



Research Opportunity

Green Bonds and Sustainability-Linked Financial Instruments:
Trends, Opportunities, and Challenges for Third-Party
Assurance Services

Application Deadline:

June 30, 2021



Background

Organizations and capital markets are increasingly expected to adapt and respond to climate-related risks and broader environmental, social and governance (ESG) issues. New and innovative financial instruments are being created to meet growing market demand for green and sustainability-linked financial products that meet economic and ESG objectives. There is currently no commonly accepted approach to issuing sustainability-linked financial products. Similarly, there is no common approach regarding the external assessments (including third-party assurance services) on issuance of such products, which can lead to confusion to the market. CPA Canada, jointly with the International Federation of Accountants (IFAC), has issued this *Call for Research Proposals* to better understand the trends, opportunities and challenges related to green bonds and sustainability-linked financial instruments, and third-party assurance provided thereon.

Objectives

The objectives of the research are to:

- Assess the current and future market for green bonds and other types of sustainability-linked financial instruments (i.e., social bonds, sustainability-linked loans) from a global and Canadian perspective (including the current and future market for assurance services in this market)
- Understand the criteria and/or definitions used to support the labelling of such financial instruments
- Understand the types of ongoing monitoring and reporting of such financial instruments by issuers
- Understand the types of external reviews and assurance provided for these issuances (including the methodology and/or standards used) and the provider of such services
- Understand investor expectations as it pertains to green bonds and other types of sustainability-linked financial instruments
- Identify challenges and opportunities for assurance providers to support the integrity of the market for green and sustainable finance products in the future

Scope of Research

The research will address:

- Results from a desktop study of the current market environment for green bonds and sustainability-linked financial instruments globally and in Canada (and related external assessments or third-party assurance provided on such instruments), including divergence in practice by geography based on a review of the top 15 issuance jurisdictions included in the most recent Climate Bonds [Green Bond Market Summary \(H1 2020\)](#)
- Changes to global market as of 2021 (i.e., % increase in number of green bond and other issuances) and breakdown by region
- Different types of sustainability-linked financial instruments and profile of issuers
- Criteria, standards, and frameworks used (i.e., Green Bond Principles, Green Loan Principles)
- Methods used to measure and report sustainability performance against the criteria noted above
- Types of external reviews (i.e., ‘second opinions’) and independent assurance provided in relation to the financial instrument and the related providers of such services (i.e., environmental expert or consultant versus CPA firm assurance service provider)
- Investor expectations as it pertains to green bonds and other types of sustainability-linked financial instruments
- Insights into the future market of green bonds and other sustainability-linked financial instruments and related challenges and opportunities for professional service providers that support this growing market

The successful applicant will:

- work in collaboration with CPA Canada project research advisory committee to finalize the project scope, timing and research methodology
- review and analyze the results of their research to provide key insights and recommendations to support the development of the growing market for green and sustainability-linked financial instruments
- meet with CPA Canada on a regular basis to discuss research status and share preliminary research results
- prepare a research report and visual presentation based on the results of the research

Related Research and Studies

<https://assets.kpmg/content/dam/kpmg/pdf/2015/03/gearing-up-for-green-bonds-v2.pdf>

<https://capitalmarkets.bmo.com/en/news-insights/sustainable-finance/sustainability-linked-loans-come-to-canada/>

<https://www.climatebonds.net/resources/reports/green-bonds-market-summary-h1-2020>

<https://www.accountancyeurope.eu/wp-content/uploads/Building-a-credible-Green-Bond-market.pdf>

Budget and Timeline

- Please contact us for the available budget range.
- Research proposals should be submitted in writing to Amy Yacyshyn (ayacyshyn@cpacanada.ca) no later than June 30, 2021
- Research report to be completed by November 30, 2021