



CLIMATE
POLICY
INITIATIVE



The Corporate Climate Finance Playbook

Unlocking Corporate Finance
for Climate Action

September 2023

USING THE FULL POWER OF EVERY COMPANY TO MEET CLIMATE AND BUSINESS GOALS

Rising temperatures, severe flooding, and unprecedented climate disasters across the globe—it's undeniable; climate change is here and it's getting worse.

Limiting global warming to 1.5°C will require an additional [~\\$4 trillion annually](#), a significant portion of which must come from the private sector—requiring every company to play a role. However, few do today, and those that are often aren't using their full power.

To meet our global climate targets, deliver on corporate climate goals, and close the climate finance gap, we need the full power of every company on planet Earth, to fight for planet Earth.

At [Salesforce](#), we're on an ongoing journey. Over the years, we've taken a piecemeal approach to climate finance, often deploying different forms of capital-like philanthropy, venture capital, purchasing power, sustainability bonds, and carbon credits—in isolation from one another.

As we progressed, we learned that (1) different financial instruments are better suited for different objectives, and (2) when deployed and blended together, these instruments can deliver multiples. If we wanted to use the full power of our business for climate action, we needed a blueprint to understand which financial tools are available, how best to use them, and when.

Developed by [Climate Policy Initiative](#) (CPI) in partnership with Salesforce, this Playbook serves as a first draft of that blueprint and as an invitation for others to join us. This isn't a CPI Playbook or a Salesforce Playbook. This is a Playbook for us all, a starting point to spark conversation and propel global industries forward. We hope it helps your company unlock financial resources to build an integrated climate finance approach.

Whether you're just getting started or already well on your way, we invite you to share your feedback, iterate on the tools provided, and build upon what we've developed thus far.

Thank you to all who have trusted us with your stories and to all those who will continue this journey with us. And a special thank you to the [World Economic Forum](#) for their input and collaboration. As you'll learn in this Playbook, meeting our climate goals and unlocking the full power of our companies will require all of us.

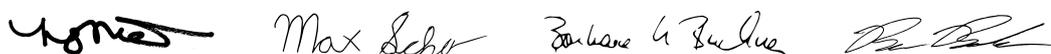
Sincerely,

Salesforce

Naomi Morenzi, SVP Climate & Innovation Philanthropy
Max Scher, VP Sustainability Research & Innovation
Claudine Emeott, Partner, Salesforce Ventures Impact Fund

Climate Policy Initiative

Barbara Buchner, Global Managing Director
Ben Broché, Associate Director Climate Finance



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INTRODUCTION

The effects of climate change are being felt across the corporate sector. With impacts on supply chain costs, workforce productivity, shifts in customer preferences, and rapidly changing regulations, corporate climate action is no longer just a gesture of goodwill—it's a business imperative.

Corporations are beginning to meet the moment. [34% of the 2,000 largest public and private companies have set a net zero commitment](#) as of November 2022. However, these enterprises need support in realizing their goals: only [7% are actually on track](#) to meet their net zero commitments, and [less than 5% of Fortune 500 companies have incorporated nature and biodiversity](#)—a critical component in meeting climate targets—into their strategies. Against the backdrop of a changing economic landscape, as well as increasingly severe and frequent climate risks, companies will need to take a holistic climate finance approach that strategically utilizes their financial resources as a vehicle to meet climate goals at the pace required.

This Playbook aims to help corporate decision makers understand how to do just that by (1) examining the strategic use of various financial instruments to deploy, manage, and raise capital, (2) sharing insights on how and when to use them, and (3) highlighting best practices in corporate climate finance. Informed by interviews with 18 companies and desk research, the Playbook seeks to answer three core questions:

- **What financial instruments are available to corporations, and how can they be applied to climate?**

[Section 1: Mobilizing Corporate Climate Finance](#) highlights a taxonomy of commonly available corporate climate finance instruments, ranging from green bonds and sustainability-linked loans, to internal carbon pricing, net zero aligned cash and liquidity management and climate-positive 401(k) options, to grants, venture capital, capital expenses, and carbon credits. The definitions and guidance provided are not meant to represent every corporate finance instrument, but rather the most common instruments based on the stakeholders interviewed, and to showcase what's possible.

- **When and how can each instrument be used, and what are the climate and business considerations?**

[Section 2: Making Decisions around Climate Finance](#) highlights a visual decision-making flowchart to guide individuals through the steps one might consider when choosing and implementing a particular climate finance instrument. No climate finance journey is the same. One company's rationale for using philanthropy or venture capital will look different from another's depending on goals, resources, stakeholder buy-in, previous experience, organizational structure, and more.

The decision-making flowchart helps readers explore how to align climate and business goals in service of climate initiatives, match the appropriate financial instrument to the innovation stage of the climate initiative, assess risk appetite, and consider how to deploy various instruments alongside each other in a holistic strategy. Companies need to balance multiple considerations, including climate and business impact, level

of effort required, and co-benefits for other social and environmental impacts. This decision-making flowchart is a jumping off point to help readers turn learnings from the Playbook into action.

- **What are corporations already doing and how can their models be applied to another company's journey?**

[Section 3: Highlighting Best Practices in Corporate Climate Finance](#) showcases real-life examples of companies applying these instruments to their own climate finance strategies and specific considerations for how to apply them to your own. This includes stories from Cisco Foundation, Microsoft, Seventh Generation, Salesforce, and Autodesk. These examples can serve as inspiration for companies, no matter where they are on their climate finance journey.

The goal of this Playbook is not to be a single source of truth for all climate decision makers. Rather, it's designed to be a practical guide to help companies unlock the full power of their business to reach their climate goals. No matter where you are in your journey, here are [5 tips](#) to start or grow your climate finance journey:

1. **Understand your goals, and the tradeoffs you're willing to make.** There's no 'silver bullet' when it comes to climate finance. Each instrument and approach will have its risks and benefits. Clarify what your climate and business goals are so you can understand what to optimize for in a climate finance strategy.
2. **Work with key stakeholders to weigh these objectives and gain buy-in.** No good climate finance strategy is built in isolation. Talk to your internal and external stakeholders to understand their priorities and align on what's most important.
3. **Explore your climate finance options and what it would take to activate them.** Take the time to understand what each financial instrument is best suited for, the level of effort required, and the implications on your business and climate goals. Be realistic about what's possible given your resources and priorities.
4. **Put it all together to build a holistic climate finance strategy that optimizes for your goals, using your limited resources.** To take your dollars further, it's critical to leverage multiple forms of capital, and in coordination with one another. Strategically match financing approaches to the appropriate climate initiative to advance one integrated strategy. And if now isn't the right time to seek new funds or investments, tap the existing instruments already at your disposal.
5. **Be ready for the right moment, with the right climate finance plan.** When the CEO is headed to COP, new legislation is passed, or a competitor announces a major climate commitment and senior leadership asks "what's our plan?," you'll be prepared to present a holistic climate finance strategy.

