

## Comments on Consultation Paper on Expanding the Scope of Sustainable Finance Framework in the Indian Securities Market

Name of the person/entity proposing comments: Prayas (Energy Group), Sonali Gokhale

Name of the organization: Prayas (Energy Group)

Contact details: Prayas (Energy Group), Devgiri, Kothrud Industrial Area, Pune, - 38, Tel 020-2542 0720, sonali@prayaspune.org

Category: Public

### Consultation 1: Introduction of framework for Social Bonds, Sustainable Bonds and Sustainability-linked Bonds (which together with Green Debt Securities are termed ESG Debt Securities) as a mode of sustainable finance

1) Whether the proposal to introduce a framework for Social Bonds, Sustainable Bonds and Sustainability linked Bonds (which together with green debt securities are termed ESG Debt Securities) is appropriate and adequate?

PEG response:

In principle we see merit in such a framework for ESG Debt Securities suitable to the Indian context. However it is important for the SEBI to also mandate a transparency enhancing framework for ESG Debt Security issuers. This framework could include a publicly accessible issuer plus instrument wise plus underlying project wise database for ESG Debt Securities along with tracking of any adverse opinion by external reviewers or assurance providers on the end use of funds raised. For ESG Debt Securities which raise funds for general corporate purposes and commit to certain quantifiable KPIs the independent verification and public disclosure of such KPIs at regular intervals is a key factor to improve transparency and trust in such instruments.

Rationale: It is our perception that there are unique nuances of the Indian Bond market relating to depth liquidity and issues around transparency of end use of funds raised. Hence the above-mentioned transparency framework for ESG Debt Securities may be helpful.

2) Are there any other international frameworks/guidelines in addition to frameworks listed at Para 3.3, that should be considered?

PEG response:

No additional comments.

### Consultation 2: Proposals for introduction of sustainable securitised debt instruments

1) Whether the proposal to introduce a framework for sustainable securitised debt instruments is appropriate and adequate?

PEG response:

At this juncture we believe that it may be prudent to wait for a few years to see how the primary ESG Debt Securities market is playing out along with issuer and see how the primary ESG Debt Securities market is playing out along with issuer and subscriber receptivity and improved quality of timely and transparent public disclosures for such issuances. It may be premature to permit sustainable securitized debt instruments as given the pooled nature of underlying assets the transparency objective of end use of funds raised under such securitized debt issuances may be more difficult to achieve.

Rationale: We perceive that the concern around greenwashing or impact washing may be heightened for sustainable securitized debt instruments.

2) Are there any other frameworks/ guidelines in addition to frameworks listed at Para 4.5, that should be considered by ISF for providing recommendation on sustainable securitised debt instruments?

PEG response:

No additional comments.

### Consultation 3: Proposals for Independent External Review

1. Whether the proposed requirement of independent external review for ESG Debt Securities and Sustainable Securitised Debt Instruments is appropriate and adequate?

PEG response:

We welcome this independent review stipulation by SEBI for ESG Debt Securities. It is important for the SEBI to unequivocally clarify in the regulations that the ongoing annual certification of appropriate application of raised funds is compulsory for all such nature of ESG Debt Securities where use of proceeds is earmarked for specific projects designed to generate the intended impacts. Also for KPI bonds it is important for the SEBI to stipulate that ESG Debt Securities issuers should as far as possible provide and commit to quantifiable and measurable KPIs in order to limit the potential for impact washing by ESG Debt Security providers.

Rationale: Explained in the comments.

2. Whether SEBI registered ESG Rating Providers could also be permitted to undertake such independent external review?

PEG response:

No additional comments.

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