

**The International Organization of Securities Commissions (IOSCO)**

*(Submitted via email to: [consultation-01-2019@iosco.org](mailto:consultation-01-2019@iosco.org))*

1 April 2019

Dear Sirs

**Response to IOSCO Consultation on Sustainable finance in emerging markets and the role of securities regulators.**

The International Capital Market Association (ICMA) is providing comments on certain aspects of the consultation report on [Sustainable finance in emerging markets and the role of securities regulators](#) (CR01/2019) of February 2019.

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has 550 members located in over 60 countries. See: [www.icmagroup.org](http://www.icmagroup.org)

ICMA has a long-standing engagement on sustainability issues through providing the [Secretariat to the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines](#) and this response is primarily drafted on behalf of the [Green Bond Principles Executive Committee](#).

We set out our comments below to question 6, 7 and 10 and would be pleased to discuss it with you at your convenience.

Yours faithfully,

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## COMMENTS

**IOSCO Consultation on Sustainable finance in emerging markets and the role of securities regulators.**

**6. Do you have specific comments on the proposed recommendation relating to the definition and taxonomy of sustainable instruments?**

We recommend explicit mention in the definition and taxonomy of sustainable instruments, of the Green Bond Principles as well as the Social Bond Principles and Sustainability Bond Guidelines which are globally used market standards and developed by market participants (i.e. issuers, underwriters and investors) and for which ICMA provides the Secretariat. More specifically:

- (a) Green Bonds enable capital-raising and investment for new and existing projects with environmental benefits. The Green Bond Principles (GBP), updated as of June 2018, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond. The GBP are intended for broad use by the market: they provide issuers guidance on the key components involved in launching a credible Green Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions;
- (b) Social Bonds are use of proceeds bonds that raise funds for new and existing projects with positive social outcomes. The Social Bond Principles (SBP) updated as of June 2018 promote integrity in the Social Bond market through guidelines that recommend transparency, disclosure and reporting. They are intended for use by market participants and are designed to drive the provision of information needed to increase capital allocation to social projects; and
- (c) Sustainability Bonds are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. The Sustainability Bond Guidelines as of June 2018 have been published to confirm the relevance of the Principles in this context and facilitate the application of their guidance on transparency and disclosure to the Sustainability Bond market. The common four core components of the Principles and their recommendations on the use of external reviews and impact reporting therefore also apply to Sustainability Bonds.

We would recommend that Recommendation 4 makes reference to the GBP, SBP, and SBG. As mentioned in the report, these have already been leveraged by a number of emerging market stakeholders, including ASEAN and SEBI, in developing national guidance and enabling frameworks for green bond issuance.

## **7. Do you agree with how eligible projects have been framed in recommendation 5?**

The GBP and SBP each refer to eligible project categories, and in the case of the GBP, overarching environmental objectives. As the global green and social bond markets have been operating successfully with these existing project categories, we would recommend aligning the reference in recommendation 5 to these project categories. The eligible Green Project Categories, listed in no specific order, include, but are not limited to:

### *Green Project Categories:*

- renewable energy (including production, transmission, appliances and products);
- energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy);
- environmentally sustainable management of living natural resources and land use (including environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally-sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes);
- terrestrial and aquatic biodiversity conservation (including the protection of coastal, marine and watershed environments);
- clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- climate change adaptation (including information support systems, such as climate observation and early warning systems);
- eco-efficient and/or circular economy adapted products, production technologies and processes (such as development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution);
- green buildings which meet regional, national or internationally recognised standards or certifications.

*Social Project Categories:*

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport)
- Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)
- Affordable housing
- Employment generation including through the potential effect of SME financing and microfinance
- Food security
- Socioeconomic advancement and empowerment

**10. Do you agree with the recommendation relating to external reviews? Do you think that such external reviews should be mandatory or voluntary?**

The GBP and SBP recommend external reviews to confirm alignment of bond or bond programmes with the four components of the GBP/SBP (respectively). As described under the GBP and SBP, there are a number of different ways that issuers can obtain independent review of environmental/social features of the assets or activities associated with the Green/Social Bond or Green/Social Bond Programme, including:

- second party opinion
- verification
- certification
- scoring/rating

The GBP and SBP encourage external review providers to disclose their credentials and relevant expertise and communicate clearly the scope of the review(s) conducted. Voluntary [Guidelines for External Reviewers](#) have been developed by the GBP to promote best practice. The Guidelines are a market-based initiative to provide information and transparency on the external review processes for issuers, underwriters, investors, other stakeholders and external reviewers themselves.