IOSCO Sustainable Bonds Report

November 2025

The sustainable bond market has experienced significant growth since the issuance of the first green bond approximately 20 years ago. Furthermore, the cumulative value of green, social, sustainability, and sustainability-linked bonds in 2024 exceeded USD 5.7 trillion[1].

The findings of the International Organization of Securities Commissions (IOSCO) report on sustainable bonds, published in May 2025, are based on extensive research, a literature review, a 2024 member survey, input from the Affiliate Members Consultative Committee (AMCC), and a joint roundtable with the Organisation for Economic Co-operation and Development (OECD).

The report delves into the historical evolution of the sustainable bond market, the development of applicable guidelines and standards, the characteristics of various sustainable bond types or labels, the unique risks identified, and the jurisdictional practices used for market oversight and risk mitigation. These practices include specific regulatory frameworks, disclosure requirements, market standardization efforts, enhanced due diligence, external verification requirements, and industry self-regulation.

The report includes five key considerations to help overcome the challenges observed in the market by enhancing investor protection, ensuring sustainable bond markets are operating in a fair and efficient manner, and improving accessibility:

1. Greater Clarity in Regulatory Frameworks: this may be beneficial to demonstrate alignment with internationally accepted principles and standards, support consistency and interoperability, build investor confidence, and support market participation.
2. Sustainable Bonds Classification: establishing guiding principles or mapping systems aligned with industry standards and other regulatory frameworks can help provide clarity and consistency across jurisdictions in categorizing bond types.
3. Enhancing Transparency and Ongoing Disclosure Requirements to Promote Public Accountability: promote clear, consistent, and sufficiently comprehensive ongoing reporting on issuers' progress toward sustainability-related goals or the sustainability performance targets (SPTs)[2] to support market discipline when issuers fail to meet their stated commitments.
4. Promote the Use of Independent and Credible External Reviewers: promote robust assessment and disclosure by external reviewers, with policies and procedures that ensure their independence and mitigate conflicts of interest.
5. Capacity Building, Collaboration and Knowledge Sharing: promote capacity building and educational programs to increase awareness and understanding of sustainable bonds among issuers, investors, intermediaries and regulators. Establishing platforms for collaboration and knowledge sharing between regulators and market participants helps disseminate regulatory expectations, best practices and facilitate knowledge sharing.

[1] https://thedocs.worldbank.org/en/doc/dacb969cc71f53abde2d2758f1cc13ed-0340012024/original/GSSS-Quarterly-Newsletter-Issue-No-8.pdf

[2] SPT: Sustainability Performance Targets are measurable improvements in key performance indicators on to which issuers commit with a predefined timeline

Pregunta

How are sustainable bonds classified?

Respuesta

Sustainable bonds can be classified based on their funding mechanism or their label. From a funding perspective, they fall into two main categories: "use-of-proceeds" (UoPs) bonds, in which funds are allocated to finance specific environmental or social projects, and "sustainability-linked bonds" (SLBs), which tie financial incentives to the issuer's achievement of predefined sustainability targets.

UoPs are project-based instruments. Their primary characteristic is that the capital raised must be directed for a particular purpose aimed at achieving green and/or social objectives. Prior to issuance, the issuer is required to identify eligible projects and set up structures to oversee compliance. Alongside the prospectus or offer documents, a dedicated Sustainable Bond Framework may be required in the offering. Due diligence may include incorporating an external review to confirm alignment with recognized global sustainability frameworks. Following issuance, issuers must provide annual or periodic reports detailing how funds were allocated and, in many cases, the environmental or social impact achieved. These reports are often subject to third-party verification, which enhances transparency and investor confidence. Structurally, UoPs remain close to traditional bonds: coupon payments are fixed or floating and do not depend on project outcomes. However, they strongly appeal to sustainability-oriented investors, which can influence pricing and demand.

SLBs, in contrast, are not project-specific. They focus on companywide (or sovereign, in the case of sovereign issuers) defined Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs). These types of bonds provide flexibility in the allocation of proceeds while linking financial terms to measurable outcomes, such as reducing greenhouse gas emissions or increasing renewable energy capacity. The proceeds of SLBs are usually intended to be used for general purposes. Additional to traditional due diligence, there may include external review of KPIs, annual progress towards SPTs and framework alignment with recognized global standards or applicable regulatory frameworks. Post-issuance reporting is annual or periodic, and an independent and external verification of KPI performance is mandatory. Unlike UoPs, the financial terms of SLBs are not static—coupon payments or maturities may change depending on whether the issuer meets the targets.

