

# LEVEL I CURRICULUM OUTLINE

## PART I: THE NEED FOR SUSTAINABILITY ACCOUNTING STANDARDS

### 1. Demand for Sustainability Information

- 1.1. Growing Investor Demand
- 1.2. Demand Within Companies
- 1.3. Other Institutions Driving Demand

### 2. The Historical Basis for Disclosure

- 2.1. The Aftermath of the Stock Market Crash of 1929
- 2.2. Disclosure as the Basis of Regulatory Reform
- 2.3. Materiality: A Guiding Principle for Disclosure
- 2.4. The Road to Standardized Accounting Procedures

### 3. The Shortcomings of Financial Disclosure

- 3.1. Financial Information Beyond the Financial Statements: The Use of Non-GAAP
- 3.2. The Changing Nature of Market Value
- 3.3. Measuring and Reporting Non-financial Information
- 3.4. A New Tool for Investors
- 3.5. Sustainability Reporting's Unique Challenges

### 4. Sustainability Disclosure Guidance Among Global Jurisdictions

- 4.1. The Growing Prevalence of Disclosure Guidance
- 4.2. Types of Guidance Shaping Global Disclosure Rules
- 4.3. The Influence of Corporate Governance Codes
- 4.4. Balancing Flexibility with Usability

### 5. The Sustainability Disclosure Ecosystem

- 5.1. Growth of the Ecosystem: A Maturing Industry
- 5.2. What Shapes ESG Data Quality?
- 5.3. A Closer Look: Sustainability Disclosure Frameworks and Standards
- 5.4. A Coherent System for Comprehensive Reporting

### 6. Materiality Throughout Global Jurisdictions

- 6.1. Little Word, Big Implication
- 6.2. Traditional Materiality in the Context of Current Disclosure Requirements
- 6.3. Materiality in the Context of Sustainability Information
- 6.4. Companies Make the Decision
- 6.5. Financial Materiality of Information vs. Financial Materiality of Topics

## PART II: UNDERSTANDING SASB STANDARDS

### 7. Introduction to SASB Standards

- 7.1. The Importance of Standards
- 7.2. Primary Objectives of SASB Standards
- 7.3. Additional Objectives of SASB Standards

### 8. Setting SASB Standards: Identifying Disclosure Topics and Metrics

- 8.1. SASB's Approach to Standard-Setting
- 8.2. Evidence-Based Research
- 8.3. Choosing Disclosure Topics and Metrics
- 8.4. Market Feedback and Participation
- 8.5. Sustainability Industry Classification System (SICS) and Its Implication
- 8.6. Evolving with the Marketplace

### 9. How Companies Disclose Using SASB Standard

- 9.1. Introduction to Sample Disclosures
- 9.2. Why Do Companies Report Using SASB Standards?
- 9.3. Where Do Companies Disclose Using SASB Standards
- 9.4. What Sustainability Information Are Companies Reporting?
- 9.5. How Is Sustainability Information Being Disclosed?

## PART III: USING SASB STANDARDS

### 10. Corporate Use

- 10.1. Investor Demand for ESG
- 10.2. Considerations for Corporate Use
- 10.3. Preparing for Disclosure
- 10.4. Preparing Quality Data
- 10.5. Reporting Financially Material Sustainability Data
- 10.6. Managing Sustainability Performance

### 11. Investor Use

- 11.1. Overview of Sustainability in Investing
- 11.2. A Spectrum of the Use of Sustainability Information
- 11.3. Investor Application of Industry-Agnostic vs. Industry-Specific Sustainability Data
- 11.4. The Pre-Investment Stage
- 11.5. Index Construction and Sector Allocation
- 11.6. Post-Investment Engagement
- 11.7. Investor Reporting
- 11.8. Creating an Effective Framework
- 11.9. Data Is the Backbone

