

Sustainable Bonds

Trends and Policy Recommendations

Financing sustainable growth and resilience:
International experience and African perspective

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Summary

- 1** Trends in the sustainable bond market
- 2** Incentives for issuers
- 3** Investor protection
- 4** Policy recommendations



Trends in the sustainable bond market



» Classification of sustainable bonds

Sustainable bonds can be classified into two major categories:

Use of proceeds bonds

Green, social and sustainability (GSS) bonds **whose proceeds should be used** to partially or fully finance or re-finance new or existing **eligible green, social or sustainable projects**.

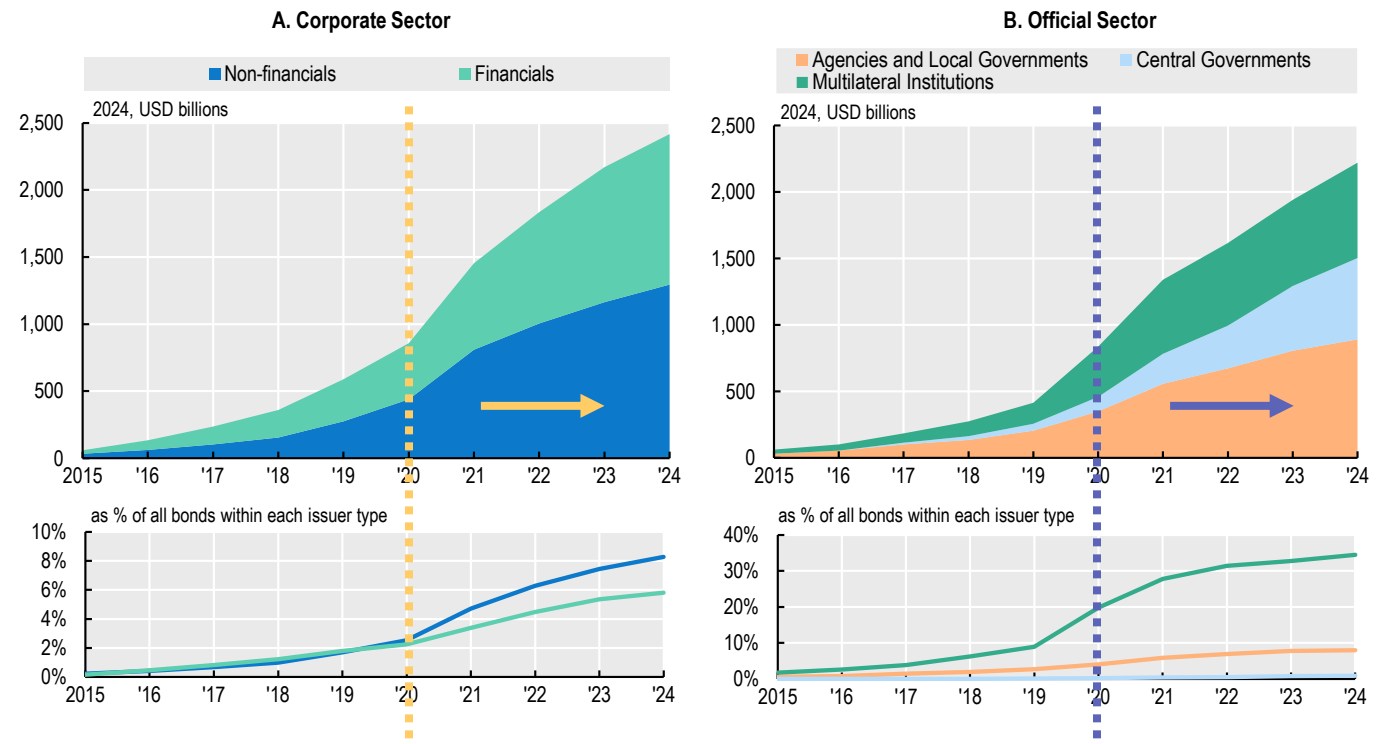
Sustainability-linked bonds

Bonds for which the issuer's financing costs can vary depending on whether the **issuer meets specific sustainability performance targets** within a timeline (SLBs).

