

# ESG Fundamentals & ESG Essentials

## Course Outline

### ESG Fundamentals & ESG Essentials both include:

#### Module 1: Creating Value

- Introduction: Why start with Finance?
- Self-assessment: What's your level of financial acuity?
- Lesson 1: Financial basics
  - The Income Statement
  - The Balance Sheet
  - Key Financial Metrics: Revenue growth, profit growth, ROIC
- Lesson 2: Creating Shareholder Value
  - Two Kinds of Investors
  - Return on Invested Capital (ROIC)
  - 4 Drivers of Value
- Lesson 3: Strategy-driven Value Creation
  - Traditional Strategy
  - How Strategy Drives Value (Sustainable Value Creation Map)
  - Competitive Advantage and Relative Attractiveness
  - Core Business Processes
  - Resources & Capabilities

#### Module 2: Sustainability, Business, and ESG

- Lesson 1: Sustainable business and the Triple Bottom Line
  - The Great Trade-Off Illusion
  - The Triple Bottom Line
  - The Larger Systems View of Business Impact
- Lesson 2: Sustainable Investing, ESG, and its impact on business
  - Spectrum of Investing Approaches
  - How Investors View ESG Performance
  - ESG As Risk Avoidance
  - ESG Integration
  - Do High-Performing ESG Firms Produce Superior Financial Returns?

#### Module 3: Strategic ESG: Creating Sustainable Value

- Lesson 1: Identifying Material ESG Issues
  - A Note on Materiality
  - Assessing Materiality to Prioritize ESG Issues
- Lesson 2: Connecting the Dots: Mapping Cause-and-Effect from ESG Initiative to Impact and Value
  - Connecting ESG Priority Issues to Impact and Value Creation
  - The Sustainable Value Creation Map
  - Practical Tips for Using the Sustainable Value Creation Map
- Lesson 3: The Value of a Sustainability-Driven Strategy
  - Beyond ESG Initiatives: Sustainability-Driven Strategy
  - The Intangibles of Sustainability Strategy
  - Mapping Long-term Strategy Using the SVCM
- Lesson 4: Applying the Sustainable Value Creation Map
  - Exercise: Create a SVCM for a CareCo Natural ESG Initiative (Grower Certification)

**Module 4: Sustainability Reporting and Materiality (1.75h)**

- Lesson 1: A Brief Overview of Sustainability Reporting Frameworks
  - Sustainability Reporting and the Global Reporting Initiative (GRI)
  - Additional Frameworks: CDP, SBTi, GHG Protocol, UN SDGs
- Lesson 2: Reporting Sustainability to Investors
  - SASB + TCFD = ISSB
  - Emerging Trends in Reporting

**Content Final Quiz**

**ESG Essentials also include:**

**Module 5: Making Progress (e.g. Application to project)**

- Lesson 1: What are you going to do?
  - Choose Your ESG Initiative
  - Finding Your Project Sweet Spot
- Lesson 2: Making Your Proposal
  - Making a Strong Pitch
  - Mapping Your Project Using the Sustainable Value Creation Map
  - Review the Project Assignment

**Applied Project: Developing a Project Charter for Your Organization**

Can be individual or group effort

- Complete and submit Project Assignment for Peer & Expert Review
- Provide 2 peer reviews
- Reflect on peer reviews received
- Respond to expert review

## Resources and Inspiration

**CareCo Natural Simulation:** The simulation is realistic, but the specific scenarios, strategies, and financials are fictional. The operational and financial performance of the underlying system dynamics model is based on available data from public companies in the Fast-Moving Consumer Goods (personal care) industry, including:

- Marico Ltd
- Natura & Co
- Unilever (including brands such as Love Beauty and Planet)
- P&G

**Sustainable Value Creation Map:** The SVCM builds on several frameworks that have guided sustainability strategy over the past two decades. We acknowledge the valuable foundation these have provided in the development of this tool. To learn more, see:

- Robert S. Kaplan and David P. Norton, *Strategy Maps: Converting Intangible Assets Into Tangible Outcomes* (Boston: Harvard Business School Press, 2004). [The Balanced Scorecard features layers similar to the SVCM.]
- Stuart L. Hart, [\*Capitalism at the Crossroads: New Generation Business Strategies for a Post-Crisis World, Third Edition\*](#) (Upper Saddle River, NJ: Prentice Hall, 2010). [Chapter 3: The Sustainable Value Portfolio features the Sustainable Value Framework which first described the core linkages between sustainability and business value creation.]
- David J. Collis and Michael G. Rukstad, "[Can You Say What Your Strategy Is?](#)", *Harvard Business Review* (April 2008); Roger L. Martin, "[Five Questions to Build a Strategy,](#)" *Harvard Business Review* (May 26, 2010). [These classic articles help boil business strategy down to its essence and bring focus to an otherwise complex maze of frameworks and methodologies.]
- SAP, Impact Through Innovation: SAP Integrated Report 2016, available at <https://www.sap.com/docs/download/investors/2016/sap-2016-integrated-report.pdf> [SAP has been a pioneer in integrated reporting and mapping the cause-and-effect connections between sustainability initiatives and financial performance. In 2015, their website featured an interactive map that highlighted these connections. This was an early inspiration for our SVCM map. See "Connectivity of Financial and Non-Financial Indicators," pp. 215-223 in their 2016 Integrated Report.]