[3] OECD (2023) Report on green, social and sustainability bonds issued by multilateral development banks and its use for infrastructure financing, https://one.oecd.org/document/DAF/CMF/AS(2023)3/REV2/en/pdf

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Which risks are most significant in relation to sustainable bonds?

Respuesta

Over two-thirds of respondents to IOSCO's survey suggested the issuance of sustainable bonds may involve risks not typically present during the issuance of traditional bonds. The main risks identified by IOSCO members are:

1. "Greenwashing": the risk of entities misleading investors regarding the criteria used to designate or label a product as supporting sustainability objectives.
2. Lack of common terminology/metrics: varying regulatory and industry approaches can cause differences in the issuances of these products, and there are no universally accepted metrics for measuring sustainability-related goals.
3. Varied ongoing reporting practices: lack of broadly accepted standards related to ongoing reporting.
4. Role of third parties: potential conflicts of interest and additional costs in the issuance and verification of sustainable bonds.
5. Lack of accountability: limitations on issuer liability when they fail to meet their stated sustainability-related goals.
6. Lack of Liquidity.
7. Regulatory Risks: excessive regulation may stifle growth and could lead to "greenhushing", where issuers avoid issuing sustainable bonds to avoid the added regulatory cost and scrutiny. Conversely, a lack of comprehensive regulations applicable to the sustainable bond market may increase regulatory uncertainty and reduce clarity for issuers.
8. Lack of expertise and market infrastructure for sustainable bond issuance and growth.

[4] The Financial Markets Standards Board (FMSB) published a Statement of Good Practice for the governance of sustainability-linked products in late 2024, which may cover some of the risks associated with SLBs highlighted in this section. (https://fmsb.com/wp-content/uploads/2024/12/Sustainability-linked-product-governance-SoGP_TD_Final_171224.pdf)

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What is the international regulatory framework and the associated disclosure requirements for sustainable bonds?

Respuesta

IOSCO members have adopted various approaches to regulate and develop their sustainable bond markets. Some jurisdictions regulate sustainable bonds as traditional bonds, following the same registration and issuance procedures, while others have separate regulatory frameworks applicable for sustainable bonds with differing requirements.

The absence of a universal taxonomy and differing levels of alignment with international frameworks continue to cause fragmentation and inconsistencies across jurisdictions. Greater harmonization is crucial in order to establish a common language, enhance transparency, and strengthen investor protection.

At a global level, issuances may align with internationally recognised frameworks, such as ICMA's Green Bond Principles, Social Bond Principles, and Sustainability-Linked Bond Principles. Other widely accepted frameworks include frameworks from the Climate Bonds Initiative (CBI), which provides certification standards, and the United Nations Sustainable Development Goals.

At the regional level, it is worth highlighting, on the one hand, the European Green Bonds Standards, which provides a robust framework for green bonds aligned with European Union Taxonomy and, on the other hand, Association of Southeast Asian Nations (ASEAN), which has introduced their Green, Social, Sustainability and SLBs Standards based on ICMA's principles and utilised across ASEAN jurisdictions.

When addressing disclosure requirements, the report considers both mandatory and voluntary practices, their alignment with international frameworks, and how they distinguish sustainable bonds from traditional bonds.

Some jurisdictions have specific disclosure requirements to ensure consistent and standardized reporting, thereby enhancing market integrity and fostering investor confidence by mitigating risks such as greenwashing. Others apply voluntary disclosure guidelines that encourage issuers to adopt good practices at their own pace while fostering alignment with global standards.

Based on the responses to IOSCO's survey, the main types of disclosure requirements are:

- Use-of-proceeds reporting, which ensures transparency in the allocation of bond proceeds to specific projects aligned with sustainability objectives.
- External reviews or certifications further enhance the credibility of issuers' statements by involving independent third parties to verify a bond's alignment with recognized standards such as the ICMA Principles or the CBI Standard.
- Regular reporting intervals emphasize ongoing transparency, with periodic updates on project performance and the use of funds.
- Environmental impact reports provide tangible metrics on the environmental benefits achieved, such as emissions reductions or energy savings.

[5] ICMA (International Capital Market Association). Sustainability-Linked-Bond-Principles-June-2024.pdf

Enlaces de interés:

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