

CIRCULAR

SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84

June 05, 2025

To,

Issuers who have listed/ propose to list Environment, Social and Governance (ESG) debt securities (other than green debt securities);

Recognised Stock Exchanges;

Registered Merchant Bankers;

Registered Depositories;

Registered Debenture Trustee; and

Registered ESG Rating Providers

Madam/ Sir,

Subject: Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities)

- I. SEBI in its Board meeting held on September 30, 2024 had *inter-alia* approved, the proposal to specify the frameworks for issuance of social bonds, sustainability bonds and sustainability-linked bonds, which together with green debt securities, will be termed Environment, Social and Governance (ESG) Debt Securities. Pursuant to the inputs and feedback of *Industry Standards Forum (ISF)*¹, the following circular is issued.
- II. Regulation 2(1)(oa) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021 ('SEBI NCS Regulations') defines ESG debt securities as under: "*Environment, Social and Governance Debt Securities or "ESG Debt Securities" means green debt securities, social bonds, sustainability bonds, sustainability-linked bonds, or any other type of bonds, by whatever name called, that are issued in accordance with such international frameworks as adapted or adjusted to suit Indian requirements that are specified by the Board from time to time, and any other securities as specified by the Board.*"
- III. Further, in terms of Regulation 2(1)(q) of the SEBI NCS Regulations "Green debt security" means a debt security issued for raising funds subject to the conditions as may be specified by the Board from time to time, to be utilised for project(s) and/ or asset(s) falling under certain categories mentioned therein.
- IV. Regulation 12A of the SEBI NCS Regulations reads as under:
"Issuance of Environment, Social and Governance Debt Securities

¹ In line with its commitment to facilitate capital formation in the economy and ease of doing business, SEBI has set up various Industry Standards Forums including ISF for debt market, comprising of representatives from Industry Associations under the aegis of the Stock Exchanges. The ISF would formulate standards for implementation of specific regulations and circulars, based on feedback from industry and stakeholders, in consultation with SEBI.

12A. An issuer desirous of issuing and listing of Environment, Social and Governance Debt Securities shall comply with such conditions as may be specified by the Board.”

V. In view of the above, in order to facilitate Issuers to raise funds through issuance of ESG debt securities (other than green debt securities), the operational framework for ESG debt securities (other than green debt securities) i.e. social bonds, sustainability bonds and sustainability-linked bonds has been finalized in consultation with Industry Standard Forum. The said framework is given as under:

1. This circular shall be applicable to Environmental, Social and Governance (ESG) debt securities labelled as ‘social bonds’, ‘sustainability bonds’ and ‘sustainability-linked bonds’ which are listed or proposed to be listed on a recognized stock exchange.
2. The requirements under this chapter shall be in addition to the requirements specified in SEBI NCS Regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI LODR Regulations’).
3. The debt securities shall be labelled as ‘social bonds’ or ‘sustainability bonds’ or ‘sustainability-linked bonds’ only if the funds raised through the issuance of such debt securities are proposed to be utilised for financing or refinancing projects and/or assets aligned with any of the following recognized standards or fall under the definitions given in the following paras:
 - (a) International Capital Market Association (ICMA) Principles / Guidelines;
 - (b) Climate Bonds Standard;
 - (c) ASEAN Standards;
 - (d) European Union Standards; and
 - (e) Any framework or methodology specified by any financial sector regulator in India.
4. For purposes of SEBI NCS Regulations and SEBI LODR Regulations, 2015 and this Circular, Social Bonds shall have the definition as under:

“Social Bonds” means a debt security issued for raising funds, subject to the conditions as may be specified by the Board from time to time, to be utilised for social project(s) that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population, falling under any of the following categories:

 - a) Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)*
 - b) Access to essential services (e.g. health, education and vocational training, healthcare,)*
 - c) Affordable housing*
 - d) Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a “just transition” (such*

