior-year cash carryover	1,764,723
Total	8,273,969

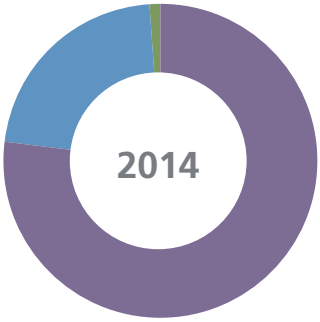
STATEMENT OF ACTIVITIES

The following charts showing operating revenues, and program and support costs for the past two years:

SOURCES OF OPERATING REVENUE

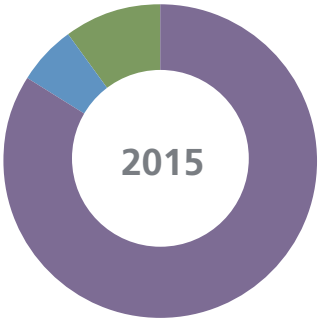
	2015	2014
Grants	60%	77%
In-kind Donations	39%	22%
Earned Income	1%	1%
Other Income	0%	0%

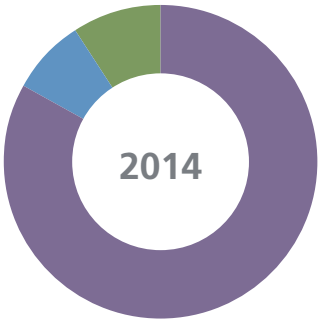




EXPENSES

	2015	2014
Program Expenses	84%	84%
G&A	6%	8%
Fundraising	10%	9%





Grant revenue comes from foundations, corporations, and individuals. SASB received the majority of its grant support from foundations in 2015 (both current assets and assets released from restrictions). Individual gifts came largely from the SASB board.

Earned income was $53K, up from $30K in the previous year. The majority of this income was from SASB FSA test takers and licensing revenue from ERP software providers that have integrated SASB into their platforms. The remaining revenue came from FSA test prep, which is a revenue share from a partner.

PROGRAM EXPENSES

Program expenses include the staff and vendor costs associated with Standards, Adoption, Education, and Partnerships. 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.

OUTLOOK FOR 2016

After weathering a year of funding challenges, and anticipated but disruptive transitions in work activity and staffing, SASB enters 2016 in a strong position:

- 6 months of expenses in cash
- Cash or funding commitments covering 79% of the 2016 budget (vs. 35% in the prior year)
- $1 million line of credit
- A restructured Standard Setting Organization, with dedicated analysts for each sector, thereby increasing consultation effectiveness and reducing overall costs of stakeholder engagement
- A broader and revitalized leadership team, with experienced leaders for each department
- Several products and programs launched and/or proven in concept, with strong market demand, and increasing sales and revenue shares on the horizon

Expense Base

The 2016 expense base, excluding COGS, is $7.1 million, which is $700K million higher than 2015 actual non-COGS expenses. However, the $7.1 million planned for 2016 is only slightly higher than the $6.7 million that was originally planned and approved for 2015. Given the financial pressures during 2015, many 2015 activities and expenses were deferred to 2016 and future years.

The 2016 budget reflects additional headcount and investment in earned income programs; shifting the standards team into a slightly smaller, steady state Standards Setting organization; and holding G&A flat. Four new headcount were added to the SASB team overall.

Major Transitions and Investments

SASB will continue to navigate the three major transitions begun in 2015:

- Standards Development: provisional standards to codified standards
- Market Outreach: market awareness to market adoption
- Earned Income: grant funding to earned income

Provisional Standards to Codified Standards

In March 2016, SASB released the last set of provisional standards. Approximately $10.5 million will have been invested in standards development by this time, which yields a modest development cost per standard of approximately $135,000 per industry. Following the March 2016 standards release, SASB released for public comment the proposed *Rules of Procedure* that will guide its standard setting work going forward. The SASB sector analysts will engage in over a year of deep consultation with issuers in each industry they cover. They will continue to monitor the issues for each standard, noting new evidence and emerging trends. And they will evaluate financial materiality and back-test the metrics for correlation with financial performance. The ongoing cost to maintain the standards with SASB's team of 14 FTEs in the Standard Setting Organization is an economical $47,000 per industry, per year.

