Consultation paper on “Guidance Framework on sustainable deposits and sustainable lending and investments”

A. Introduction:

1. Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects[1].

2. The United Nations Development Programme (UNDP) while highlighting the critical importance of the sustainable finance ecosystem, notes that despite global wealth exceeding USD 450 trillion, there remains an annual financing shortfall of approximately USD 4.2 trillion required to achieve the Sustainable Development Goals (SDGs). Consequently, channeling capital toward sustainable and climate-resilient activities via various financial products is a global imperative[2].

B. Evolution of Sustainable Finance Products

3. Over the past decade, global financial markets have witnessed the emergence of a diverse range of sustainable finance products across lending, debt and capital markets. An overview of these products is as below:

a. Sustainable Lending and Trade Finance:

(i) Key products in lending space include green loans, social loans, sustainability loans (GSS) and sustainability-linked loans (SLLs). Frameworks issued by organisations such as the Loan Market Association (LMA) in collaboration with Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA) prescribe voluntary, market-based principles for the origination and management of these instruments, which are widely referenced and increasingly adopted across international loan markets.[3]

(ii) Sustainable trade finance has emerged as an important sub-segment within sustainable lending. The International Chamber of Commerce (ICC) has, in October 2024[4], issued ‘Principles for Sustainable Trade Finance’, for voluntary, market led adoption, reflecting growing recognition of the role of trade finance in supporting sustainable supply chains[5].

(iii) Transition finance has also gained momentum, marked by the publication of the Draft Transition Loans Guide by the LSTA in October 2025, in collaboration with the LMA

[1] Overview of sustainable finance - Finance - European Commission
[2] UNDP leverages every dollar to promote investments of nearly $60 for Sustainable Development, shows new report | United Nations Development Programme
[3] https://www.lsta.org/content/sustainable-lending-library/
[4] ICC Unveils New Principles for Sustainable Trade Finance to Combat Greenwashing - ESG News
[5] 2025-ICC-Principles-for-Sustainable-Trade-Finance.pdf

and APLMA. This development reflects increased focus on financing credible decarbonisation pathways for emissions-intensive sectors.[6]

(iv) The GSS syndicated loan market has reached a significant scale with an aggregate issuance of SLLs, Social Loans and Green Loans reaching over USD 600 billion[7] as on December 2024.

(v) Regionally, the EMEA (Europe, Middle East, and Africa) remains the market leader accounting for around 49% of the global issuance. The EMEA and the Americas together accounted for 84% of total sustainable loan issuance in 2024. Further, the Asia Pacific (APAC) region continues to register steady growth[8].

b. Sustainable Debt Markets

(i) Debt markets represent the most mature segment of sustainable finance globally. By mid-2025, the sustainable debt market, covering green, social, sustainability and sustainability-linked instruments, exceeded USD 6 trillion[9].

(ii) In 2025, market estimates from Climate Bonds Initiative indicate that over USD 550 billion of GSS+[10] bonds raised in the first half of the year. Green bonds continue to dominate this market, accounting for largest share of sustainable debt issuance, followed by sustainability and social bonds[11]. Sustainability-linked bonds have also gained momentum, enabling issuers to embed sustainability performance targets (SPT) directly into bond structures rather than restricting proceeds to specific projects.

(iii) Recent global issuance trends across sustainability themes (January–July 2025) demonstrate continued uptake across both lending and debt markets, reflecting growing market acceptance of various products in this space[12].

c. Sustainable Investments and Asset Management

(i) Beyond lending and debt markets, sustainable finance has also become increasingly embedded in investment and asset management practices as evidenced by the UN World Investment Report 2025 which outlines the growth of sustainable funds across the world.

(ii) As per this report, ESG integration is widely being adopted by global asset managers and institutional investors, who increasingly recognise ESG risks as financially material. The growth of thematic and impact funds focused on clean energy, climate solutions, water, and social infrastructure reflects strong investor

[6] Transition Loans Guide - LSTA
[7] Sustainable Debt in Focus: 2024 Summary and 2025 Outlook
[8] Green and Sustainability-Linked Loan Newsletter - BBVA CIB
[9] Sustainable Debt Global State of the Market Q1 2025 | Climate Bonds
[10] Green, Social, Sustainability and Sustainability linked debt and transition bonds
[11] Green Bonds Drive USD555bn Surge as Development Banks… | Climate Bonds
[12] Global sustainable finance 2025: mixed results highlight regional differences | articles | ING Think

demand for investments that deliver measurable sustainability outcomes alongside financial returns.

(iii) Additionally, passive investment products, such as ESG indices and exchange-traded funds, have further accelerated capital allocation toward sustainability-screened assets.