» Global outstanding sustainable bonds

Multilateral institutions are the most active issuers with 34% of sustainable outstanding over all bonds

- Sustainable bonds experienced noteworthy **growth** over the past five years.
- In 2024, the outstanding amount accounted for:
 - **Corporate sector:** USD 2.4 trillion
 - **Official sector:** USD 2.2 trillion



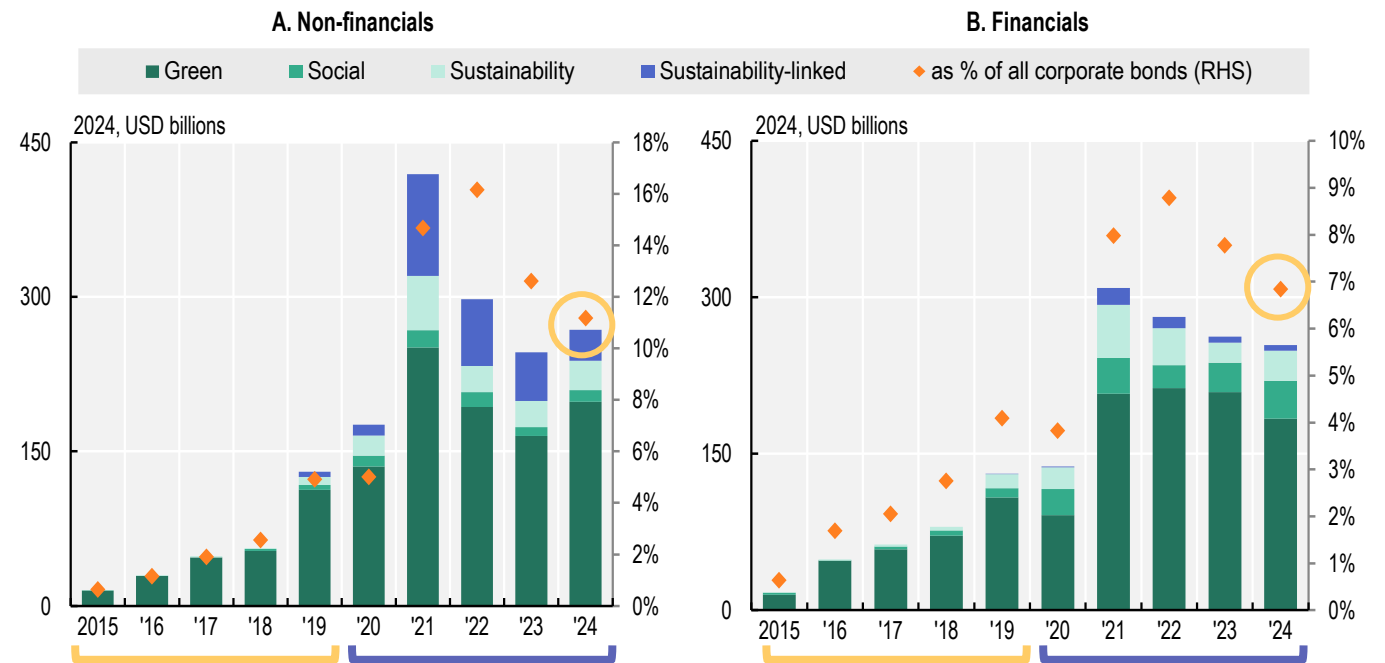
Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>



Global sustainable bond issuance: corporate sector

Sustainable corporate bond issuances increased from less than 1% in 2015 to 7% in 2024

- In **2024**, USD 522 billion was issued by corporates. Sustainable bonds account for:
 - 11% of all bonds issued by non-financial companies.
 - 7% of all bonds issued by financial companies.
- The amount issued was **four times larger** in 2020-2024 than in 2015-2019.
- **Green bonds** dominated the last decade.