In April 2016, SASB hired a new head of the Standard Setting Organization who will oversee the work of the analysts, due process for standards codification, and support for the newly forming Standards Council. SASB will move from the existing Standards Council, which has been an advisory body, to a newly appointed group that has the authority to review the work of the staff and choose whether and how to issue new standards or changes to the existing standards.

Standards Development to Market Adoption

As the last set of provisional standards is issued, SASB will turn its attention to helping issuers and investors prepare for adoption of the standards. SASB will continue to inform and educate regulators and market intermediaries about the standards and their application to the capital markets, but it will also more actively address the supply (corporate) and demand (investor) sides of the equation. New director-level positions focused on investor and corporate adoption will help to drive results.

Grant Funding to Earned Income

2015 was a year of uncertain cash flows, and SASB was not able to invest as much in earned income programs as desired. With 2016 funding more secure, SASB will invest in sales and marketing efforts for existing products, and extend its reach through partnerships with membership organizations and other distribution channels.

SASB will also develop and launch new products, including Level 2 of the FSA program, other education offerings, and a premium version of the Standards Navigator. SASB will continue to focus on products that monetize SASB's valuable IP. The organization will test new initiatives and scale up those that perform well.

SASB will also use 2016 to examine the current business model and adoption strategy to better understand the ideal product mix and likely timing of revenue over the next several years. This work will inform the next strategic plan that will guide SASB from 2017 forward.

Fundraising Challenges and Opportunities

SASB must continue to attract sufficient capital to fund its core work and its investments in future revenue generation. Nonetheless, grant funding remains inherently unstable, as funders choose where and when to invest their philanthropic dollars. Sustainability accounting, while potentially transformative of capital markets and a means for donors to greatly leverage their funding, is not a usual category for philanthropic program emphasis. A positive trend is the momentum from foundations and high net worth individuals focused on sustainability who seek to leverage their gifts to address the most pressing environmental and social challenges of our time.

According to "Giving USA 2015" – research by the Lilly Family School of Philanthropy, Indiana University[8] – the single largest contributor to recent increases in charitable giving is giving by individuals. This trend is conducive to SASB's priority of diversifying its sources of grant support in part by securing major gifts from high net worth individuals while maintaining and expanding core funding from foundations. At the same time, total charitable contributions to the category of "public-society benefit" remain small as compared to other traditional philanthropic priorities – with religion, education, and human services receiving over three-fifths of available grant funding. Total inflation-adjusted giving in 2014 (2.1% of GDP) is estimated to have finally surpassed the highs seen prior to the recession.

Many grantors will support an organization for 3-5 years or for the duration of their relevant "program area," if they make multi-year gifts. The time from cultivation of a grant to disbursement can be as long as 18 months. While market intermediaries, investors, and companies will increasingly be the source of earned income for SASB in the future, SASB remains reliant on grant funding to complete the three major transitions in its strategic plan: from provisional to codified standards; from standard setting to market adoption and use; and from grant funding to earned income generated by products and services.

SASB is working to diversify its revenue streams, and shift the organization to a higher level of earned income and a lower level of grant funding in subsequent years. SASB has implemented a strategy of energizing the board for fundraising, engaging with existing donors to make larger and multi-year gifts, and building a strong pipeline of new prospects. This diversification strategy is beginning to pay dividends, with SASB securing a record level of grant awards in 2015. SASB expects a continued acceleration of fundraising through 2016 as the new prospects identified and cultivated are closed in the latter part of the year.

Attracting and Retaining Staff

Achieving the SASB mission requires a highly capable and highly committed staff. SASB will make several key hires in 2016, and it must attract and successfully recruit top-tier talent for these roles. The rising profile that SASB has in the marketplace will be a helpful factor in recruitment. At the same time, top talent has options in the for-profit sector as well. SASB must find employees for whom the mission and the opportunity to do something transformative in the capital markets is an important draw, alongside traditional compensation, where competitors may be able to offer better packages.

SASB will work to retain and motivate its talented workforce during this second year of major transitions. In 2015 over half of the staff experienced major changes in their job description and reporting structure, as three of six work groups were restructured to meet changing needs. SASB believes it has developed much of the structure needed for a successful steady-state future, and it is prepared to adjust further as SASB continues navigating earned income possibilities and other strategic transitions into 2016.

SASB will continue to invest in things that matter to employees—a comfortable office space and a good working atmosphere, capable and committed colleagues, a sense of camaraderie and shared values, autonomy and ownership over work, and training, coaching, and advancement. The 2015 move to a new office space improved the work dynamic greatly, and SASB expects to drive improvements in the other areas as well.