C. Global regulatory and policy developments:

4. Regulatory frameworks and policy initiatives are shaping how sustainable lending is promoted and governed. Since 2021, sustainable finance policymaking has gained momentum globally, with regulators increasingly adopting an enabling role alongside prudential oversight. The key policy focus areas include sustainability disclosures, development of taxonomies and sector and product specific measures across banking and capital markets.[13].

5. International experience demonstrates that financial regulators play an increasingly important enabling role in scaling sustainable finance markets. The key developments in this context are as below:

   a. **Singapore:** The Monetary Authority of Singapore (MAS) has focused on climate risk disclosures, data comparability, credible transition planning, carbon markets and blended finance[14]. Notably, MAS launched the Sustainable Loan Grant Scheme in 2021[15] which supports corporates to obtain sustainable and transition financing by defraying the expenses of engaging independent service providers to validate the sustainability credentials of the loan. Singapore has recorded over SGD 48 billion in green, social, sustainability, and sustainability-linked (GSSSL) loans issued in 2024[16].

   b. **Hong Kong:** The Hong Kong Monetary Authority (HKMA) has published the Hong Kong Taxonomy for Sustainable Finance in May 2024. The taxonomy is intended to provide finance professionals with consistent and internationally recognised definition of “green” and “environmentally sustainable” economic activities. It has also introduced supervisory expectations for green and sustainable banking and supports market development through capacity-building initiatives and international regulatory cooperation[17]. The HKMA via its Sustainable Finance Action Agenda[18] aims to support the growth of deep and liquid green and sustainable debt markets, complemented by capacity building, data infrastructure, and the establishment of dedicated sustainable finance institutions[19].

   c. **Dubai:** The Dubai International Financial Centre (DIFC) has implemented principles-based sustainability expectations, notably through its Sustainable Finance Framework launched in 2023, requiring entities to manage climate-related risks, report on environmental and social impacts, and align with UAE-wide

[13] World Investment Report 2025: International investment in the digital economy
[14] https://www.mas.gov.sg/development/sustainable-finance/regulatory-and-supervisory-approach
[15] https://www.mas.gov.sg/schemes-and-initiatives/sustainable-loan-grant-scheme
[16] Singapore sustainable bond issuances jump 80 per cent to S$13.3 billion in 2024: MAS | Singapore EDB
[17] HKMA Published Hong Kong Taxonomy for Sustainable Finance - HK Green Finance Association
[18] Hong Kong Monetary Authority - HKMA unveils Sustainable Finance Action Agenda
[19] Hong Kong Monetary Authority - HKMA unveils Sustainable Finance Action Agenda

initiatives for green finance and ESG disclosures, aiming to channel capital into sustainable projects with clear governance and transparent reporting.

D. Sustainable Finance landscape in India:

6. India's sustainable finance market has expanded significantly in recent years. As per the India Sustainable Debt State of the Market 2024 report published by the Climate Bonds Initiative[20], India's cumulative aligned GSS+ debt reached USD 55.9 billion as of December 2024, reflecting a 186% increase since the last Climate Bonds Report on India in 2021. Further, Green debt dominates the market, accounting for 83% of total issuance.

7. On the investment side, ESG-focused mutual funds, sustainability indices, and responsible investment practices are also gradually expanding, supported by rising institutional and retail investor awareness[21].

E. Key Policy and Regulatory Developments in India

8. Regulatory and policy initiatives have played a critical role in shaping India's sustainable finance ecosystem. Enhanced ESG disclosure norms for listed companies, most notably the mandatory Business Responsibility and Sustainability Reporting (BRSR) framework introduced by the Securities and Exchange Board of India (SEBI)[22] have strengthened transparency, comparability, and market discipline by requiring standardised reporting on environmental, social, and governance performance.

9. The Reserve Bank of India (RBI) has also encouraged financial institutions to integrate climate-related financial risks into their risk management frameworks[23] and has introduced initiatives such as the Sovereign Green Bonds framework[24] and 'Directions on Climate Finance and Management of Climate Change Risks', applicable to commercial banks[25] and Non-Banking Financial Companies[26], to mobilise savings/ investments toward environmentally sustainable activities. Consequently, 'Green deposits' have witnessed encouraging uptake across public and private sector banks. Notably, in FY 2024-25, Bank of Baroda mobilised over INR 1000 crore[27] and SBI mobilised over INR 120 crore[28] of green deposits, with other banks also reporting growing participation.

10. In the capital markets space, SEBI has developed and implemented frameworks for green, social, sustainability, and sustainability-linked debt instruments that are aligned with internationally recognised standards, with enhanced disclosure, reporting, and third-party review requirements to promote transparency, credibility and investor confidence.