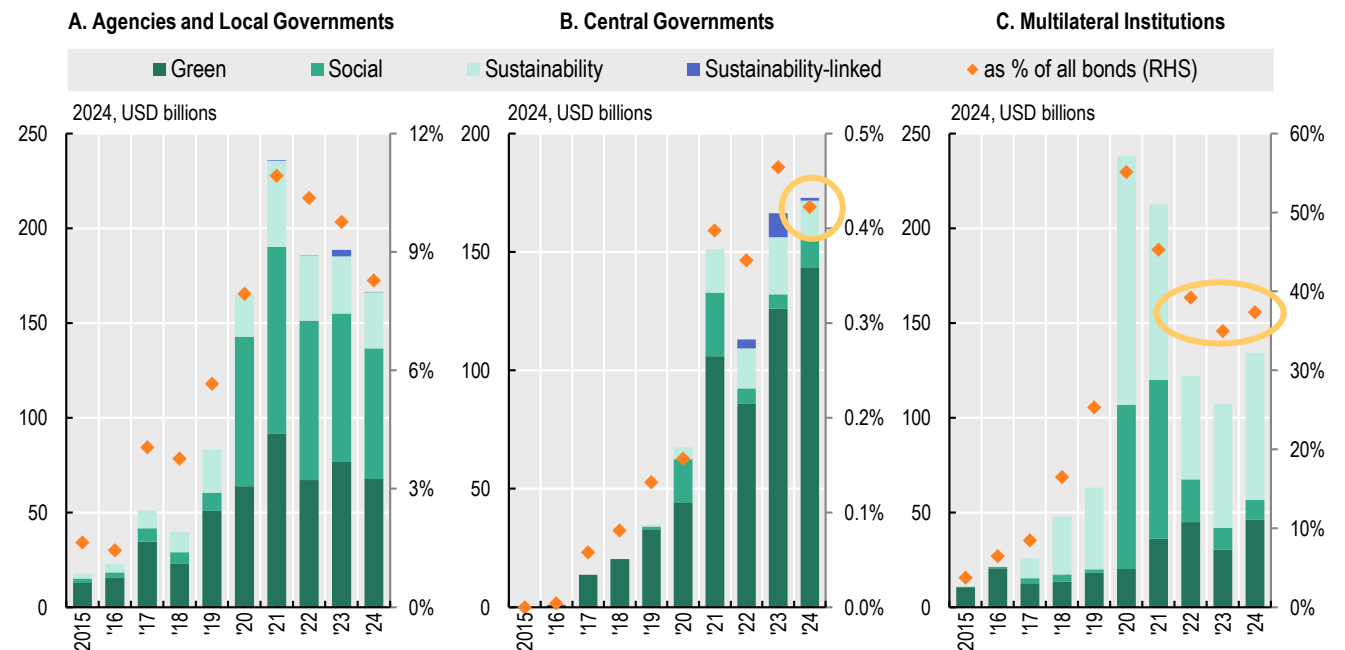
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Global sustainable bond issuance: official sector

Central governments have relied primarily on green bonds to raise capital, compared to other issuers

- **Central governments:**
 - In 2024, only 0.4% of all bond issuance
 - Mostly issuing green bonds
- **Multilateral institutions:**
 - Since 2020, at least 35% of all bond issuance.
 - Large sustainability bond issuance (2020-24)
- SLBs are much less relevant than GSS bonds, with negligible issuance in 2024.

