

PREFACE

Long considered to be the language of business, accounting is evolving to meet a growing market demand for material sustainability information. As a result, a new set of standards is needed to ensure that this information is useful. The Sustainability Accounting Standards Board (SASB) has sharpened the focus of sustainability reporting on the factors most important to companies and their investors—those reasonably likely to have a material impact on a firm’s financial condition or operating performance. SASB’s industry-specific disclosure topics and metrics standardize disclosure on those factors and explicitly link them to a company’s financial performance. The outcome is a complete set of sustainability accounting standards that are decision-useful for companies, their investors, their advisors, and others.

Against the backdrop of a changing business landscape, practitioners at the intersection of investment analysis, corporate management, and securities law must understand how to recognize and interpret the sustainability factors that are material to a business.

You have already read the FSA Credential Level I study guide, which:

- Set the context for sustainability accounting, describing the current market landscape and explaining the relevant legal considerations;
- Outlined how SASB standards are designed to fit within that context; and
- Covered the implications of sustainability accounting for both companies and investors.

The Level I study guide clarified that the nature of SASB standards makes them both cost-effective for companies to use for disclosure, and useful for all investor types to understand how their specific holdings or overall portfolio weighting are exposed to sustainability-related risks and opportunities.

It is valuable for all practitioners—investors and corporate professionals alike—to understand how material sustainability information is applicable to various investment activities, though the predominant focus of both investors and corporate professionals is the application to specific company analysis. Investors need to know how material sustainability information can provide an enhanced understanding of a company’s ability to create long-term value, and professionals working with or within a company need to know how that information can provide insights into the company’s performance and position relative to peers.

The FSA Credential Level II study guide moves beyond the principles-based curriculum of Level I to teach a practices-based curriculum. It will help readers learn how to apply sustainability accounting to their own work for the benefit of their organization, the capital markets, and the economy at large.

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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 SICST[™] 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 SICST[™] industry (e.g., chemicals companies that produce genetically modified organisms 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