

# 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 MATERIAL FINANCIAL IMPACTS OF SUSTAINABILITY FACTORS**

- Evaluating How a Company's Circumstances Influence Material Sustainability Factors
- The Influences of Operations (Internal Factors) on Material Sustainability Factors
- The Influences of the Operating Environment (External Factors) on Material Sustainability Factors
- Assessing Sustainability Topics
- Applying the Five Factors
- Making Use of the Findings
- Summary

## **PART II. EVALUATING THE COMPARABILITY OF SUSTAINABILITY INFORMATION**

- Normalizing Data for More Effective Comparisons
- Selecting Appropriate Measures for Use in Normalization
- Normalizing to Gain Insight into Performance Over Time
- Normalizing to Improve Peer Comparisons
- Analyzing the Spread of Industry Performance
- Recognizing Data Types
- Looking at the Distribution of Data
- Summarizing the Data
- Analyzing Data Dispersion
- Dealing with Outliers and Non-normal Distributions
- Considering Company-specific Context in the Analysis
- Considering a Company's Operating Context
- Considering a Company's Performance Context
- Summary

## **PART III. THE CONNECTION BETWEEN SUSTAINABILITY PERFORMANCE AND VALUATION**

- Assessing the Timing, Duration, and Intensity of Impacts
- Key Characteristics of Impacts
- Acute and Progressive Impacts
- Risks and Opportunities
- Accounting for the Interrelatedness of Impacts
- Using Material Sustainability Data in Financial Valuation
- Interrelated Impacts and Contextual Considerations
- Channels of Impact
- Integrating Sustainability into Valuation Models
- Summary

## **CONCLUSION**

## LEVEL II LEARNING OBJECTIVES

- 1 **EVALUATE** the influence of external factors on whether a company is exposed to sustainability topics likely to have material financial impacts in its SICSTM industry (e.g., mining companies with mines in countries with weak rule of law vs. mining companies in countries with robust rule of law)
- 2 **EVALUATE** the influence of operational factors on whether a company is exposed to sustainability topics likely to have material financial impacts in its SICSTM industry (e.g., chemicals companies that produce genetically modified organism vs. those that don't)
- 3 **EVALUATE** a sustainability topic using the five factors
- 4 **ASSESS** whether information from a SASB metric provides insight into a risk or an opportunity
- 5 **ASSOCIATE** SASB metrics with the type of impact they are designed to provide insight on (near-term or medium- to long-term impacts, low probability and acute impacts, or progressive impacts)
- 6 **EVALUATE** if information about the dispersion of an industry's sustainability performance influences interpretations of a company's performance
- 7 **DIFFERENTIATE** options for normalizing sustainability information to improve insight into a company's performance relative to its industry peers
- 8 **DIFFERENTIATE** options for normalizing sustainability information to improve insight into a company's year-on-year performance over time
- 9 **COMPARE** industry peers' sustainability performance information in light of external contextual factors (e.g., business climate, economic climate, societal trends, and geographical segmentation)
- 10 **COMPARE** industry peers' sustainability performance information in light of operational contextual factors (e.g., the company's historical performance, strategic decisions/actions)
- 11 **EVALUATE** the connection between a company's performance on a SASB metric and the associated financial impact linked to the SASB topic (e.g., increased revenue or market share, cost savings, and fines)
- 12 **TRANSLATE** a company's performance on a SASB metric(s) to adjustments to a valuation model