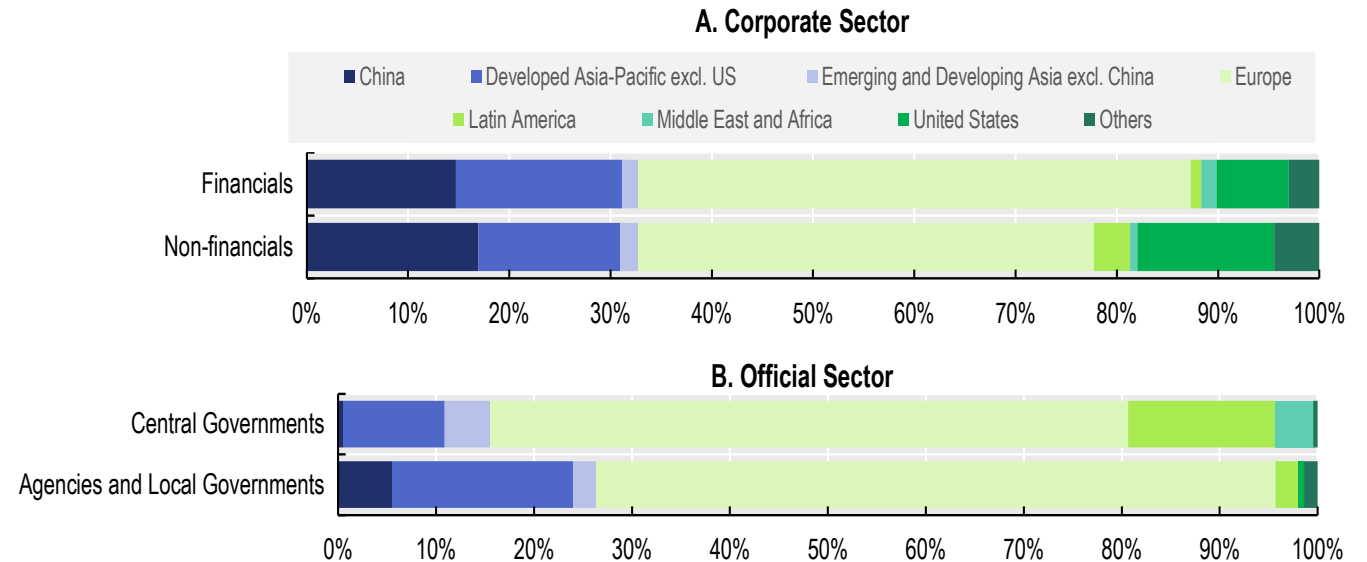


Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>

» Global sustainable bond issuance by region

Corporate sustainable bonds in Europe account for half of global sustainable issuances.

- Between 2015 and 2024, Europe dominated the sustainable bond issuance, issuing half of **corporate** and **official** sectors sustainable bonds.
- Companies in **China** and the **United States** follow behind, while governments and agencies were active issuers in **Developed Asia-Pacific excl. US** and **Latin America**.

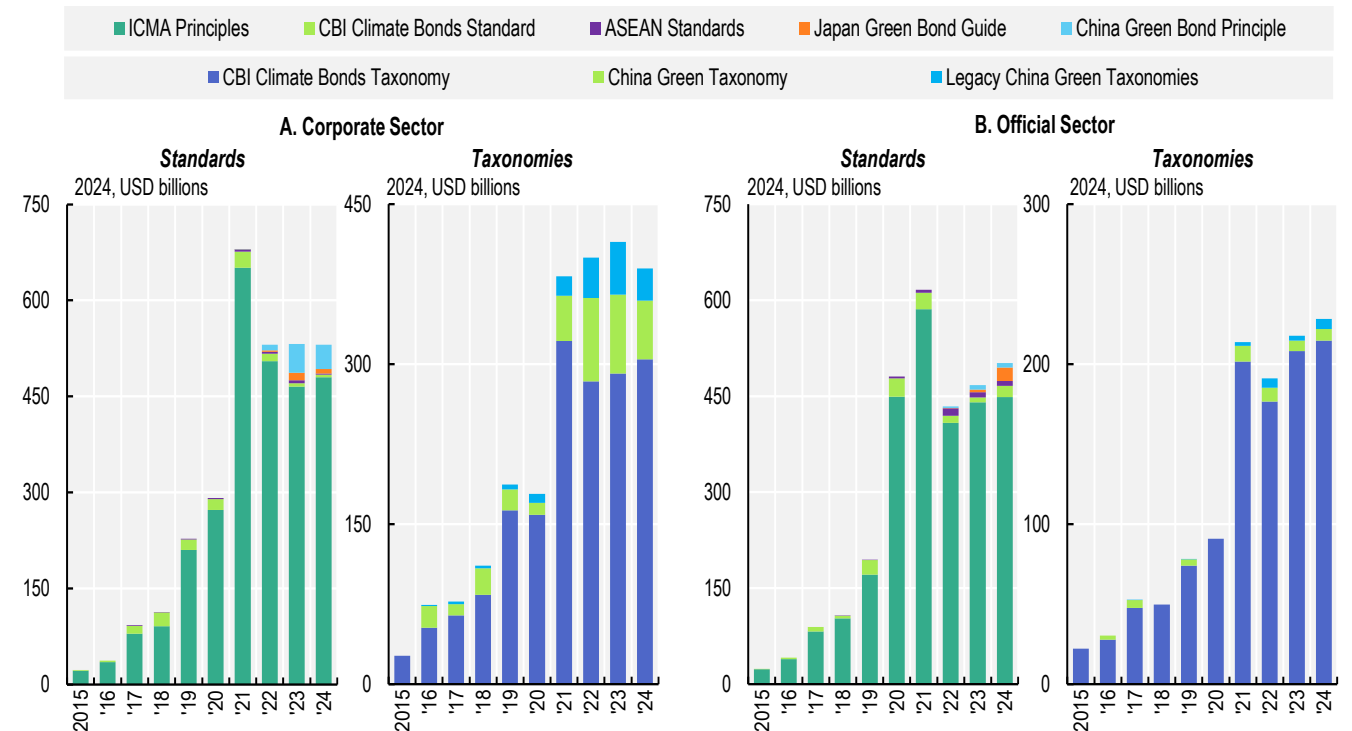


Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>

Standards and taxonomies

- In 2024, 93% of sustainable bonds were classified under the International Capital Market Association (ICMA) standards.
- Starting from 2021, several local principles have been used.
- The most-often used **taxonomies** in 2024 were the ones from the Climate Bonds Initiative (84%), and China's central bank and securities regulator (10%).