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[20] Climate-Bonds_India_Sustainable_Debt_SotM_2024_Jun-2025.pdf
[21] ESG Investing in India: Navigating Key Factors | IBEF
[22] SEBI | BRSR Core - Framework for assurance and ESG disclosures for value chain
[23] How RBI is looking to tackle climate-related financial risks, ETBFSI
[24] https://rbidocs.rbi.org.in/rdocs/content/pdfs/FSGB06012023.pdf
[25] Reserve Bank of India (Commercial Banks - Climate Finance and Management of Climate Change Risks) Directions, 2025 (Master Directions - Reserve Bank of India)
[26] Master Directions - Reserve Bank of India
[27] BOB AR 2024-25.pdf
[28] https://sbi.bank.in/documents/17826/35696/Annual+Report+FY2025.pdf/1b6a1b79-a16d-b9d1-d28f-be8d7edf60d5?t=1745556744202

F. Regulatory ecosystem for Sustainable Finance in GIFT IFSC:

11. The International Financial Services Centres Authority (IFSCA) has transitioned to implementing structured frameworks that meet international standards. Some of the recent initiatives in this context are[29]:

- IFSCA became a member of Financial Centres of Sustainability (FC4S) Network in 2022[30].
- A dedicated committee was formed to recommend an approach towards development of GIFT IFSC as a Sustainable Finance Hub and provide a road map for the same. The committee report was published in October 2022.[31].
- IFSCA issued a '**Master Circular for ESG Ratings and Data Products Providers'** in the IFSC' under the IFSCA (Capital Market Intermediaries) Regulations, 2025[32].
- The fund management ecosystem of GIFT IFSC has expanded to include dedicated **ESG Schemes** as part of the IFSCA (Fund Management) Regulations, 2025[33].
- **Transition Finance:** Based on 'Report on Transition Finance' by the Expert Committee on Climate Finance, the '**Framework for Transition Bonds'[34]** was issued by IFSCA in July 2025, providing a pathway for high-carbon industries to access sustainable capital.
- **Alternate Risk Transfer (ART):** In July 2025, a dedicated Working Group released a report on the feasibility of issuing insurance-linked securities, such as catastrophe bonds, to manage growing climate change and urbanisation risks[35].

G. Sustainable Finance – Trends in GIFT IFSC:

12. GIFT IFSC has rapidly emerged as a key hub for green and sustainable capital. As of September 30, 2025, the ecosystem has achieved significant scale across debt and credit segments as below[36]:

- **ESG-Labelled Debt:** Cumulative ESG-labelled debt listings on IFSC exchanges reached USD 15.73 billion, as on September 2025[37].
- **Sustainable Lending:** IFSC Banking Units (IBUs) disbursed sustainable financing amounting to USD 3.38 billion in FY 2024–25. Further, as of September 2025, the

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[29] IFSCA Annual Reports and Bulletin (https://ifsca.gov.in/ReportPublication/index/zcGvy-Iqfcg=)
[30] The Financial Centres for Sustainability (FC4S) Network is a growing collective of the world's financial centres which is supported by UNDP Secretariat. It consists of 39 members and the entities representing financial centres include regulators, public-private agencies, and market associations. (IFSCA Annual Report 2022-23- https://ifsca.gov.in/ReportPublication/index/zcGvy-Iqfcg=)
[31] https://ifsca.gov.in/ReportPublication/index/aadg9ruDI%20M=
[32] International Financial Services Centres Authority
[33] https://www.ifsca.gov.in/CommonDirect/ViewFile?id=21626bde60601ef44a0ed022017f9e07&fileName=IFSCA__Fund_Management__Regulations__2025__Amended_up_to_July_30__2025__20250818_0105.pdf
[34] https://ifsca.gov.in/CommonDirect/GetFileView?id=21626bde60601ef44a0ed022015b43b6&fileName=Circular_on_Framework_for_Transition_Bonds_290725__1__20250729_0655.pdf&TitleName=Legal
[35] Report of the Expert Committee on Development of Pension Products at GIFT IFSC submitted to IFSCA
[36] IFSCA Annual Reports and Bulletin (https://ifsca.gov.in/ReportPublication/index/zcGvy-Iqfcg=)
[37] IFSCA Bulletin: Q2 -2025-26.

cumulative sustainable lending facilitated through IFSC stands at approximately USD 4 billion[38].