## CONCLUSION

## PREPARING FOR THE EXAM

## SAMPLE QUESTIONS

## GLOSSARY OF KEY TERMS

## APPENDIX I: RESOURCES FOR ENHANCED UNDERSTANDING

# LEVEL I LEARNING OBJECTIVES

- 1 **IDENTIFY** the factors influencing investor use of sustainability information
- 2 **RECOGNIZE** why the historical evolution of financial and non-financial disclosure practices is relevant for today's global capital markets
- 3 **IDENTIFY** how and why sustainability accounting and disclosure has evolved to supplement financial accounting and disclosure
- 4 **DISTINGUISH** how "materiality" is defined and used globally in the context of disclosure
- 5 **DIFFERENTIATE** between sustainability-related disclosure guidance based on key characteristics
- 6 **COMPARE** organizations in the sustainability accounting and disclosure ecosystem
- 7 **RECALL** the objectives of SASB Standards, the tenets of SASB's approach, and the characteristics of SASB disclosure topics and accounting metrics
- 8 **RECALL** the structure of SASB Standards
- 9 **DESCRIBE** SASB's current standard-setting process
- 10 **DISCERN** the implications of SASB's Sustainability Industry Classification System® (SICS®)
- 11 **DIFFERENTIATE** how companies disclose information aligned with SASB Standards, including special disclosure situations
- 12 **IDENTIFY** how investor demand for sustainability information shapes corporate disclosure and performance management practices
- 13 **RECOGNIZE** the cross-functional nature of preparing sustainability disclosures
- 14 **DISTINGUISH** the stages of sustainability disclosure
- 15 **IDENTIFY** the influence of board governance, internal controls, and third-party assurance on the reliability of sustainability information
- 16 **RECOGNIZE** the role of sustainability management in corporate strategy and risk management
- 17 **IDENTIFY** how sustainability information is used in public equities (active and passive)
- 18 **IDENTIFY** how sustainability information is used in corporate fixed income
- 19 **IDENTIFY** how sustainability information is used in private markets
- 20 **IDENTIFY** the challenges investors face in using sustainability information and how those challenges impact the market

# LEVEL II CURRICULUM OUTLINE

## PART I: IDENTIFYING THE SUSTAINABILITY ISSUES RELEVANT TO FINANCIAL PERFORMANCE

### **1. How a Company's Circumstances Influence Material Sustainability Issues**

- 1.1. Considerations That Shape Each Industry's Sustainability Profile
- 1.2. Evaluating How a Company's Circumstances Influence Material Sustainability Factors
- 1.3. The Influence of Governance and Management Practices

### **2. Understanding Sustainability Issues**

- 2.1. The Universe of Sustainability Issues
- 2.2. Identifying Interrelated Impacts

### **3. Evaluating Sustainability Issues**

- 3.1. Applying the Five Factors
- 3.2. Contextualizing Sustainability Topics
- 3.3. Making Use of the Findings

## PART II: EVALUATING THE COMPARABILITY OF SUSTAINABILITY INFORMATION

### **4. Normalizing Data for More Effective Comparisons**

- 4.1. When to Normalize ESG Data
- 4.2. Selecting Appropriate Measures for Use in Normalization
- 4.3. Normalizing for Comparative Analysis

### **5. Analyzing the Spread of Industry Performance**

- 5.1. Getting to Know Your ESG Data
- 5.2. Analyzing Data Distribution
- 5.3. Outliers and Non-Normal Distributions
- 5.4. Considering Data Quality

### **6. Considering Company-Specific Context**

- 6.1. Considering a Company's Operating Environment
- 6.2. Management and Governance Decisions

## PART III: THE CONNECTION BETWEEN SUSTAINABILITY PERFORMANCE AND VALUATION

### **7. Characterizing Financial Impact**

- 7.1. Identifying Risks and Opportunities
- 7.2. Assessing the Likelihood, Timing, and Magnitude of Impacts
- 7.3. Process for Identifying Metric Types and Categories

### **8. Using Sustainability Data in Financial Valuation**

- 8.1. Overview of Discounted Cash Flow
- 8.2. Identifying Channels of Financial Impact

### **9. Integrating ESG Beyond DCF**

- 9.1. Evaluating Returns and Profitability
- 9.2. Scenario Analysis

## CONCLUSION

## PREPARING FOR THE EXAM

## GLOSSARY OF KEY TERMS

## APPENDIX I

## APPENDIX II

# LEVEL II LEARNING OBJECTIVES

- 1 **EVALUATE** a company's internal operating factors to determine useful changes to the sustainability topics identified in the company's industry standard (e.g., chemicals companies that produce genetically modified organisms vs. those that do not)
- 2 **EVALUATE** a company's external operating context to determine useful changes to the sustainability topics identified in the company's industry standard (e.g., mining companies with mines in countries with weak rule of law vs. mining companies in countries with robust rule of law)
- 3 **DIFFERENTIATE** general sustainability issues, their typical impacts on enterprise value, and how they can produce interrelated impacts alongside other sustainability issues
- 4 **EVALUATE** how a sustainability issue can impact a company using the five factors
- 5 **DIFFERENTIATE** options for normalizing sustainability information to improve insight into a company's performance relative to that of its industry peers and over time
- 6 **ASSESS** whether information about the dispersion of an industry's sustainability performance influences interpretations of a company's performance
- 7 **COMPARE** industry peers' sustainability performance in light of their external operating context (e.g., business climate, economic climate, regulatory climate, operating location[s]) and in the context of their management and governance decisions (e.g., strategic decisions and risk management)
- 8 **ASSOCIATE** sustainability accounting metrics with the type of financial impact they are designed to illuminate (e.g., risks and opportunities; acute or progressive impacts with varying likelihood, timing, and magnitude)
- 9 **EVALUATE** the connection between a company's performance on a SASB metric and its associated channel(s) of financial impact (e.g., revenues/expenses, assets/liabilities, and/or cost of capital)
- 10 **TRANSLATE** a company's performance on a SASB metric(s) to valuation model adjustments