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. SASB's *Conceptual Framework* continues to be its north star for the principles governing standard setting activities, and the new *Rules of Procedure* ensure that standard setting activities are insulated from SASB's commercial activities and 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 is reviewing its process and systems in 2016 to ensure the tightest possible management of stakeholder and customer information, and appropriate levels of confidentiality, data privacy, and transparency in the standard setting process.

FINANCIAL STATEMENTS & AUDITOR'S NOTES

Statement of Financial Position

As of December 31	2015	2014
Assets		
Cash and cash equivalents	3,747,901	1,764,723
Grants and pledges receivables	1,874,667	497,390
Prepaid expenses and other assets	136,320	71,524
Property and equipment, net	339,360	70,506
Total assets	6,098,248	2,404,143
Liabilities		
Accounts payable and accruals liabilities	120,896	156,601
Deferred and unearned income	61,270	9,000
Accrued payroll liabilities	386,253	531,350
Loan payable	2,000,000	–
Total liabilities	2,568,419	696,951
Net Asset		
Unrestricted	(2,712,035)	430,135
Temporarily restricted	6,241,864	1,277,057
Total net assets	3,529,829	1,707,192
Total Liabilities and Net Assets	**6,098,249**	**2,404,143**

Statement of Activities and Changes in Net Assets

Years ended December 31	2015	2014
Revenue and support		
Foundation grants	1,009,000	1,301,000
Corporation grants	1,926	500
Individual donations	126,346	90,118
In-kind contributions	1,974,909	1,115,055
Earned income	48,924	29,841
Other income	11,275	16,839
Net assets released from restrictions	1,959,417	2,514,333
Total revenue and support	5,131,797	5,067,686
Expenses		
Program expenses	7,057,058	5,827,270
General administrative	516,554	509,922
Fundraising	700,357	594,919
Total expenses	8,273,969	6,932,111
Increase in unrestricted net assets	(3,142,172)	(1,864,425)
Changes in temporary restricted assets		
Foundation grants	6,941,500	2,750,000
Individual donations		
Changes in discount on long-term receivables	(17,274)	(14,610)
Net assets released from restrictions	(1,959,417)	(2,514,333)
Increase in temporary restricted net assets	4,964,809	221,057
Increase in net assets	1,822,637	(1,643,368)
Net assets at the beginning of year	1,707,192	3,350,560
Net Assets at End of Year	**3,529,829**	**1,707,192**

Statement of Cash Flows

Years ended December 31	2015	2014
Operating activities:		
Increase in net assets	1,822,637	(1,643,368)
Prepaid expenses and other assets		
Depreciation	13,530	37,277
Change in discount on long-term receivables	17,274	14,610
Changes in:		
Grants and pledges receivables	(1,394,551)	544,000
Prepaid expenses and other assets	(22,146)	(57,357)
Accounts payable and accrued liabilities	(42,650)	(11,558)
Accrued payroll liabilities	(145,097)	431,357
Deferred and unearned income	52,270	-
Cash provided by operating activities	265,562	(685,039)
Investing activities		
Acquisition of property and equipment	(282,384)	(17,266)
Cash used for investing activities	(282,384)	(17,266)
Financing activities		
Proceeds from loan payable	2,000,000	
Cash provided by financing activities	2,000,000	
Net increase in cash and cash equivalents	1,983,178	(702,305)
Cash and cash equivalent at the beginning of year	1,764,723	2,467,028
Cash and cash equivalent at end of year	3,747,901	1,764,723
Additional cash flow information:		
State registration taxes paid		150
Interest and finance charges paid		

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. Organization

Sustainability Accounting Standards Board (SASB) is a 501(c)(3) non-profit organization incorporated in California in 2011. SASB is engaged in the creation and dissemination of sustainability accounting standards for use by publicly-listed corporations in disclosing material sustainability issues for the benefit of investors and the public. Through the first quarter of 2016, SASB has committed itself to developing standards for more than 80 industries in 10 sectors suitable for use in providing decision-useful information in the SEC Forms 10-K and 20-F.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of SASB have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, SASB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants and Pledges Receivable
Grants and pledges receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received and amounts are stated at estimated net realizable value.

Support and Revenue Recognition
SASB records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in unrestricted or temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions.

