Pills

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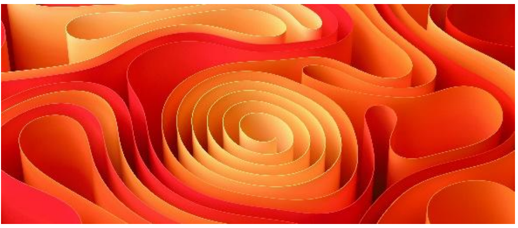

TOPICS:
ESG risk

SOURCE
International Organization of Securities Commissions

IOSCO Sustainable Bonds Report

- IOSCO has published its **Sustainable Bonds Report (May 2025)**. The report identifies **the key characteristics and trends tied to the sustainable bond market**. The sustainable bond market is a rapidly growing market.
- The report identifies **two primary types of sustainable bonds**: **Use-of-Proceeds (UoP) bonds**, where funds are earmarked for specific environmental or social projects, and **Sustainability-Linked Bonds (SLBs)**, which tie financial outcomes to sustainability performance targets (SPTs). It highlights the increasing prevalence of thematic bonds such as green, social, sustainability, blue, gender, and transition bonds, noting that definitions and labels vary across jurisdictions, with many referencing voluntary frameworks like the ICMA Principles and Climate Bonds Initiative standards.
- IOSCO notes **the sustainable bond market surpassed USD 5.7 trillion in cumulative issuance** by 2024, with green bonds remaining dominant. However, SLBs have gained traction since 2019, particularly among corporate issuers in emission-intensive sectors. Despite the robust growth, a 19% drop in issuance from 2021 to 2022 was recorded, attributed to macroeconomic factors including rising interest rates.
- **Key regulatory concerns** include **inconsistent classification, limited transparency, greenwashing risks**, and **differing disclosure requirements**.
- IOSCO proposes **five key considerations** for regulators: **Enhancing regulatory clarity** aligned with global standards; **Establishing consistent classification systems**; **Promoting transparency through ongoing disclosures** on SPTs and project outcomes; **Encouraging credible external reviews** to mitigate conflicts of interest; **Building capacity** through education, collaboration, and knowledge sharing.
- The report also explores **evolving frameworks for transition bonds**, advocating for clearer distinctions between green and transition financing. It underscores the importance of harmonized taxonomies and standard-setting to ensure effective market functioning and cross-border capital flows.