SECTION 1: MOBILIZING CORPORATE CLIMATE FINANCE

DEFINING CORPORATE CLIMATE FINANCE AND THE INSTRUMENTS AVAILABLE

Corporate finance is often defined as the instruments available to meet key business priorities. Corporate climate finance retrofits these instruments to advance both business and climate goals. Each financial instrument plays a critical role across stages of innovation and financial engagement, from de-risking early-stage technologies and activities to accelerating the scale of existing innovations.

Representing common themes identified from 18 corporations interviewed and supplemental desk research, the tools and guidance in this section aim to help companies evaluate which tools are available and when and why to use them. This analysis does not capture every financial instrument and approach available to corporations, but instead is intended to offer a glimpse of commonly used instruments and inspiration for what else is possible.

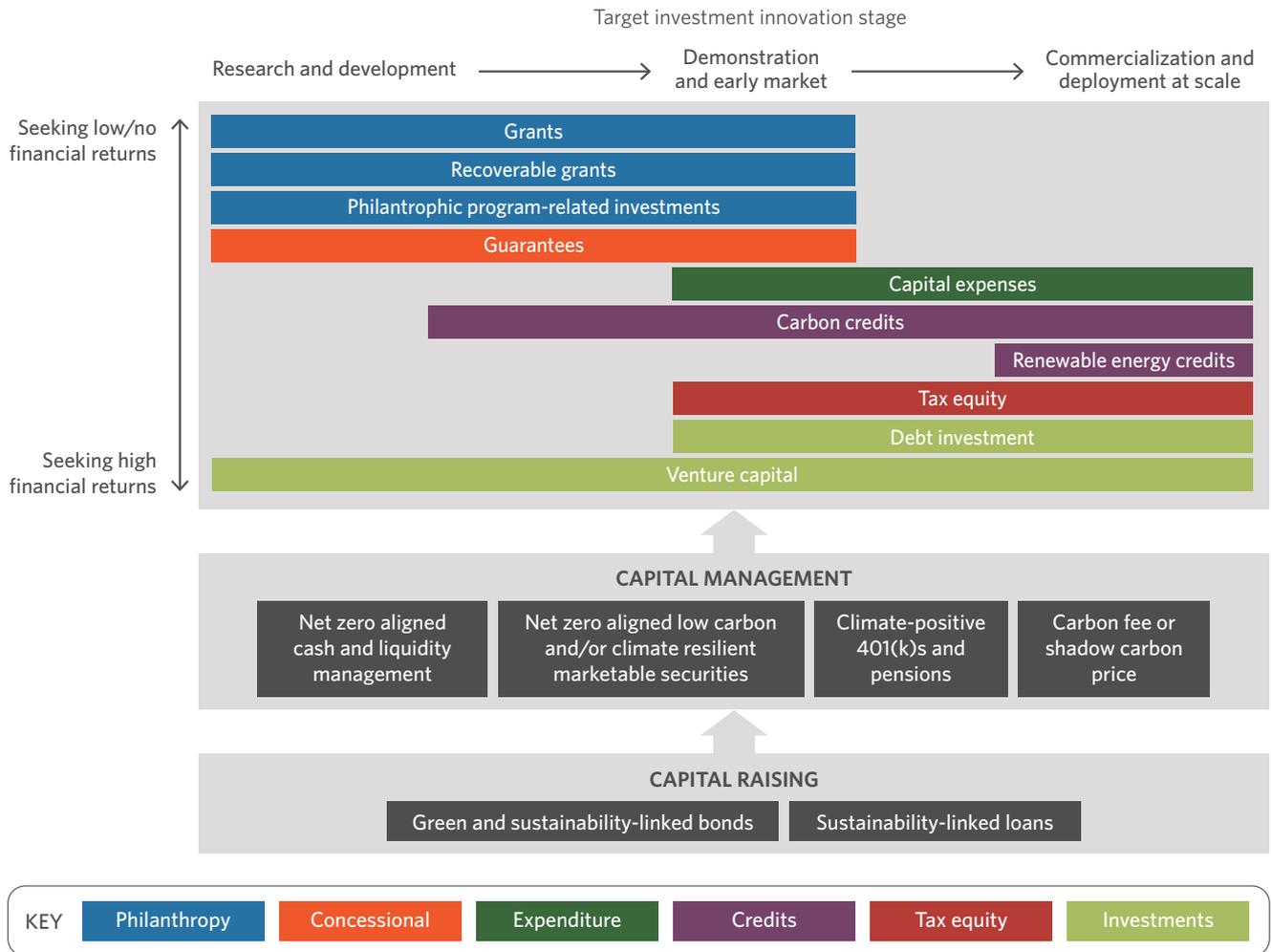
Corporations engage with capital through three core mechanisms:

1. **Capital Deployment:** Strategically allocating the full swath of financial resources to achieve specific business or project objectives.
2. **Capital Management:** Financial instruments used to manage a company's assets and equity against its liabilities to ensure the organization meets its financial obligations and achieves its goals.
3. **Capital Raising:** Raising net-new external funds to achieve and/or advance strategic goals for a business, project, or team.

Whether activating instruments from capital deployment, management, or raising; what's key for any climate finance strategy is that decision makers coordinate a mix of instruments to optimize for their goals. To do this, corporations need to understand which instruments are available and match those instruments to the targeted innovation stage, the desired financial return, and the intended goals of their strategy.

Figure 1 provides a "birds-eye view" of the climate finance instruments available, and how they stack up against innovation stages and financial returns. The goal of this visual is to help companies assess when and why it's best to activate an instrument. While capital deployment tools stretch across innovation stages, capital management and raising cut across all stages to support deployment instruments.

Figure 1. Map of Corporate Climate Finance Instruments



UNDERSTANDING WHEN TO USE EACH CLIMATE FINANCE INSTRUMENT AND WHY

Table 1 provides definitions of each of these instruments across capital deployment, management, and raising. For additional guidance on when to use each instrument, and examples of how companies are activating them, readers can explore a more comprehensive taxonomy in [Annex 1](#).

As part of CPI’s analysis, we found that fewer companies interviewed used capital raising and capital management instruments for climate initiatives. This is not to say that financial instruments like green and sustainability-linked bonds, or net zero aligned cash and liquidity management and securities are not valuable or impactful. But the complexities and challenges of deploying such instruments stood as barriers for many companies interviewed. On the other hand, the companies interviewed for this analysis had more experience using capital deployment instruments – such as grants, venture capital, and carbon credits – to advance their climate goals. Our hypothesis is that these instruments are more commonly used since they are seen as “traditional” forms of climate finance and can more easily be applied to climate initiatives without impacting broader parts of the business.