- provision and/or promotion could include SME financing and microfinance)*
- e) *Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)*
 - f) *Socioeconomic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)*
 - g) *any other category, as may be specified by the Board from time to time.*
5. For purposes of SEBI NCS Regulations and SEBI LODR Regulations, 2015 and this Circular, Sustainability bonds shall have the definition as under:
- ‘Sustainability bonds’ means a debt security issued for raising funds, subject to the conditions as may be specified by the Board from time to time, to be utilised for finance or re-finance of a combination of eligible green project(s) and social project(s) as specified under the definition of green bonds and social bonds respectively.*
6. For purposes of SEBI NCS Regulations and SEBI LODR Regulations, 2015 and this Circular, Sustainability-linked bonds shall have the definition as under:
- ‘Sustainability-linked bonds’ means a debt security which has its financial and/or structural characteristics linked to predefined sustainability objectives of the Issuer, subject to the condition that such objectives are measured through predefined Sustainability Key Performance Indicators (KPIs)² and assessed against predefined Sustainability Performance Targets (SPTs)³.*
7. Certain social projects may also have environmental co-benefits, and that certain green projects may have social co-benefits. The classification of a debt security as a green debt security, social bond or sustainability bond should be determined by the issuer based on its primary objectives for the underlying projects.
8. **Initial disclosure requirements, continuous post-listing obligations and appointment of independent third-party reviewer/ certifier for social bonds:**
- An issuer desirous of issuing social bonds shall make the disclosures specified in **part I of Annexure-A** in the offer document for public issues/ private

² KPI: Key Performance Indicators are quantifiable metrics used to measure the performance of selected indicators.

³ SPT: Sustainability Performance Targets are measurable improvements in key performance indicators on to which issuers commit with a predefined timeline. SPTs should be ambitious, material and where possible benchmarked and consistent with an issuer's overall sustainability/ESG strategies or sustainable development policies.

placements in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned/ issued with. An issuer who has listed social bonds shall provide continuous disclosures as specified in **part II of Annexure-A** in its annual report and financial results in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned/ issued with. The issuer of social bonds shall appoint an independent third party reviewer/ certifier to undertake the activities and responsibilities specified in **part III of Annexure-A**.

9. **Initial disclosure requirements, continuous post-listing obligations and appointment of independent third-party reviewer/ certifier for sustainability bonds:**

An issuer desirous of issuing sustainability bonds shall comply with the provisions specified for green debt security as specified in chapter IX of the NCS Master Circular⁴ and for social bonds as specified in **Annexure-A** of this circular.

10. **Initial disclosure requirements, continuous post-listing obligations and appointment of independent third-party reviewer/ certifier for sustainability-linked bonds:**

An issuer desirous of issuing sustainability-linked bonds shall make the disclosures as specified in **Part I of Annexure B** in the offer document for public issues/ private placements in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned/ issued with. An issuer who has listed sustainability-linked bonds shall provide disclosures as specified in **Part II of Annexure-B** along with its annual report and financial results. The issuer of sustainability-linked bonds shall appoint an independent third party reviewer/ certifier to undertake the activities and responsibilities specified in **part III of Annexure-B**.

VI. **Responsibilities of the issuer:** An issuer of social bonds/ sustainability bonds shall:

- a) Maintain a decision-making process which it uses to determine the continuing eligibility of the project(s) and/or asset(s).; and
- b) Ensure that all project(s) and/or asset(s) funded by the proceeds of social bonds / sustainability bonds, meet the documented objectives of social bonds/ sustainability bonds and utilise the proceeds only for the stated purpose, as disclosed in the offer document;

⁴ Master Circular for issue and listing of Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated May 22, 2024

VII. **Measures to mitigate the risk of purpose- washing and not being “True to Label:**

An issuer desirous of issuing social bonds/ sustainability bonds shall ensure the following to avoid occurrence of purpose-washing⁵:

