

# 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