The guidance outlined in Table 1 is meant to serve as a starting point to spark conversation on where to start or grow, and to help decision makers understand the spectrum of what’s possible.

Taxonomy Key

 = Deep dive of use case and considerations highlighted in the section [Climate Finance in Action](#)

 = Potential good starting points for a company nascent in its climate finance journey

Table 1. Corporate Climate Finance Taxonomy

Capital Deployment			
Category	Instrument	Definition	Example(s) in Practice
Philanthropy	Grants  	Capital deployed without expectation of a financial return.	Grants: Announced in 2021, Salesforce's Ecosystem Restoration & Climate Justice Fund will deploy a total of \$100 million over 10 years toward nature-based solutions that enhance natural carbon sinks, protect biodiversity, and promote green job creation. Acting as a catalytic force within the larger ecosystem, Salesforce's philanthropic capital operates as a "de-risker," funding initiatives with no, or uncertain, financial returns (such as research, early-stage innovations, restoration projects, etc.) and laying the groundwork for other forms of capital that are less suited for such early-stage projects.
	Recoverable grants	A grant in which the grantee and grantor agree that some or all of a grant is returned to a donor under specified conditions (i.e., performance targets or other conditions are met).	
	Philanthropic program-related investments (PRIs) 	Investments in charitable causes that are often neglected by mainstream financial institutions. Unlike grants, PRIs are expected to be repaid with no to below-market interest and the potential to generate a small return. They can take the form of equity, debt, or guarantees and must be charitable in nature as part of a foundation's annual distribution requirement as required by the IRS (a 5% minimum).	
Concessional	Guarantees	An agreement by a funder (often a corporate foundation or investor) to fulfill a lender's repayment obligations (often in the context of debt owed by an early-stage company) in event of a default or if the borrower does not achieve full intended financial returns.	Guarantees: The Green Guarantee Company aims to use guarantees to execute climate mitigation and adaptation projects. The company provides credible borrowers with a full guarantee anchored in hard currency and aligned with the international Climate Bond Standard to support bonds and loans of up to 20 years.
Expenditure	Capital expenses  	Direct investments in climate resilient infrastructure, decarbonizing supply chains, renewable energy, and low carbon product line development.	Capital expenses: Danone's main production site in South Africa faces high water stress. To mitigate this risk, Danone invested €13.7 million in water reduction and wastewater management projects at the site. Capital expenses: Unilever committed to a deforestation-free supply chain for palm oil, paper, tea, soy, and cocoa. As part of this effort, they invested €59 million to upgrade a facility in North Sumatra in 2022, with an additional €70 million forecasted for 2023.

Credits	Carbon credits 	Credits purchased to compensate for carbon emissions. This includes carbon removal credits (nature-based or tech-based) that remove carbon from the atmosphere and avoidance credits (e.g. REDD+).	<p>Carbon credits: Apple created the Restore Fund (\$200 million) in partnership with Conservation International and Goldman Sachs to finance carbon removal, encourage global investment in protecting and restoring critical ecosystems, and scale natural carbon removal solutions. The fund will generate returns by investing in the development of working forests and Apple will retire the offsets generated.</p> <p>Renewable Energy Credits: Google is one of the largest buyers of RECs in the U.S. and one of the few non-e energy companies that have the license to buy and sell power in U.S. wholesale electricity markets. They began purchasing RECs because regulated utilities offered few, if any, retail options to purchase renewable energy and they leverage long-term Power Purchase Agreements (PPAs) to provide renewable energy developers the stability to finance and build new projects.</p>
	Renewable energy credits (RECs)	Market-based instrument for renewable energy procurement that represents the property rights to the environmental and social attributes of renewable electricity generation.	
Tax equity	Tax equity	A financial arrangement where an investor, often a large corporation or financial institution, provides capital to an eligible project in exchange for tax credits and other financial returns.	Tax equity: Starbucks committed \$97 million of tax equity towards community solar projects to provide nearly 120,000 megawatt hours (MWhs) of clean energy to Starbucks' New York stores and surrounding community.
Investments	Debt investments 	Investment from a corporation directly into a company or via a fund to provide debt towards the development of (usually proven and scaling) climate-relevant initiatives or products.	<p>Venture capital: The Salesforce Ventures Impact Fund invests in innovative cloud companies that are making a positive impact in several areas, including climate action. A significant element of the Fund's success is due to its integration within Salesforce's existing venture arm, which maximizes returns and leverages pre-established processes. This structural decision paved the way for a robust portfolio and notable partnerships with impactful companies, solidifying the fund's strong reputation in the industry.</p> <p>Venture capital: Mars invests in The Livelihoods Fund for Family Farming (L3F) jointly with Danone, Firmenich and Veolia. Externally managed by Livelihoods Venture and with an investment target of €85 million over 10 years, this fund invests in large-scale projects that enable farmers to adopt regenerative agricultural practices and restore degraded natural ecosystems.</p>
	Venture capital 	Investments made directly into companies and/or funds with the intent of driving positive social and/or climate impact with financial return. Funds can be managed in-house or by an external fund or asset manager.	