- a) While raising funds for social objects/ sustainability objects, it shall continuously monitor to check whether the form of operations undertaken is resulting in reduction of the adverse social impact/ sustainable impact, as envisaged in the offer document.
- b) It shall not utilise funds raised through social bonds/ sustainability bonds for purposes that would not fall under the category of social bonds/ sustainability bonds as specified in paragraph V.3 and/ or paragraph V.4/ V.5 above.
- c) In case any such instances above come to light regarding the social bonds/ sustainability bonds already issued, it shall disclose the same to the investors and, if required, by majority of debenture holders, undertake early redemption of such debt securities.
- d) It shall not use misleading labels, hide trade-offs or cherry pick data from research to highlight social practices/ sustainable practices while obscuring others that are unfavorable in this behalf.
- e) It shall maintain highest standards associated with issue of social bonds/ sustainability bonds while adhering to the rating assigned to it.
- f) It shall quantify the negative externalities associated with utilisation of the funds raised through social bonds/ sustainability bonds.
- g) It shall not make untrue claims giving false impression of certification by a third-party entity

VIII. An Issuer who is eligible to list specified securities on SME exchange as defined in Regulation 2(1)(ddd) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and intends to issue ESG debt securities shall have to comply with the post listing obligations as specified under ‘Continuous disclosure requirements’ specified in Annexure-A and Annexure-B, and paragraph 2 of Chapter IX (green Debt Securities) of SEBI NCS Master Circular bi-annually.

IX. The circular shall come into force for issuances of ESG debt securities with effect from June 05, 2025.

X. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 55 (1) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to protect

⁵ Purpose-washing may be defined as ‘making false, misleading, unsubstantiated, or otherwise incomplete claims about the purpose for which bonds are issued.

the interest of investors in securities and to promote the development of, and to regulate the securities market.

XI. This Circular is available at www.sebi.gov.in under the link “Legal→Circulars”.

Yours faithfully,

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Annexure-A

I. Initial disclosure requirements for issue and listing of Social Bonds:

An issuer desirous of issuing social bonds shall make the following additional disclosures in the offer document for public issues/ private placements:

1. Social objectives of the social project(s) including but not limited to details of the target population and the intended benefits of the proposed social projects to the identified target population;
2. Brief details of decision-making process followed/proposed for determining the eligibility of project(s) and/or asset(s), for which the proceeds are being raised through issuance of social bonds, such as:
 - a) Details of process followed by the issuer for evaluating and selecting the project(s) and/or asset(s);
 - b) Process followed/ to be followed for determining how the project(s) and/or asset(s) fit within the eligible criteria in accordance with standard and definition specified in paragraph V.3 and/or paragraph V.4 above.
 - c) Details of taxonomies, standards or certifications both Indian and global, if any, referenced and the alignment of projects with said taxonomies, related eligibility criteria, and exclusion criteria, if applicable.
3. Details of the system/ procedures to be employed for tracking the deployment of the proceeds of the issue. The Issuer may, if it so desires form a 'sustainability Committee' or 'ESG Committee' for the said purpose.
4. Details of the project(s) and/or asset(s) or areas where the issuer, proposes to utilise the proceeds of the issue of social bonds, including towards refinancing of existing social project(s) and/or asset(s), if any.
5. Details of an indicative estimate of distribution of proceeds raised through issuance of social bonds between financing and refinancing of project(s) and/ or asset(s); if applicable.
6. Details of the intended types of temporary placement of the unallocated and unutilised net proceeds from the issue of social bonds.
7. Details related to the perceived social risks and proposed mitigation plan associated with the project(s) proposed to be financed/ refinanced through the proceeds from the issue of social bonds.
8. In case of refinancing, details of the existing debt proposed to be refinanced, including amount outstanding.

II. Continuous disclosure requirements

An issuer who has listed social bonds shall provide following additional disclosures along with its annual report and financial results:

