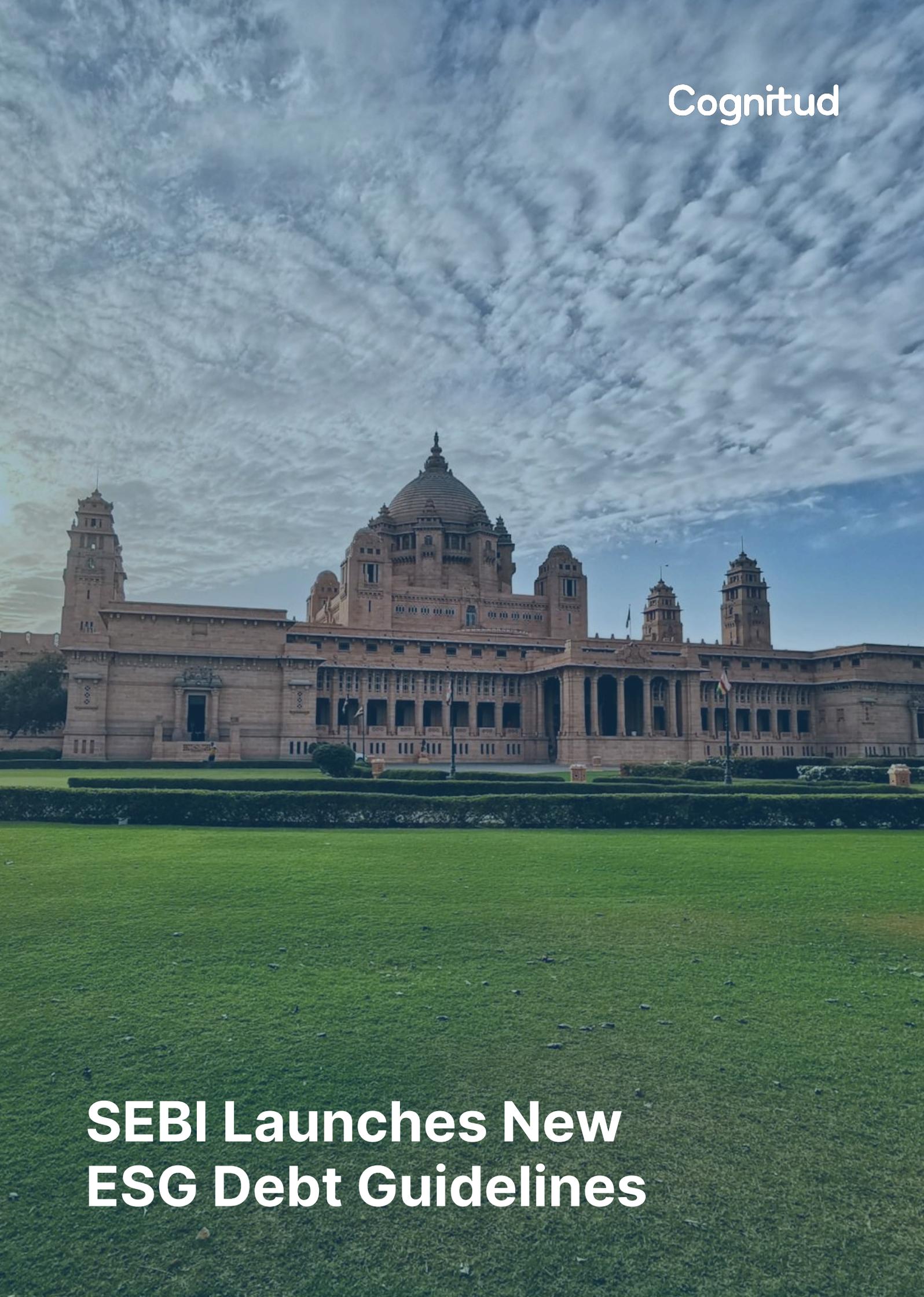


Cognitud



SEBI Launches New ESG Debt Guidelines

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive and stringent regulatory framework for the issuance and listing of ESG (Environmental, Social, and Governance) debt securities, specifically targeting social bonds, sustainability bonds, and sustainability-linked bonds (SLBs), excluding green bonds which are governed separately. This framework, effective from June 5, 2025, aims to enhance transparency, accountability, and investor confidence in India's ESG debt market by aligning with global standards such as the International Capital Market Association (ICMA) Principles and the Climate Bonds Standard.

Key Features of SEBI's ESG Debt Framework

Scope and Eligibility

Only bonds funding projects that align with recognized ESG definitions and standards can be labeled as social, sustainability, or sustainability-linked bonds. This ensures that the ESG label is credible and backed by verifiable impact.

Social Bonds

Social bonds under the framework must finance projects that deliver measurable social benefits in areas including:

Affordable basic infrastructure

Access to essential services (healthcare, education, clean water)

Employment generation and unemployment alleviation

Food security

Socioeconomic advancement and empowerment

Sustainability-Linked Bonds (SLBs)

SLBs are performance-based instruments where the financial terms are linked to the issuer's achievement of pre-defined sustainability targets. The framework mandates issuers to disclose:

Their sustainability and business strategy

Defined Key Performance Indicators (KPIs)

Sustainability Performance Targets (SPTs) and the rationale behind them

Third-party reviewers must certify the relevance, robustness, and ambition of KPIs and SPTs, ensuring these targets are material to the issuer's ESG strategy and address significant ESG challenges.



Third-Party Review and Verification

A critical aspect of the framework is the mandatory appointment of independent third-party reviewers. These reviewers are tasked with:

Verifying alignment with recognized ESG standards

Assessing internal tracking and impact reporting systems

Certifying the credibility of KPIs and SPTs for SLBs

This requirement is designed to prevent misuse of ESG labels and to build trust among investors by ensuring transparency and accountability.

Disclosure and Reporting Requirements

Issuers must provide comprehensive disclosures before issuance, detailing project objectives, fund allocation, and monitoring processes. Post-issuance, annual reports must include updates on the utilization of proceeds, impact assessments, and progress against KPIs and SPTs for SLBs. Companies listed on SME platforms have additional bi-annual disclosure obligations.

Opportunities for Issuers

- ➔ **Tap into ESG-Driven Capital:** With global investors prioritizing sustainable finance, this framework opens doors to a growing pool of ESG-focused capital.
- ➔ **Boost Brand Credibility:** Adhering to SEBI's guidelines demonstrates strong governance and authentic ESG commitment—enhancing issuer reputation
- ➔ **Access Flexible Capital:** Sustainability-linked bonds (SLBs) offer versatile financing tied to ESG performance, without restricting proceeds to specific projects.
- ➔ **Compete Globally:** The framework aligns with international standards, enabling issuers to meet global investor expectations without regulatory disadvantages.

Significance and Impact

SEBI's new ESG debt framework represents a landmark step in strengthening India's ESG ecosystem and carbon-neutral strategy. By aligning local regulations with international standards, SEBI aims to foster a credible and transparent ESG debt market that attracts responsible investment flows. The framework enhances the integrity of ESG bonds, promotes genuine social and environmental impact, and supports India's broader sustainability and climate goals.



Issuers are encouraged to adopt robust governance systems, define clear ESG strategies, and engage with certified third-party reviewers early in the process to ensure compliance and operational efficiency. This regulatory advancement is expected to deepen India's ESG capital markets and contribute to sustainable economic development.