Capital Management			
Category	Instrument	Definition	Example(s) in Practice
Cash, liquidity, and benefits	Net zero aligned cash and liquidity management	Managing a company's assets with banks that are committed to lower emissions and are members of initiatives such as the Net Zero Banking Alliance .	<p>Net zero aligned cash management: Patagonia is pursuing a low carbon cash management strategy by 1) working to understand banking partners' fossil fuel policies and portfolios, 2) only working with banks that do not finance coal, tar sands, and Arctic oil and gas, and 3) requiring financial partners to publish sustainability goals and to pursue renewable energy lending commitments.</p> <p>Climate-positive pensions: Deloitte introduced a new default pension fund that places a greater focus on sustainability for all of its 35,000 pension plan members. Managed by Standard Life, Deloitte's workplace pension scheme will invest £1 billion in the Aberdeen Standard Investments (ASI) Sustainable World Index Fund. The fund evaluates investments on Environmental, Social, and Governance (ESG) criteria.</p>
	Net zero aligned and/or climate resilient marketable securities	On-balance sheet corporate investment in stocks, bonds, and exchange-traded funds (ETFs) that screen out high-emissions industries and investments.	
	Climate-positive 401(k)s and pensions	401(k) and pension portfolios that align with positive climate practices while still producing comparable financial returns to traditional plans. Climate positive investment options could focus on reducing the emissions intensity of the 401(k), combating deforestation, and investing in solutions that drive emissions reductions in investee companies.	
Internal carbon pricing	Carbon fee or shadow carbon price 	A mechanism by which companies can put a value on their greenhouse gas (GHG) emissions to raise funds for climate programs and incentivize behavior change.	Internal carbon price: Autodesk applies an internal price on carbon Scope 1, 2, and 3 emissions. In FY23, they increased their internal price on carbon to \$20 per metric ton. Proceeds are used for investments in renewable energy and certified carbon offset and removal projects.
Capital Raising ¹			
Category	Instrument	Definition	Example(s) in Practice
External capital markets	Green and sustainability-linked bonds 	<p>Fixed-income instruments designed to support specific climate-related or environmental projects.</p> <p>Green bond: Proceeds generally flow to projects that build a net zero emissions economy and protect the environment. Climate bonds and resilience bonds fit within this approach and can be aligned with relevant principles: the Green Bond Principles, Climate Bonds Standard and/or Building Resilience Taxonomy.</p> <p>Sustainability-linked bond: Proceeds are not ring-fenced to green projects, however financing elements, such as interest rates, are linked to achievement of key performance indicators related to sustainability/ climate.</p>	<p>Sustainability bond: Alphabet issued \$5.75 billion in sustainability bonds, the largest sustainability bond issuance by any corporation. Allocation of use of proceeds went to environmental and social projects such as clean energy, affordable housing, and circular economy.</p> <p>Sustainability-linked bond: Natura & Co issued a \$1 billion Sustainability-Linked Bond which incentivized Natura towards meeting 2 environmental performance indicators: reduction of GHG emissions intensity by 13% and reaching 25% post-consumer recycled plastic in packaging.</p>
	Sustainability Linked Loans (SSLs)	A debt mechanism through which loans are structured to incentivize companies to achieve predetermined sustainability targets that are linked to the terms of the loan.	

¹ Equity is an additional instrument for raising capital that is not included in this taxonomy, as it is outside of scope, with limited examples of corporations using equity for climate finance. However, this does not mean equity cannot play a role in a corporate climate finance strategy.

SECTION 2: MAKING DECISIONS AROUND CLIMATE FINANCE

Climate finance is an essential vehicle for corporations to implement their climate initiatives and meet climate goals. Implementing these initiatives, as part of a coordinated strategy to achieve climate goals—whether that be net zero, biodiversity protection, or another goal—will require systemic changes in corporate behavior, facilitated by changes in cash flows. This necessitates the integration of multiple forms of capital into a cohesive climate finance strategy, as corporations will need to finance climate initiatives across various innovation stages.

Given the wide range of climate finance instruments available, the decision-making flowchart below seeks to distill the steps and questions that corporate decision-makers should consider as they evaluate target climate initiatives, appropriate instruments, alignment with corporate risk appetite and capacity, and finally, how the initiative and instrument fits into a broader climate finance strategy.



Figure 2. Decision Making Flowchart



SECTION 3: CORPORATE CLIMATE FINANCE IN ACTION: HIGHLIGHTING BEST PRACTICES

The decision to implement a climate finance initiative is highly contextual to each company, depending on a variety of factors including overall corporate financial health, governance and organizational structures, business strategy across verticals, company size and geographic focus, tolerance for risk, corporate values, and climate.

This section spotlights the experiences of companies using a mix of financial instruments. While these examples are not representative of every type of company and every instrument available, the goal is that the examples below can offer context on why these corporations selected the climate finance instruments they use today and how you might apply it to your own strategies. Additionally, there is detailed guidance for certain financial instruments, which are linked throughout the examples, and are available in [Annex 2](#).





AUTODESK: BLENDING DIFFERENT POOLS OF CAPITAL TO UNLOCK CLIMATE ACTION

Climate Finance Instruments Activated:

GRANTS

PRIs

CARBON CREDITS

CAP EX

SUSTAINABILITY BOND

Autodesk takes an integrated approach to connect different forms of capital for climate action across its operations, customers, and industry. Sitting within the finance organization, the Autodesk Impact team works closely with Treasury and Legal to activate “dollars out the door (through the Foundation and Carbon Fund) and dollars in the door (through the Sustainability Bond),” said Ryan MacPherson, Climate Investment Lead at Autodesk.

- Autodesk’s Carbon Fund helps reduce operational emissions for Scopes 1, 2, and 3 by investing directly into low-carbon projects, purchasing high-quality carbon credits, securing virtual power purchase agreements, and engaging in advance market commitments like [Frontier](#). The Carbon Fund sits on Autodesk’s balance sheet and optimizes for maximum climate impact in alignment with fulfilling the company’s public commitments.
- [The Autodesk Foundation](#) de-risks innovations for the industry by financing early-stage technologies that aren’t yet commercially viable. With an average investment of \$500,000-\$1M, the Foundation deploys about half of its capital using grants and the remaining half using return-seeking debt investments and market-based private equity. The Foundation is funded by 1% of operating income and sits off the balance sheet in a donor-advised fund.
- Autodesk’s \$1 billion Sustainability Bond enables the company to drive results across all three impact considerations:
 - Operations: Autodesk uses the proceeds of its sustainability bond to support ongoing corporate sustainability programs, such as carbon purchases.
 - Customers: Using capital raised through the bond, [Autodesk acquired Innovyze](#), a software company focused on water infrastructure, to provide customers with a sustainable water products and services offering.
 - Industry: Alongside its Sustainability Bond, Autodesk developed a [Sustainability Financing Framework](#) to help those interested in using a sustainability bond get buy-in from key stakeholders.

More information is available in [Annex 2](#) on key considerations for corporations considering Bond Issuance as an instrument for climate finance.



CISCO FOUNDATION: DEPLOYING PHILANTHROPY AND IMPACT INVESTING TO FUND AN EQUITABLE AND JUST CLIMATE TRANSITION

Climate Finance Instruments Activated:

PHILANTHROPY

VENTURE CAPITAL

DEBT INVESTMENT

In 2021, Cisco Foundation, a legally separate entity from Cisco Inc., unveiled its [\\$100 million Climate Impact and Regeneration](#) portfolio. Its aim is to fill gaps and fund early-stage climate solutions focused on priority areas such as regenerative agriculture, natural carbon solutions, an inclusive clean energy transition, and climate education. To set its strategy, Cisco Foundation brought to bear dozens of conversations with climate-focused nonprofits, VC funds and accelerators, and community leaders, along with its own 20-year history of fostering earliest-stage solutions.

Recognizing that organizations at varying stages of innovation can benefit from different financing structures, Cisco Foundation takes a holistic approach to climate finance, including blended finance. This means deploying one half of the portfolio through philanthropic grants to support market building and ecosystem development efforts. The remaining half is deployed through venture investments and limited partnerships to innovate and scale early-stage climate ventures. In some cases, the Foundation has deployed both a grant and an investment in the support of solutions, such as [Vesta](#), a hybrid nonprofit/public-benefit coastal carbon capture enterprise.