1. Utilisation of the proceeds of the issue, as per the tracking done by the issuer using the internal process or as disclosed in offer document. Utilisation of the proceeds shall be verified by the report of an external auditor, to verify the internal tracking method and the allocation of funds towards the project(s) and/or asset(s), from the proceeds of social bonds.
2. Details of unutilised proceeds including the temporary placement/ utilisation of unallocated and unutilised proceeds from each ISIN of social bond issued by the issuer.
3. The following additional disclosures shall be made in the Annual Report:
 - a) List of project(s) and/or asset(s) to which proceeds of the social bonds have been allocated/invested including a brief description of such project(s) and/or asset(s), amounts disbursed/ allocated and their expected impact.
 - b) In cases where confidentiality agreements restrict the disclosure of details about specific project(s) and/or asset(s), the information shall be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).
 - c) Qualitative performance indicators and, where feasible, quantitative performance measures of the social impact (as applicable) of the project(s) and/or asset(s). If the quantitative benefits/impact cannot be ascertained, then the said fact may be appropriately disclosed along with the reasons for non-ascertainment of the benefits/impact on the environment.
 - d) Methods and the key underlying assumptions used in preparation of the performance indicators and metrics;
 - e) Details of the deployment of the mitigation plan (as disclosed in the offer documents) for the perceived social risks.
4. Impact Reporting: Information, on a project-by-project basis, pertaining to reporting of the social impact of the projects financed by the social bonds. Reporting standards or taxonomies followed by the issuer with regard to reporting of social impact, if any, shall also be disclosed.
5. An issuer shall appoint an independent third party reviewer/ certifier for a social bond for the following:

- a) Post-issue management of the use of proceeds from the social bond; and
- b) Verification of the internal tracking and impact reporting.

III. Independent third party reviewer/ certifier:

- i. The issuer shall appoint an independent third party reviewer/ certifier, to ascertain that the ESG labelled debt securities are in alignment with any of the recognized standards mentioned at paragraph V.3 and/ or paragraph V.4 above (including review/certification of the processes including project evaluation and selection criteria, project categories eligible for financing by social bonds, etc), in compliance with the following conditions:
 - a) The reviewer shall be independent of the issuer, its directors, senior management and key managerial personnel;
 - b) The reviewer shall be remunerated in a way that prevents any conflicts of interest; and
 - c) The reviewer shall have expertise in assessing ESG debt securities.
- ii. The scope of the review(s) conducted by the independent third-party reviewer/ certifier shall be specified in the offer document.
- iii. The independent third party reviewer may take one or more of the following forms recommended by International Capital Market Association⁶ or any standard specified in paragraph V.3 above:
 - a) Second Party Opinion;
 - b) Verification including the cases where proceeds are to be utilised for the purpose of re-financing;
 - c) Certification;
 - d) Scoring / Rating.
- iv. Apart from the entity(ies) eligible to be appointed by the Issuer in paragraph III.i. above, an ESG rating provider registered with SEBI shall also be eligible to be appointed by the Issuer to act as a third party reviewer for the purpose of this circular. Such ESG Rating Provider shall comply with the conditions specified in paragraph III.i above.
- v. The issuer shall ensure that the details regarding the independent third party reviewer are adequately disclosed in the offer document.

⁶ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf

Annexure B

I. Initial disclosure requirements for issue and listing of Sustainability-Linked Bonds:

An issuer desirous of issuing sustainability-linked bonds shall make the following additional disclosures in the offer document for public issues/ private placements:

1. The issuer shall disclose the rationale for issuance of sustainability-linked bonds and consistency with issuers' overall sustainability and business strategy;
2. Details of taxonomies, standards or certifications both Indian and global, if any, referenced.
3. The issuer shall adhere to pre-issuance obligations in accordance with the relevant international standards that the securities are aligned with.
4. An indicative list of disclosures to be specified in offer document is given below for reference:
 - a) Details of Issuer's core sustainability and business strategy;
 - b) Details of Key Performance Indicators KPI(s) including the definition of KPI(s), associated calculation methodology and benchmark(s) referenced;
 - c) The rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into issuer's sustainability strategy and addresses relevant environmental, social and/ or governance challenges;
 - d) Details of Sustainability Performance Targets SPT(s) linked with the selected KPI(s) including the definition, calculation methodology and benchmark(s)⁷ referenced;
5. Details of the system/procedures to be employed for tracking the achievement of the targets. The Issuer may form a 'sustainability Committee' or 'ESG Committee' for the said purpose
6. Disclosures in respect of pre-defined SPTs:

⁷ The target setting exercise should be based on a combination of benchmarking approaches:

- (1) the issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI;
- (2) the issuers' peers, i.e. the SPT's relative positioning versus its peers' where available (average performance, best-in-class performance) and comparable, or versus current industry or sector standards (or, for sovereign issuers, comparable countries); and/or
- (3) reference to the science, i.e. systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets), or to official country/regional/international targets (Paris Agreement on Climate Change and net zero goals, Sustainable Development Goals (SDGs), Kunming-Montreal Global biodiversity framework, etc.) or to recognised Best- Available-Technologies or other proxies to determine relevant targets across environmental and social themes.

