



SUSTAINABLE DEBT PRIMER:

FOUR STEPS TO FOLLOW BEFORE ENTERING THE MARKET

EXECUTIVE SUMMARY

As the financial drivers of corporate sustainability and overseers of capital structure, business leaders must be savvy about new sustainable debt instruments. For companies with green goals and projects, sustainable debt is not only an additional pool of capital, but also a means to generate revenue, insulate from market volatility, and more. However, while financial leaders are familiar with conventional debt financing, many are new to these green financing tools and are uncertain how or where to begin.

This primer serves sustainability and finance teams who can utilize green debt as a means to meet their companies' ESG and financial performance goals concurrently. It outlines four steps an organization should follow before entering the sustainable debt market and offers suggestions for how to set up their companies for success in this fast-growing space.

The full report contains nearly 20 pages of detail on the sustainable debt market, including full descriptions of the four steps and recommendations on how business leaders can adequately prepare their companies to maximize their sustainable debt opportunity.

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4 Steps to Follow Before Entering the Sustainable Debt Market

1

Understand the market.

Before entering the sustainable debt market, it is important to understand its characteristics to better position your company as a future borrower. You should have a grasp of the overall growth trends, each instrument's relative popularity, supply and demand relationships, and the potential impact of inflation.

2

Decide which sustainable debt tool is right for you.

Sustainable debt tools vary by type (bond vs. loan), use of proceeds (activity-based vs. behavior-based), and purpose (social, environmental, or ESG). Knowing how each tool differs and assessing which instruments are the best fit, given your company's resources, goals, and project portfolio, are critical.

3

Know the material benefits.

Would-be borrowers may have limited knowledge of the potential benefits of sustainable debt offerings. Understanding the factors that could advance your company's financial standing, reputation, project alignment, and insulation from financial volatility is essential to maximizing the material advantages.

4

Assess upfront costs.

Realize that sustainable debt borrowing requires greater upfront monetary and non-monetary costs relative to conventional debt. Effective use of this debt requires knowing the nature and value of those costs, assessing if the returns (as defined in Step 3) are worth the expenditure, and determining how you are going to budget and allocate internally.