“One of the ‘superpowers’ of a corporate foundation is the flexibility to leverage blended finance to accelerate climate solutions and promote a systems approach to climate action: prioritizing inclusion and affordability, advancing education and awareness, enhancing connectivity, and filling critical financing gaps,” said Jocelyn Matyas, Cisco Foundation Climate Impact Investing Lead.

More information is available in [Annex 2](#) on key considerations for corporations considering leveraging grants as an instrument for climate finance.



MICROSOFT: INVESTING TO ACCELERATE DEVELOPMENT AND DEPLOYMENT OF INNOVATIVE CLIMATE TECHNOLOGIES

Climate Finance Instruments Activated:

VENTURE CAPITAL

DEBT INVESTMENT

In 2020, Microsoft launched its [\\$1 Billion Climate Innovation Fund](#) with a dual mandate to support innovative new climate technologies and accelerate existing climate solutions. To meet its own sustainability goals, and to help its customers do the same, Microsoft needed to take a hands-on role in market development.

Brandon Middaugh, Senior Director of the Climate Innovation Fund said “We’re at a place in the climate crisis when we need to mobilize demand and capital. This is not a fixed landscape. We need to adapt and evolve to fill gaps at the pace required.”

Often in partnership with co-investors, the Fund invests in climate solutions across energy systems, industrial supply chains, and nature. It prioritizes direct equity and debt investments to finance solutions with the potential for mainstream adoption by 2030, particularly those supporting underfunded markets, developing economies, and underserved communities. The Fund matches check size and financing structure with what’s most appropriate for the technology’s maturity and risk, with venture transactions typically ranging from \$2-20 million.

As an example, to reach carbon negative by 2030, Microsoft needs to remove existing carbon while also reducing future emissions. Yet, the industries for low-carbon solutions and carbon removal are relatively nascent and need investments to scale. For example, Microsoft [invested in Heirloom](#) to fund continued research and development and its first deployment of its product. Months after the investment, [Microsoft committed to purchasing permanent carbon removal delivery](#) from Heirloom through 2025.

More information is available in [Annex 2](#) on key considerations for corporations considering Venture Investing as an instrument for climate finance.



SEVENTH GENERATION: RAISING CAPITAL THROUGH AN INTERNAL CARBON PRICE TO MEET BUSINESS AND SUSTAINABILITY NEEDS

Climate Finance Instruments Activated:

INTERNAL CARBON PRICE

Seventh Generation, a household and personal care product company, was founded with inspiration from the Great Law of the Iroquois, which states that the decisions we make today should result in a sustainable world for the next seven generations. This view informs the company's core operations and priorities, motivating them to adopt a [voluntary internal carbon tax](#) in 2015. They charged themselves \$12 for every ton of emissions (including Scope 3, where most of the company's emissions originate). The capital was initially used to reduce emissions in manufacturing and distribution and to support R&D's pursuit of more sustainable product ingredients.

However, because the carbon price was charged on an annual basis, Seventh Generation struggled to align capital with funding needs and production timelines.

Not afraid to adjust, the company pivoted to a carbon fund. While Seventh Generation still sets aside funds every year based on their emissions, the fund has the flexibility to make investments that take longer than an annual cycle to show meaningful results. This approach has also enabled greater systems thinking. For example, Seventh Generation's carbon fund is supporting two implementation partners in Indonesia focused on establishing a regenerative agricultural standard for palm kernel oil, and working with smallholder farmers to produce palm aligned with these standards. The company hopes this standard will result in a more sustainable key ingredient for their products, as well as for parent company Unilever's supply chain, and for the home care industry more broadly.

More information is available in [Annex 2](#) on key considerations for corporations considering internal Carbon Pricing as an instrument for climate finance.



SALESFORCE: ADVANCING CLIMATE GOALS WHILE SUPPORTING A MARKET FOR HIGH-QUALITY CARBON CREDITS

Climate Finance Instruments Activated:

CARBON CREDITS

CAPITAL EXPENSES

Salesforce views carbon credit purchases as a powerful mechanism to create strong demand signals, maintain net zero residual emissions and support a nature-positive future. The company prioritizes carbon credits from nature-based solutions, and recognized a gap in the market for projects supporting ocean and coastal ecosystems (also known as blue carbon), which are critical in the fight against climate change. To help spur the supply of high quality blue carbon projects, in 2021, [Salesforce set a goal to purchase 1 million tons of high-quality blue carbon credits \(~\\$10 million\) by 2025.](#)

The supply of high-quality credits remains low, and it is clear that financing is needed to help get these projects off the ground. Because of this, Salesforce has broadened its climate finance approach around blue carbon to build the market from the ground up, including utilizing philanthropy to de-risk early stage projects that support people, nature and climate, as well as partnering with leading environmental organizations to develop consistent [standards for high-quality blue carbon projects and credits.](#)

More information is available in [Annex 2](#) on key considerations for corporations considering Carbon Credits as an instrument for climate finance.

SECTION 4: FIVE TIPS TO START OR GROW YOUR CORPORATE CLIMATE FINANCE JOURNEY

1. UNDERSTAND YOUR GOALS, AND THE TRADEOFFS YOU'RE WILLING TO MAKE

Climate action is good business, and advancing climate and business goals requires a finance strategy that strikes the balance between priorities. To do this, it's critical that decision makers have a clear sense of what they're trying to achieve and which elements they need to optimize for.

For example, while philanthropy can drive significant climate impact, direct financial returns are very limited. By contrast, venture investing can yield financial returns and advance climate goals, but requires significant resources to implement. Carefully assessing priorities, and having a clear strategic direction can help decision makers navigate the risks and benefits involved with building a climate finance strategy.

2. WORK WITH KEY STAKEHOLDERS TO WEIGH THESE OBJECTIVES AND GAIN BUY-IN

To develop a comprehensive climate finance strategy, decision makers must incorporate the viewpoints of many internal and external stakeholders. This starts by talking to your sustainability and climate colleagues, then moving on to other key partners like finance and treasury, legal, procurement, and potentially even the C-Suite. Building partnerships among your peers and tapping external experts to fill knowledge and resource gaps helps foster goodwill early on, which can eventually result in buy-in when you have a proposal ready.

Based on interviews with 18 corporations, several key themes emerged as critical to influence decision makers across business units. For a detailed summary of those themes with key questions to consider, check out [Annex 3](#).