Source: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf>

- a) Details of the timelines for the target achievement, including the target observation date(s)/ period(s), the trigger event(s) and the frequency of SPTs;
 - b) Details on how the issuer intends to achieve the set SPTs (e.g. by describing their ESG strategy, supporting ESG governance and investments, and their operating strategy, i.e. through highlighting the key levers/type of actions that are expected to drive the performance towards the SPTs as well as their expected respective contribution, in quantitative terms wherever possible), wherever possible;
- 7. Details of financial and/or structural characteristics of the sustainability-linked bonds that will vary with the level of accomplishment of selected KPI(s);
 - 8. Details of the events which would trigger the variation in the parameters disclosed in para 7 above;
 - 9. Any fallback mechanisms in the case that the SPTs cannot be calculated or observed in a satisfactory manner shall be explained, if applicable;
 - 10. Details of potential exceptional events or extreme events, including drastic changes in the regulatory or technical environment that could substantially impact the calculation of the KPI or the restatement of the SPT;
 - 11. Details of the deployment of the mitigation plan for the perceived risk that may significantly affect the achievement of the SPT(s); and
 - 12. Details of any other key factors beyond the issuer's direct control that may affect the achievement of the SPT(s).
 - 13. In case of refinancing, details of the existing debt proposed to be refinanced, including amount outstanding.

II. Continuous disclosure requirements

An issuer who has listed sustainability-linked bonds shall provide following disclosures along with its annual report and financial results:

- a. An issuer who has listed sustainability-linked bonds, shall adhere to the post-issuance obligations in accordance with the relevant international standards that the securities are aligned with.
- b. An issuer who has listed sustainability-linked bonds, shall provide following additional disclosures along with its annual report and financial results:
 - i. up-to-date information on the performance of the selected KPI(s), including baselines where relevant; and

- ii. A verification report by an independent third-party reviewer in relation to the SPT, outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics.

III. Independent third party reviewer/ certifier for sustainability-linked bonds:

- i. The issuer shall appoint an independent third party reviewer/ certifier to ascertain that the sustainability-linked bonds are in alignment with any of the recognized standards mentioned at paragraph V.3 and/ or paragraph V.6 above in compliance with the following conditions:
 - a) The reviewer shall be independent of the issuer, its directors, senior management and key managerial personnel;
 - b) The reviewer shall be remunerated in a way that prevents any conflicts of interest; and
 - c) The reviewer shall have expertise in assessing ESG debt securities.
- ii. Issuers shall appoint an independent third party reviewer to assess and certify the following:
 - a) the relevance, robustness and reliability of selected KPIs;
 - b) the selected KPIs being materially linked to the core sustainability and business strategy of the Issuer;
 - c) the rationale and level of ambition of the proposed SPTs;
 - d) the relevance and reliability of selected benchmarks and baselines;
 - e) the credibility of the strategy and/or policies outlined to achieve the SPT(s), based on scenario analyses, where relevant
 - f) any material change to KPI methodology/SPT(s) calibration; if applicable; and
 - g) The report in relation to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics.
- iii. The scope of the review(s) conducted by the independent third-party reviewer/ certifier shall be specified in the offer document.
- iv. Apart from the entity(ies) eligible to be appointed by the Issuer in paragraph III.i. above, an ESG rating provider registered with SEBI shall also be eligible to be appointed by the Issuer to act as a third party reviewer for the purpose of this circular. Such ESG rating provider shall comply with the conditions specified in paragraph III.i. above.