



Moving on up

Sustainable finance can help treasurers take the next steps to becoming CFO

LEADERSHIP & CAREER

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In our regular work with treasurers and CFOs on their climate finance strategy, we have frequently encountered examples of treasurers who advance the sustainable finance agenda for their organisation benefiting in terms of career growth. Sustainable finance provides an opportunity for treasurers to help their organisations gain advantages such as enhanced reputation, access to sustainability-focused investors and a reduction in cost of capital. Additionally, setting up sustainable finance frameworks and instruments can serve as valuable training grounds for treasurers aspiring to become CFOs.

Treasurers are central hubs of information within their companies and towards external stakeholders. Also, treasury is one of the few roles to benefit from a bird’s eye view of the activities of the whole organisation.

By engaging in sustainable finance activities,

treasurers can deepen their understanding of the company and increase their managerial roles.

From routine to value-added

Traditionally, treasurers handle day-to-day tasks such as cash forecasting, cash management and communication with banks. These activities involve significant information about the company, which is often processed quickly because of time constraints. However, by investing more time in analysis and developing contacts within the organisation, treasurers can enhance their roles and gain higher exposure within the company.

Usually, the treasurer provides the company with the funding plan. In the context of the low carbon transition, given the capital needs, CFOs (and their treasurers) need to be innovative to attract funding at an attractive price. Companies will rely on the treasurer to determine the transition funding plan and to assess whether it will be better to work on a project-by-project basis (and look for green loans or bonds) or in other ways to optimise the cost of capital – for example using grants, tax credits, joint ventures, partnerships, or special-purpose vehicles.

Issuing sustainable finance instruments broadens the treasurer’s role and exposure to new, non-typical corporate information. Green bonds or sustainability-linked bonds (SLBs) and loans (SLLs) require project selection or KPI selection, communication skills with internal

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stakeholders and investors, and monitoring of various non-financial parameters linked to ESG targets and covenants. This expands the treasurer's role beyond traditional economic and financial variables, providing an enriching opportunity and better overall control of the company's risk.

Treasurers will encounter new areas of the organisation and external experts, including:

- Collaborating with engineers, supply chain stakeholders, controllers, HR departments, board members, environmental specialists and ESG managers.
- Engaging with external experts and auditors, such as second-party opinion providers and NGOs, to validate information.

In the context of a green bond or SLB issuance, the treasurer will usually act as a conductor, chairing the working group related to the green bond or SLB issuance, ensuring that the selected projects or KPIs will be well understood by the investor community, and striving to keep the momentum of the internal stakeholders for meeting the objectives of the bonds over their duration. It is a question of leadership and credibility for the treasurer and, therefore, excellent preparation for a CFO role.

As the corporate representative towards the debt investors, treasurers should be aware of the regulations and trends around sustainability so they are able to explain the choice of the projects in the case of a green bond, and KPIs in the case of a SLB issuance. Treasurers are the guardians of the corporate reputation on the debt markets, acting as an intermediary between the corporate and the debt investors. 🌱

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INNOVATE TO ATTRACT ESG INVESTORS

Every company and sector has unique opportunities and challenges. If we take the climate transition as an example, it is safe to say that transitioning to a low-carbon economy requires significant adjustments across sectors. Different approaches are needed for different industries. For example, assessing the credibility of a company approach to Scope 3 emissions needs to differ greatly depending on whether we are looking at a chemical or cement firm. In the first instance, these emissions are extremely material, though really challenging to deal with, while in the second example, the cement manufacturer, Scope 3 emissions are mostly non-material. These differences beg for different financing approaches, as well as different opportunities.

Sustainability is evolving quickly – investor preferences, our understanding, technology and regulations are changing rapidly.

The combination of the uniqueness of every company and the evolving landscape is a source of opportunity for companies and their treasurers. The key is for treasurers to work on solutions that fit their company's business model and strategy while gathering consensus from sustainability-driven investors.

This is how sustainability-linked bonds were created and launched in 2019. At the time, it was realised

that green bonds had their limitations and that more flexible, yet ambitious, instruments needed to be created.

Examples of where treasurers can create value in the current market

- How companies get investor credit for the credibility of their climate-transition plan in the Corporate Sustainability Reporting Directive (CSRD) and International Sustainability Standards Board (ISSB) contexts.
- How companies manage the unsolicited ESG ratings from influential not-for-profit organisations.
- How companies access supply-chain financing.
- How companies structure sustainability-linked loans and bonds.
- How companies get grants and funding from development banks or public organisations.

Ultimately, it is up to the treasurer. While it is not uncommon for a treasurer to be identified as a potential future CFO, using sustainable finance often depends on the treasurer's motivation to take the initiative and assist CFOs in delivering additional value for their organisation, thereby improving their career opportunities (see table below). In our experience, by increasing the significance of the treasurer's role sustainable finance can expedite this progression.

HOW A GREEN BOND LAUNCH PREPARES A TREASURER FOR A CFO ROLE

Select actions required for issuing a green bond	Leadership competencies
Completion of the ESG framework.	Get company alignment on the broad ESG strategy, including C-suite and the board.
Train internal staff on the ESG framework and on the concept of green bonds.	Get on board and train internal stakeholders on the sustainability, green bond concepts and the benefits for the organisation.
Agree on a formal list of eligible categories for the investments.	Be a business partner. Stay close to the operational side of the business, learn the language used by other functions.
A green bond committee must be formed with the relevant heads of business.	Gather and align a cross-functional team.
The client must select the impact measures that will be reported to investors.	Go beyond the business as usual; look at impact across stakeholders.