- **Climate and Sustainability:** Teams focused on these topics, often organized as ESG, Sustainability, or Corporate Social Responsibility leaders, are primarily focused on impact. While business efficiencies and financial returns are important, climate impact and alignment with corporate climate strategy takes priority.
- **Finance:** These teams are the guardians of business resources and are key allies for advancing climate goals. While climate impact is a key consideration, their unique angle is understanding how a given tool will impact the financial health of the corporation, as well as considerations around compliance, investor interest, and materiality.
- **Legal:** For a legal team, key concerns when considering a new climate finance approach may include the risks of a new approach and relevant regulatory requirements.
- **Procurement:** These teams are key to implementation of many climate initiatives, particularly for supply chain and Scope 3 emissions reductions, and are focused on viability of execution, efficiency, and cost.

- **C-Suite Executives and the Board:** When speaking to the C-Suite and board, they're looking at the full picture, from climate to business impact, and on aligning strategy with public goals.

3. EXPLORE YOUR CLIMATE FINANCE OPTIONS AND WHAT IT WOULD TAKE TO ACTIVATE THEM

With a clear sense of goals and priorities across the organization, it's time to get tactical and understand the spectrum of what's possible. Consider using tools in this playbook like the [Corporate Climate Finance Map](#) and [Corporate Climate Finance Taxonomy](#) to understand which instruments are best used at what innovation stage, how each instrument stacks up against financial and impact returns, and the spectrum of what's possible. Use the [Decision Making Flowchart](#) to ensure you consider relevant questions and appropriately assess which climate finance instrument is best used for what.

As you work to operationalize your climate finance strategy, consider [engaging with external actors](#)—including peer corporations, advisory organizations, industry coalitions, governments, and multilateral organizations. There are multiple ways to put your network to best use:

- **Develop peer-to-peer partnerships:** Pre-competitive partnerships can help de-risk early stage innovation, fill knowledge gaps, and inspire other corporations to take action helping move global industries forward. A starting point could be joining corporate climate commitment groups, such as [1t.org](#), the [Mangrove Breakthrough](#), or the World Economic Forum's [GAEA](#).
- **Leverage external expertise:** For corporations that are early in their climate finance journey, partnering with specialist climate advisory groups, asset managers, or fund managers can help offload some of the effort of deploying capital effectively and fill gaps where subject matter expertise is nascent.
- **Pursue public-private engagement:** Corporations can partner with governments and development finance institutions to de-risk private investments to crowd-in additional capital.

4. PUT IT ALL TOGETHER TO BUILD A HOLISTIC CLIMATE FINANCE STRATEGY THAT OPTIMIZES FOR YOUR GOALS, USING YOUR LIMITED RESOURCES

It's time to formulate a strategy and match the right instrument with the right climate finance initiative. A strong climate finance strategy will require multiple forms of capital in different periods of implementation. Using an integrated approach can help companies take their dollars further and unlock the full power of their resources for climate action.

While this can be a moment to ask for new funds, it may not be realistic for corporations to do so in different seasons of business health. In this scenario, some companies might consider using tools already at their disposal to advance climate goals, or refining existing strategies to ensure different forms of capital are working in coordination with one another. This could be as simple as using surplus budget to invest in clean energy sources or climate resilient assets, support nature based solutions (like [1t.org](#)), or purchase [high-quality carbon credits](#).

5. BE READY FOR THE RIGHT MOMENT, WITH THE RIGHT CLIMATE FINANCE PLAN

Many of the stakeholders interviewed did the heavy lifting of setting a strategy, getting cross-functional buy-in, and selecting the right climate finance instruments before pitching to senior leaders. Corporate inertia from “big moments” like a global stage or key legislation change can be the final push required to get senior leaders bought in.

United Nations climate change conferences held annually are a key example of one of these moments. Public attention, peer company action, and the global stage created momentum for companies to make new climate commitments and set net zero targets. At COP26 in 2021, this included [1,040 companies joining](#) the UN Global Compact and SBTi’s Business Ambition 1.5°C campaign, the launch of the [First Movers Coalition](#), and companies [promising to create a shared roadmap for enhanced supply chain action](#). The companies who were prepared with a plan in advance had the most meaningful commitments and effective strategies.

LOOKING AHEAD

This Playbook is just a starting point, and companies should look at the tools and examples provided here as a way to spark conversation within their own organizations. Each tool highlighted is just that: one tool in a broader toolkit. Corporate impact professionals must evaluate these approaches in the context of their own business strategy and climate goals.

The reality is that closing the climate finance gap will take far more than any one of these solutions on its own. Companies of all sizes can unlock their full suite of corporate finance tools to drive climate ambition. **To meet our collective goals, we need aligned climate action from all of us—tapping into respective strengths and talents across roles and business units—to deploy the capital needed to realize a net zero, nature positive future.**

**We hope this Playbook evolves with your engagement and input.
Please reach out to us with your feedback, questions, and experiences.**

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ANNEX 1: CORPORATE CLIMATE FINANCE TAXONOMY GUIDELINES ON USAGE

Detailed guidance on usage across all the categories and instruments presented in Section 1.

Category and Instruments	Guidance on Usage
Capital Deployment	
Philanthropy: Grants, recoverable grants, and philanthropic program-related investments	<p>A company may opt to deploy a mix of grants, recoverable grants, guarantees, and PRIs to support climate-related initiatives that have no, limited, or uncertain financial returns.</p> <p>These approaches are particularly helpful for funding projects that require longer funding timelines, are generating outcomes for the public good, and can ultimately de-risk opportunities for future funders. Leveraging Philanthropy in coordination with other forms of capital can enable companies to fund early-stage solutions that align with their climate strategies but don't yet create a financial return.</p>
Concessional: Guarantees	<p>A company could use a guarantee as a mechanism to support early-stage development when investing in riskier markets (by geography or technology) with potential benefit if the guarantee is not needed. Guarantees are an additional tool for supporting early-stage innovation beyond grants and PRIs.</p>
Expenditure: Capital expenses	<p>A company will first invest its own capital on balance sheet as it identifies market opportunities, cost reduction opportunities, cost effective alternatives to existing practices, reputation/brand opportunities, or regulatory compliance benefits. This is important for all companies to assess how they can use their balance sheets to make investments in reducing their current and future emissions, including for companies with R&D capacity, ability to upgrade facilities, a willingness to pivot or expand product offerings, the capability to influence or partner with suppliers, and the agility to respond to market dynamics.</p>
Credits: Carbon credits and renewable energy credits	<p>A company may choose to purchase carbon credits to use as offsets if it is seeking to achieve a climate-related emission reduction goal and the cost and level of effort required to achieve this internally is higher than the cost of credits or the company does not have the capability to fully achieve decarbonization of one or more aspects of its emissions profile.</p> <p>Purchasing carbon credits for use as offsets compensates for a company's carbon emissions and is an avenue to act now to reduce price risk as the prices of credits are expected to increase closer to 2030. This tool is a strong candidate in hard-to-abate sectors/supply chains, but is not a substitute for direct decarbonization investments.</p> <p>RECs are not claims to offset emissions but rather serve as fungible units that help companies claim the impact of their investments.</p>
Tax equity	<p>Companies that wish to support climate technologies (i.e., carbon dioxide removal, green hydrogen) can leverage the tax equity market. Tax equity investments may provide investors with certain tax benefits, in addition to investment returns from the underlying project. Given the latest IRA provisions around transferability of credits and direct pay, corporations can procure tax benefits without becoming an investor in a credit generating project. Note that these provisions have yet to come into effect. The IRA is expected to reduce the complexity of tax equity transactions, although corporations still have to evaluate project risk in-house.</p>
Investments: Debt investments and venture capital	<p>A corporation may choose to make an investment in order to align their strategic priorities, market position, and resources to create mutually reinforcing financial and climate impact returns. Decisions on what kind of investment strategy to use (i.e. venture capital, blended finance, impact investments, growth stage investments), which instruments to use (debt, equity, mezzanine, etc.) and how to make the investment (directly, self-managed fund, or externally managed fund/investment) will depend on a company's resources, risk appetite, stage of targeted climate solution set, in-house expertise, and considerations around market creation in the climate investment space.</p>