The ICMA Principles are the most used standard, but local standards have emerged recently



Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>

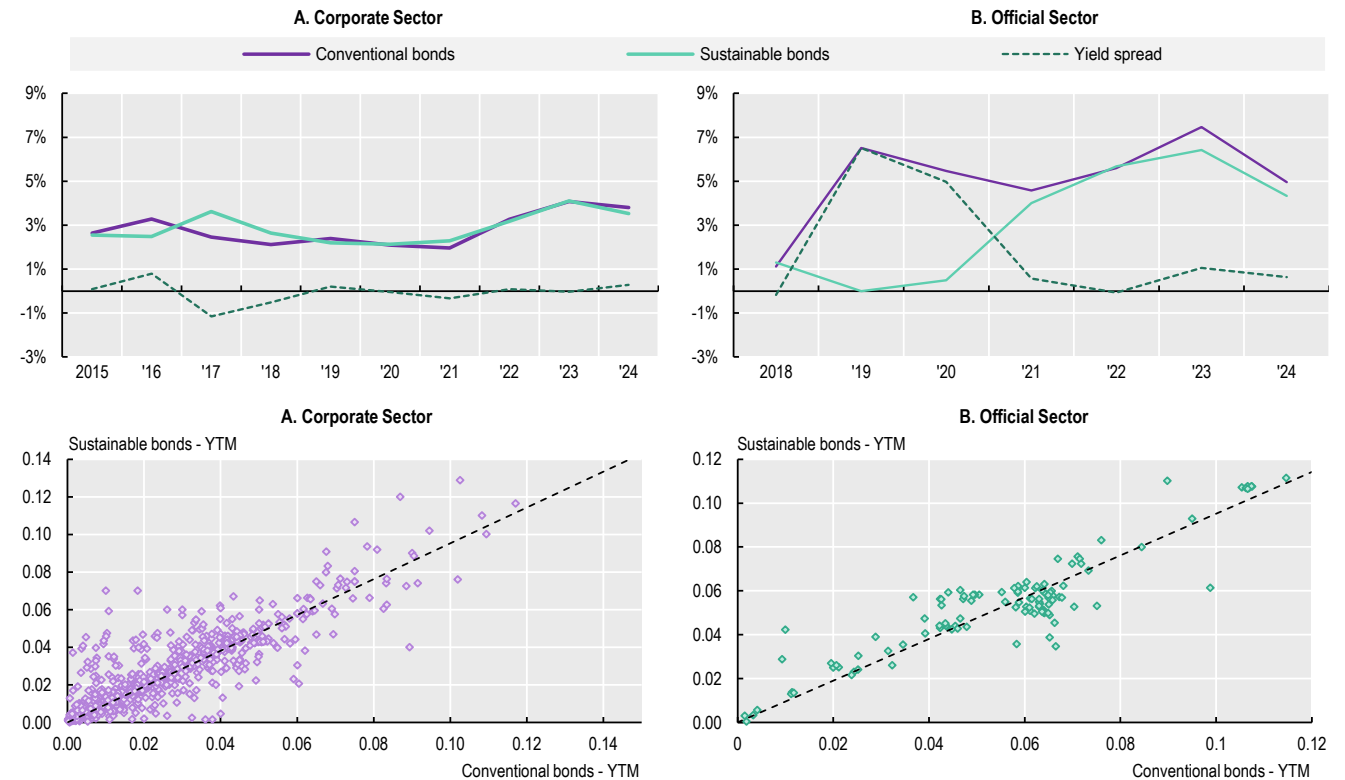
Incentives for issuers



» Sustainable bond premium

Yield spread varies across conventional and sustainable bonds, with no systematic evidence of a sustainable premium

- There is **no statistically significant evidence** that entities in either the corporate or the official sector benefit from a premium for issuing a sustainable bond.



Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>

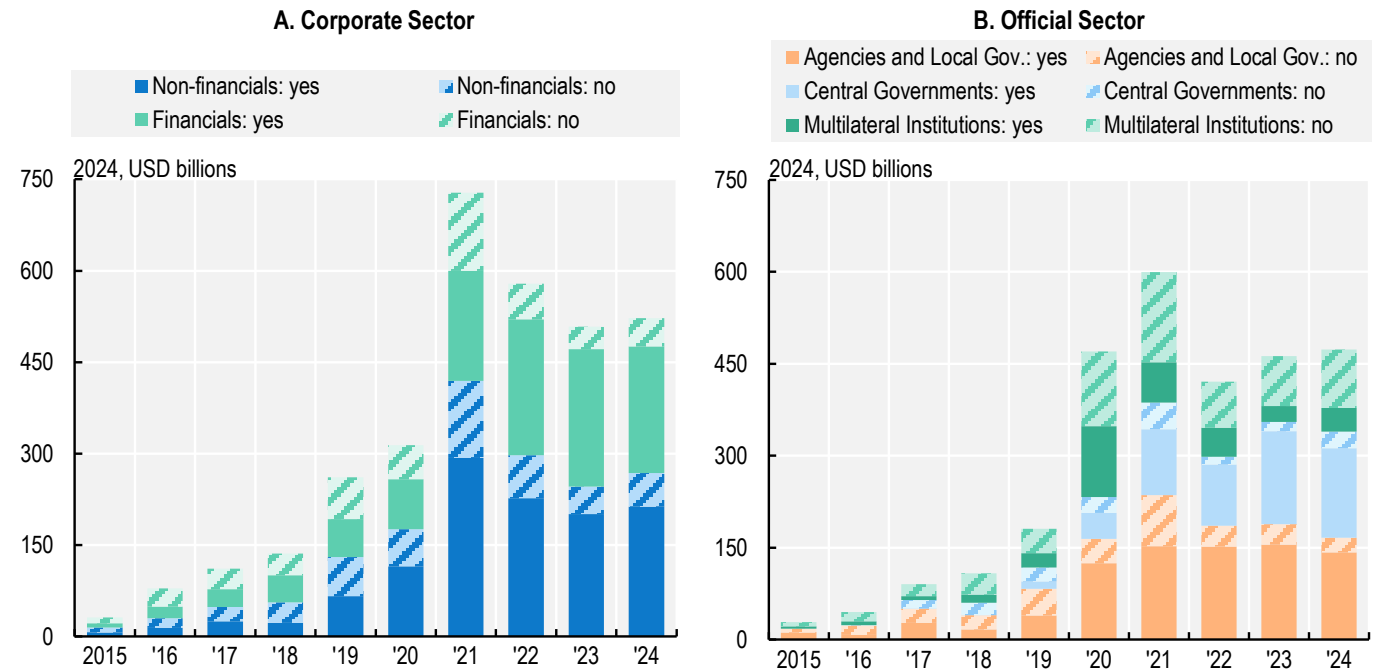
Investor protection



» Second party opinion

- An independent assurance on the bond's alignment with a standard and/or a taxonomy improves **transparency** and **credibility** to the market.
- In 2024, **81%** of corporate bonds and **69%** of official sector bonds were assured by a **second party opinion** provider.

Second-party opinions are playing a growing role in assuring sustainable bonds



Source: OECD (2025), Sustainable Bonds: Trends and Policy Recommendations, OECD Publishing, Paris, <https://doi.org/10.1787/26726c68-en>

» Contracts

Use of proceeds bonds

In a sample of 88 GSS bonds issued between 2017 and 2024:

- **Possibility of refinancing:**

3/4 of the prospectuses allow refinancing of existing eligible projects with the GSS proceeds.

- **Existence of contractual penalties:**

Ø No prospectus includes contractual penalties if the proceeds are not fully allocated.

Sustainability-linked bonds

In a sample of 57 SLBs issued between 2017 and 2024:

- **Implications of failing to achieve targets:**

95% of the issuers will face an increase in the annual coupon (typically +25 b.p.) if they do not meet the SPTs.

- **Periodic reporting on KPIs and SPTs:**

2/3 of issuers commit to annually report against the sustainability-related performance targets.

Policy recommendations



» Policy recommendations

Standards and taxonomies

Regulatory authorities should encourage the **interoperability** of sustainable bond standards and taxonomies for sustainable activities, with a focus on international **comparability** and **harmonisation** between markets.

Sustainability-related metrics

The disclosure of sustainability-related metrics relevant to holders of sustainable bonds should be **reliable, consistent, and comparable**.

Possibility of refinancing

Standard setters and regulatory authorities should consider the extent to which refinancing concluded projects using proceeds of green, social and sustainability bonds should be allowed, and if so, the **appropriate disclosure practices**.

Second party opinion

Key service providers, such as second party opinion providers, **may warrant treatment comparable** to that to external auditors and credit rating agencies.

Thank you!

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