Property and Equipment
Property and equipment purchased by SASB are stated at cost. Property and equipment donated to SASB are recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between three and fifteen years) utilizing the straight-line method.

Income Taxes
Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, SASB is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that SASB has adequately evaluated its current tax positions and has concluded that as of December 31, 2015 and 2014, SASB does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

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. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. SASB may periodically receive unrelated business income such as sublease rent requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, SASB calculates and accrues the applicable taxes payable.

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.

Functional Allocation of Expenses
The costs of providing SASB's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Services and Costs
Contributed services and costs are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities*." The contributions of services and costs 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.

3. Cash and Cash Equivalents

Cash and cash equivalents of $3,747,901 and $1,764,723 at December 31, 2015 and 2014, respectively, consist of funds on deposit bank accounts. Checking account balances of $736,557 and $789,402 at December 31, 2015 and 2014, respectively, do not bear interest. Savings account balance of $3,011,344 at December 31, 2015 bears interest at the rate of 0.08% per annum. Although amounts on deposit exceed federally insured balances, SASB attempts to limit its credit risk associated with cash and cash equivalents by utilizing well capitalized and highly rated financial institutions.

4. Grants and Pledges Receivable

Grants and pledges receivable of $1,874,667 and $497,390 at December 31, 2015 and 2014, respectively, consist of amounts due from foundations and individual donors. As of December 31, 2015, management considers all receivables to be fully collectible and has therefore not established an estimated allowance for uncollectible amounts. There was no bad debt expense amounted for the year ended December 31, 2015. SASB recognized $46,000 in bad debts for the year ended December 31, 2014. Grants and pledges receivable at December 31, 2015 are expected to be collected as follows:

Year ending December 31, 2016	$ 956,551
Year ending December 31, 2017	700,000
Year ending December 31, 2018	250,000
Total grants and pledges receivable	1,906,551
Less: Unamortized discount	(31,884)
Grants and pledges receivable (net of discount)	$ 1,874,667

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 2.0% per annum. The discount related to the present value calculation is accreted back into income over the estimated collection period of the grants and pledges receivable.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2015	2014
Equipment, furniture and fixtures	$ -	$ 6,482
Leasehold improvements	317,502	-
Trademark	71,884	71,884
Website development	-	91,636
Less: accumulated depreciation and amortization	(50,026)	(99,496)
	$ 339,360	$ 70,506

Depreciation and amortization expense amounted to $48,648 and $37,277 for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, SASB disposed of $98,118 of fully depreciated property and equipment.

6. Leases

SASB subleases it corporate office space in San Francisco under a multi-year operating lease from an unrelated third party with an expiration date of May 31, 2019. The monthly base rent as of December 31, 2015 is $17,825 per month and is subject to a 3% increase annually every June 1. Office rent expense amounted to $314,911 and $273,760 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments as of December 31, 2015 are as follows: Year ending December 31, 2016: $217,643; Year ending December 31, 2017: $224,172; Year ending December 31, 2018: $230,897; and Year ending December 31, 2019: $97,389.

7. Contributed Support

During the years ended December 31, 2015 and 2014, SASB was the recipient of a substantial amount of in-kind contributions. SASB was the beneficiary of pro-bono research, professional services, and certain tangible items in connection with its operational activities. In accordance with ASC 958.605.30-11, *Not-for-Profit Entities Revenue Recognition – Gifts in Kind*, SASB has determined that the estimated value of these items amounted to $1,974,909 and $1,115,055 respectively, and such amounts have been reflected as in-kind contributed income on the statements of activities.

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts, 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 the SASB's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Certain of the grants and contracts (including current and prior costs) are subject to audit, adjustment, and final acceptance by the granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Accordingly, no accrual for estimated losses for any of the matters noted above has been made in the financial statements as of December 31, 2015.

9. 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 amount of for future employment obligations. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position. Accrued payroll liabilities amounted to $386,253 and $531,350 at December 31, 2015 and 2014, respectively, and are reflected on the statements of financial position.

10. 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 $186,417 and $120,528 for the years ended December 31, 2015 and 2014, respectively. Employer contributions are subject to a vesting schedule in accordance with Internal Revenue Service regulations.