Capital Management	
<p>Cash, liquidity, and benefits: net zero aligned cash and liquidity management, marketable securities, and climate positive 401(k) plans and pensions</p>	<p>A company may consider net zero aligned and/or climate resilient cash and liquidity management and marketable securities when aiming to align financial practices with climate commitments. If a company wishes to reduce its financed emissions, allocating assets to banks and other financial services providers (i.e. insurers) with ambitious targets around reducing financed or underwritten emissions, may be of interest.</p> <p>This requires due diligence to define criteria for what banks/financial institutions would qualify an assessment based on independently developed criteria, and a company that is prepared to re-evaluate their banking partnerships.</p> <p>A company may also offer investment options to employees. This instrument may not increase costs for the company. This approach requires due diligence to understand where 401(k)/pension fund assets are currently invested and to ensure that any changes made to investment options and strategies are compliant with local and international regulations and with relevant fiduciary responsibilities.</p>
<p>Internal carbon pricing: Carbon fee or shadow carbon price</p>	<p>Companies seeking to embed carbon accountability into financial decision-making might implement an internal carbon price. This requires robust monitoring, and compliance mechanisms. Potential benefits include mitigating potential regulatory risk/costs and driving operational cost efficiencies linked to business unit behaviors. This approach also creates a dedicated pool of capital to be further invested in climate action, in the case of a carbon fee.</p>
Capital Raising	
<p>External capital markets: green and sustainability-linked bonds and sustainability-linked loans</p>	<p>A company may issue a green, sustainability-linked, or climate bond or structure a sustainability-linked loan to raise external capital. Key benefits are large ticket sizes which lower transaction costs.</p> <p>To pursue this strategy for accessing external capital markets, a company must have the resources and expertise to undertake additional work associated with identifying and monitoring the use of proceeds (as compared to a standard bond issuance).</p>

ANNEX 2: DETAILED CONSIDERATIONS FOR CLIMATE FINANCE INSTRUMENTS

Detailed considerations across 4 categories for each instrument included in the taxonomy in Section 1. The (+) sign indicates a positive trade-off whereas the (-) indicates a negative trade-off. Considerations that do not have any sign associated with them are not trade-offs and have been included as an aid to guide discussions.

CAPITAL EXPENSES: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>(+) Capital expenses are a strong tool for decarbonizing business operations through focus on emissions in core business activities, whether through:</p> <ul style="list-style-type: none"> ▪ Reducing supply chain emissions, ▪ Increasing climate resilience of supply chains, ▪ R&D on low-carbon products, and/or ▪ Improving energy efficiency of business operations. 	<p>Financial considerations</p> <p>Potential costs include R&D, project/activity costs, and marketing (if relevant).</p> <p>(-) Capital expenses often have high upfront costs.</p> <p>(+) There are potential cost savings or new revenue stream opportunities.</p> <p>(+) Using capex for decarbonization or resiliency can improve long-term business models in terms of resilience to climate change which can mitigate potential future costs.</p>
<p>Level of effort and logistical considerations</p> <p>(-) Requires a high level of coordination between business units, including legal, finance, and sustainability teams.</p> <p>Implementation requires ability to engage with and influence contractors and suppliers over the long-term to influence behavior.</p>	<p>Other considerations</p> <p>(+) There can be reputational and brand benefits to developing new product lines or being seen as a leader in low carbon and/or climate resilient products.</p>

GRANTS: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>(+) For climate solutions in the innovation stage, grants provide key risk tolerant capital to scale solutions in an early stage or a riskier market.</p> <p>(+) For climate solutions that cannot provide a financial return or have low risk-adjusted returns, grants can ensure climate equity and justice by providing capital for grassroots climate solutions and ensuring that communities that are disproportionately impacted by climate change benefit from mitigation, adaptation, and resiliency solutions.</p>	<p>Financial considerations</p> <p>Most philanthropic instruments do not provide a financial return.</p> <p>(+) Philanthropic grants are often tax-exempt.</p>
<p>Level of effort and logistical considerations</p> <p>Corporate grants can be issued through a separate corporate foundation, as a centralized impact function under the corporation, or off-balance sheet.</p> <p>Level of effort will depend on how corporations choose to identify grantees, due diligence requirements, and reporting standards.</p>	<p>Other considerations</p> <p>Legal and regulatory restrictions on philanthropy preclude investment in projects that would be seen as directly and solely benefiting the corporate.</p> <p>(+) There is a strong reputational component to philanthropy in which corporations can shape their public image.</p>

VENTURE CAPITAL: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>(+) Venture investing is versatile and can create impact in any climate-relevant sector. There is therefore strong potential for alignment with a company’s climate priorities.</p> <p>(+) Investing in high-risk, early-stage solutions can have a market creation effect, helping to build out solutions through critical capital to pilot and de-risk innovations in technology or business models.</p> <p>(+) Climate investment market creation: Investing with an external fund manager or fund can create demand signals to the market and catalyze creation of more climate investments and funds. This also allows for scale, as investment/fund managers can pool capital to make larger investments.</p>	<p>Financial considerations</p> <p>Costs include cost of investment and/or fund management including potential internal administrative costs or fund manager fees. Administrative costs may be higher for an internally managed investment/fund.</p> <p>Returns range from concessional to market rate depending on type of investment made.</p>
<p>Level of effort and logistical considerations</p> <p>The level of effort needed from the corporate varies depending on how the investment is managed:</p> <ul style="list-style-type: none"> ▪ If the corporation is investing directly or internally managing a fund, the strategy will require a higher level of internal expertise, risk tolerance, and costs. In exchange for the effort, this strategy affords the company more control over its investments. ▪ If the corporation is investing through an external fund manager, the corporation’s level of effort is lower and the majority of the responsibility and risk is on the fund manager. However, a company loses a level of control over its investments and has to pay management fees. 	<p>Other considerations</p> <p>Investments can provide opportunities to collaborate, whether by investing alongside other corporations and financial institutions, or participating in blended finance vehicles alongside public institutions, including government agencies, and DFIs.</p>

