

# **Effect Of the ESG Issuer's Credit Rating On the Coupon Rate**

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## **Abstract**

The increase in the issuance of ESG instruments, resulting from the increased interest in a sustainable, socially, environmentally, and climatically stable development of the economy, became a reason to consider the impact of the issuer's creditworthiness assessment on the coupon interest rate on the issued ESG bonds. In other words, does the issuer's compliance with environmental, management or social criteria have an impact on the credit rating. In addition, does the higher number of ESG issuer credit ratings resulting in higher costs have an impact on a lower cost of debt. The aim of the article is to assess whether the fact that issuers of ESG instruments have a credit rating awarded by more than one of the selected rating agencies (S&P, Moody's, Fitch) has an impact on the debt coupon rate of the issued instruments. The study covers issues in EUR and USD, as 42.56% of debt instruments are issued in these currencies. The results of the conducted research indicate that the credit ratings of the issuer of ESG instruments have an impact on the cost of debt financing. If issuers of ESG debt instruments have a credit rating from more than one credit rating agency, the cost of obtaining financing is lower. In USD, the lowest coupon rate applies to debt instruments whose issuers have a credit rating of the three above-mentioned rating agencies. In the case of debt instruments issued in EUR, it is sufficient that the issuer has a credit rating of two agencies.

**Keywords:** bonds, cost of debt, credit rating agency, creditworthiness assessment, debt instruments