

# India's ESG Push

## From Policy to Practice



## Introduction

While many global economies are seeing a recalibration in their sustainability regulations, India is actively advancing its regulatory and financial infrastructure to align capital markets with climate & sustainability goals. With its net-zero target by 2070 and growing global investor interest, India is laying the groundwork for a credible, transparent, and scalable sustainable finance ecosystem.

In 2024–25, Indian regulators took significant steps to strengthen climate finance, curb greenwashing & enhance transparency. Key developments include the draft Climate Finance Taxonomy, expanded Green/ESG Debt norms, inclusion of Green Credits in BRSR, and closer alignment with ICMA and CBI principles, marking a shift from intent to measurable action.

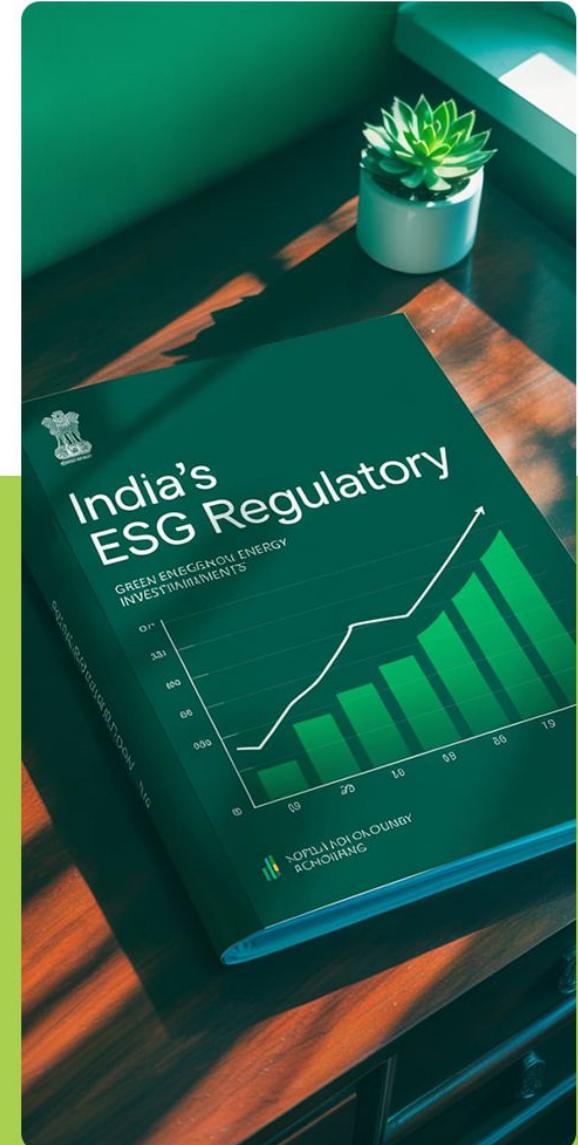
## India's ESG Regulatory Update: Key Highlights

### 1. Climate Finance Taxonomy Draft 1 (May 2025)

India's Ministry of Finance released a draft taxonomy to classify sustainable economic activities across mitigation, adaptation, and transition. It aims to align public and private finance, prevent greenwashing & track climate-supportive flows. The initial focus sectors include Power, Transport Buildings, Agriculture and Hard-to-Abate sectors.

### 2. SEBI's Strengthened ESG Debt Framework 2 (June 2025)

SEBI, in addition to Green Debt Securities, introduced a framework for Social, Sustainability and Sustainability-Linked Bonds (SLBs) including mandatory disclosures, KPI-based targets & penalty clauses. This alignment with global frameworks under ICMA and CBI enhances consistency and compatibility. Mandatory third-party reviews to verify alignment with global frameworks, internal controls, and performance targets further enhance the credibility of India's ESG debt instruments.



### 3. Green Credit Disclosures via BRSR (March 2025) & ISF Guidance (December 2024)

The BRSR framework now includes Green Credits, encouraging companies to take up and report on activities like afforestation, conservation, & ecosystem restoration, linking sustainability actions to measurable recognition. ISF (Industry Standard Forum) by SEBI provides a uniform reporting structure for ESG disclosures, enhancing comparability and transparency for investors.

### 4. RBI Initiatives (2023 & 2024)

In 2024, the RBI issued draft climate disclosure norms 5 for banks and NBFCs, driving them to assess and report climate related risks. Earlier in 2023, it also operationalized the Green Deposit Framework 6 , directing funds toward verified green projects.

### 5. Policy to Practice - Impact

By end of 2024, India surpassed USD 55.9 billion in sustainable debt issuance 7 , including INR 47,700 (~USD 5.7 billion) crore in sovereign green bonds as per MUFG-CBI report. Between January 2025 and June 2025, green bond issuances in India's domestic market crossed Rs 13,142 crore (~USD 1.58 billion) 8 , according to Renewable Watch Research.

India's sustainable finance market has immense potential. However, structural challenges like the lack of a greenium, poor secondary market liquidity, and inconsistent labelling continue to limit broader investor interest & market depth. A coordinated effort among regulators and the government is needed to introduce targeted incentives, credit enhancements, and tax benefits to address structural gaps and accelerate sustainable finance.