INTERNAL CARBON PRICING: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>(+) This is a promising tool for decarbonizing business operations towards net zero goals as it puts a direct financial cost on emissions.</p> <p>(+) Proceeds, if structured as a carbon fee, can be used to fund decarbonization, purchase offsets, and incentivize business unit innovation.</p>	<p>Financial considerations</p> <p>Implementation costs include coordination between business units, costs of GHG inventory, and data management.</p> <p>(+) This approach can lead to cost saving behaviors across the organization if the fee is set to a price that optimizes behavior change but mitigates overcharging.</p>
<p>Level of effort and logistical considerations</p> <p>The approach requires internal coordination between sustainability, finance, procurement, and business units with buy-in from high-level executives.</p>	<p>Other considerations</p> <p>(-) Data quality is a key concern, especially around Scope 3 emissions.</p>

CARBON CREDITS: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>Carbon credits are an important tool for delivering climate action, but are not a replacement for reducing greenhouse gas emissions. Companies should invest in decarbonization in line with the 1.5° C goal and only leverage credits to offset residual emissions.</p> <p>Corporations should take a holistic approach to projects generating carbon credits to ensure they are durable and profitable for local communities, landowners, and project developers.</p>	<p>Financial considerations</p> <p>Costs of credits can oscillate in voluntary markets and are based on several factors, including project type, location, quality, and integrity.</p> <p>(+) Purchasing carbon credits, in essence, also sets an implied internal cost of carbon that could drive investments into the business changes needed to achieve emission reduction goals.</p>
<p>Level of effort and logistical considerations</p> <p>Initial process of purchasing credits can be labor intensive, however this might decrease as companies adopt technology systems to manage the process.</p> <p>Level of effort also depends on the degree of company due diligence on projects prior to purchasing credits.</p> <p>Finance and treasury teams have a role in approving and financially accounting for the purchase while the sustainability team has a role in sourcing, assessing, and accounting for offsets in the company's GHG emissions data.</p> <p>Legal and accounting teams need to be involved in the negotiation of forward contracts (if applicable) and non-standard purchase agreements.</p>	<p>Other considerations</p> <p>An increase in supply of high-quality credits is needed to meet projected future corporate demand, requiring new projects, project developers, and entrepreneurs working on credits, as well as the democratization of carbon market participation through access to technical and financial resources.</p> <p>The integrity (i.e. quality, verifiability, additionality) of credits/offsets purchased is important to monitor, as low-quality credits are a reputational risk. Third party ratings are a tool that can help with integrity assessment. Some credits are certified by third parties, which can enhance credibility.</p>

GREEN AND SUSTAINABILITY-LINKED BONDS: DETAILED CONSIDERATIONS

<p>Climate impact considerations</p> <p>(+) Green and sustainability-linked bonds allow corporations to raise capital for climate projects.</p>	<p>Financial considerations</p> <p>(-) Certification increases the cost of issuing and managing the bond, as well the effort needed to measure and evaluate impact, on top of the normal costs and LOE associated.</p> <p>(+) Although the initial transaction costs are high, the volume of capital raised is large thereby lowering cost on a per dollar raised basis.</p>
<p>Level of Effort and logistical considerations</p> <p>Compared to a traditional bond, issuing a green or sustainability-linked bond increases the level of effort and coordination required between legal, treasury, finance, and sustainability teams.</p> <p>Green and sustainability-linked bonds require taxonomy development, tracking to monitor the use of proceeds, and enhanced reporting and accounting measures for third party verification of the bond.</p>	<p>Other considerations</p> <p>Many corporations choose to have their corporate green bond certified by a third party organization, such as the Climate Bonds Standards to ensure that use of proceeds is verified externally, which mitigates reputational risks around greenwashing.</p> <p>(+/-) Issuance of green or sustainability-linked bonds often create PR moments for a company's commitment to climate finance. However, if care is not taken to ensure alignment with the latest relevant bond standards and monitor use of proceeds, there is a risk of being perceived to be greenwashing.</p>

ANNEX 3: DECISION MAKER INFLUENCING GUIDELINES

Detailed description of key stakeholders within corporates as presented in Section 4 along with questions to consider for the climate team prior to engaging these stakeholders.

Decision Maker	Questions to consider for the climate team prior to approaching key decision makers
<p>Climate and Sustainability</p> <p>These teams are primarily focused on impact. While business efficiencies and financial returns are important, climate impact and alignment with corporate climate strategy takes priority.</p>	<ul style="list-style-type: none"> How can this climate finance tool help meet our climate goals more quickly and effectively? What are the key bottlenecks in achieving our company's current climate goals, as well as expanding them to become more ambitious and how does this approach address them? Can we make the business case to our counterparts in other business units for using this finance tool?
<p>Finance</p> <p>Treasury, accounting, and finance teams are the guardians of business resources and are key allies for advancing climate goals. While climate impact is a key consideration, their unique angle is understanding how a given tool will impact the financial health of the corporation, as well as considerations around compliance, investor interest, and materiality.</p>	<ul style="list-style-type: none"> What is the company's current capital allocation strategy? Do any of these climate finance tools fit into the existing strategy? How can business value be communicated to investors and shareholders in quarterly earnings and reporting? How will instrument/approach impact our reporting and monitoring requirements, what are the additional data and/or compliance needs that accountants or auditors will need?
<p>Legal</p> <p>For a legal team, key concerns when considering a new climate finance approach may include the risks of a new approach and relevant regulatory requirements.</p>	<ul style="list-style-type: none"> Is the new climate finance approach related to legal or regulatory requirements? Does this approach help us to pre-empt future regulatory concerns? Are there examples of similar contracts or legal structures (whether internally or from another corporation) that could be leveraged? How can the risks of the approach be mitigated?
<p>Procurement</p> <p>Relevant business units and procurement teams also need to be brought in since much of the implementation will fall within their remit.</p>	<ul style="list-style-type: none"> What is the expected level of effort? Will this require new ways of operating or changes to current structures? What are the key benefits of this approach to the business, (i.e. opportunity for innovation, increased revenues)?
<p>C-Suite Executives and Board of Directors</p> <p>The C-Suite and board is looking at the full picture, from climate to business impact.</p>	<ul style="list-style-type: none"> How does this contribute to a corporation's climate goals and targets? How might this impact our stakeholders, including customers, employees, investors, and the communities where we live and work? What are the reputational and financial risks and benefits?