11. Loan Payable

Loan payable of $2,000,000 at December 31, 2015 represents a noninterest-bearing loan from Bloomberg Philanthropies to be repaid as SASB raises sufficient funds from its contributed income activities. Bloomberg Philanthropies has also committed to providing SASB with an unsecured line of credit in the amount of $1,000,000 for operational needs. The line of credit had no outstanding balance as of December 31, 2015.

12. Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to $1,204 and $14,710 for the years ended December 31, 2015 and 2014, respectively, and are reflected on the statement of functional expenses.

13. Net Assets

Unrestricted Net Assets

Unrestricted net assets (deficit) of ($2,712,035) and $430,135 at December 31, 2015 and 2014, respectively, represent the cumulative net surpluses (deficit) from operating activities 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, 2015 and 2014.

Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows as of December 31:

	2015	2014
Temporarily restricted net assets from Grants	6,273,748	1,291,667
Unamortized discount on long-term receivables	(31,884)	(14,610)
Total temporarily restricted net assets	6,241,864	1,277,057

Restricted contributions to temporarily restricted net assets amounted to $6,941,500 and $2,750,000 for the years ended December 31, 2015 and 2014, respectively. Net assets released from restrictions amounted to $1,959,417 and $2,514,333 for the years ended December 31, 2015 and 2014, respectively. These amounts were transferred from temporarily restricted net assets to unrestricted net assets on the statements of activities and changes in net assets.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events,* SASB has evaluated subsequent events April 6, 2016 the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.

MANAGEMENT'S REPORT ON FINANCIAL RESPONSIBILITY AND INTERNAL CONTROLS

The Sustainability Accounting Standards Board'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 U.S. GAAP. SASB management also establishes and maintains the systems for financial reporting and internal controls designed to ensure the completeness, accuracy, and integrity of financial reporting.

SASB'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.

SASB'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, 2015.

Jean Rogers, PhD, PE
Chief Executive Officer
Sustainability Accounting Standards Board

SASB'S SUSTAINABLE INDUSTRY CLASSIFICATION SYSTEM (SICS™)

Where traditional industry classification systems group companies by sources of revenue, SASB's approach considers the resource intensity of firms and whether or not they face common sustainability risks and opportunities.

Consumption

- Agricultural Products
- Meat, Poultry & Dairy
- Processed Foods
- Non-Alcoholic Beverages
- Alcoholic Beverages
- Tobacco
- Household & Personal Products
- Multiline and Specialty Retailers & Distributors
- Food Retailers & Distributors
- Drug Retailers & Convenience Stores
- E-Commerce
- Apparel, Accessories & Footwear
- Building Products & Furnishings
- Appliance Manufacturing
- Toys & Sporting Goods

Financials

- Commercial Banks
- Investment Banking & Brokerage
- Asset Management & Custody Activities
- Consumer Finance
- Mortgage Finance
- Security & Commodity Exchanges
- Insurance

Health Care

- Biotechnology
- Pharmaceuticals
- Medical Equipment & Supplies
- Health Care Delivery
- Health Care Distributors
- Managed Care

Infrastructure

- Electric Utilities
- Gas Utilities
- Water Utilities
- Waste Management
- Engineering & Construction Services
- Home Builders
- Real Estate Owners, Developers & Investment Trusts
- Real Estate Services

Non-Renewable Resources

- Oil & Gas – Exploration & Production
- Oil & Gas – Midstream
- Oil & Gas – Refining & Marketing
- Oil & Gas – Services
- Coal Operations
- Iron & Steel Producers
- Metals & Mining
- Construction Materials

Renewable Resources & Alternative Energy

- Biofuels
- Solar Energy
- Wind Energy
- Fuel Cells & Industrial Batteries
- Forestry & Logging
- Pulp & Paper Products

Resource Transformation

- Chemicals
- Aerospace & Defense
- Electrical & Electronic Equipment
- Industrial Machinery & Goods
- Containers & Packaging

Services

- Education
- Professional Services
- Hotels & Lodging
- Casinos & Gaming
- Restaurants
- Leisure Facilities
- Cruise Lines
- Advertising & Marketing
- Media Production & Distribution
- Cable & Satellite

Technology & Communications

- Electronic Manufacturing Services & Original Design Manufacturing
- Software & IT Services
- Hardware
- Semiconductors
- Telecommunications
- Internet Media & Services

Transportation

- Automobiles
- Auto Parts
- Car Rental & Leasing
- Airlines
- Air Freight & Logistics
- Marine Transportation
- Rail Transportation
- Road Transportation

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