H. IFSCA 'Guidance Framework on sustainable deposits and sustainable lending and investments'

13. IFSCA had issued the "Guidance framework on Sustainable and Sustainability linked lending by financial institutions (Guidance framework)" on April 26, 2022, which provided guidance to entities (IBUs and FC/FUs) in IFSC for lending towards green/ social/ sustainable projects/purposes including short-term financing in such areas.

14. Taking into account the increasing momentum seen in the sustainable lending sector (refer above) stakeholder feedback and alignment with international best practices, it is proposed to revise and broaden the scope of the Framework. Accordingly, the modified Circular titled '*Framework for sustainable deposits and sustainable lending and investments'* is placed at **Annexure** to this consultation paper.

15. Key features of the modified circular are as below:

    (i) Enables IBUs to offer **'sustainable deposits'** as a distinct product offering. The funds raised from these deposits may be used by IBUs to invest in eligible sustainable products (such as ESG labelled debt securities among others) and to provide loans for such activities/projects classified under the green or social category under the framework.

    (ii) Provides guidelines to IBUs and FC/FUs for undertaking **sustainable investment activities** in addition to sustainable lending and sustainable trade finance.

    (iii) Provides guidelines for undertaking '**Sustainable Trade Finance**' in accordance with the 'Principles of Sustainable Trade Finance' issued by the International Chamber of Commerce (ICC) in October 2024.

    (iv) Provides **guidelines for investment in 'sustainable products'** such as ESG-labelled debt securities, Transition Bonds and ESG Schemes of Fund Management Entities (Funds').

    (v) Introduces a **revised target** under which IBUs are required to ensure that, in each financial year, an amount equivalent to at least 5 per cent of the aggregate loans disbursed and investments made (in debt securities and funds), in the immediately preceding financial year is deployed towards sustainable lending and/ or sustainable investments, in accordance with the directions of the circular.

I. Comments/ Feedback:

16. Comments/ suggestions are invited from the public and stakeholders on the proposed circular through email to Mr. Lobhas Khairnar, Manager, IFSCA at lobhas.khairnar@ifsca.gov.in and Mr. Nishil Patel, Consultant, IFSCA at nishil.patel@govcontractor.nic.in **on or before February 10, 2026**, in the format provided below. The comments may be provided in **MS Word and MS Excel only.**

[38] IFSCA Annual Reports and Bulletins.

J. Format for providing comments/ suggestions:

Name, Designation of the person				
Contact No.				
Name of Organisation				
Page no. of draft Circular	Paragraph/ Clause No.	Sub-Clause No.	Comments / Suggestions	Rationale

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Annexure

DRAFT CIRCULAR

File No. ____________ **Date: __________**

To,

All IFSC Banking Units (IBUs) and Finance Company/Finance Units (FC/FUs) in the International Financial Services Centre (IFSC)

Guidance Framework on sustainable deposits and sustainable lending and investments

1. The International Financial Services Centers Authority ("the Authority") had issued the 'Guidance Framework on Sustainable and Sustainability linked lending by financial institutions (Guidance Framework)' on April 26, 2022.

2. Based on input received from the stakeholders and keeping view of the evolving international best practices, the Authority in supersession of the Guidance Framework, hereby issues the "Framework for sustainable deposits and sustainable lending and investments"

3. **Applicability:** This Circular shall apply to

   i. all IBUs and

   ii. FC/FUs undertaking core activity as specified under regulation 5(1)(i)(a) of the 'Finance Company Regulations' are encouraged to voluntarily adopt sustainable lending and investment practices in-line with the directions of this circular.

   The directions under Part B shall not apply to the FC/FUs given that acceptance of deposits is not permitted for such entities under the IFSCA (Finance Company) Regulations, 2021.

4. Part **A: Guidelines on sustainable lending**

A.1 - Green/Social and Sustainability-linked lending

(i) *Green/Social lending* refers to any type of loan instrument and/or contingent facility where the proceeds are exclusively applied to finance, refinance, or guarantee, in whole or in part, new and/or existing eligible green or social projects/activities[39], which are aligned with the

[39] An indicative list of eligible green/ social projects/ activities has been provided in **Appendix I** for reference.

principles and directions outlined in these guidelines.

(ii) *Sustainability-linked lending* refers to any loan facility or contingent facility which incentivize borrower's achievement of predetermined sustainability performance targets (SPTs), measured using credible key performance indicators (KPIs). As an example - the margin under the relevant loan agreement may be reduced where the borrower satisfies a pre-determined SPT threshold, or increased if the target is not met, thereby incentivizing material improvements in the borrower's sustainability profile.

(iii) For the purpose of this framework, the term "sustainable lending" shall include both Green/Social lending and Sustainability-linked lending including Sustainable Trade Finance.

(iv) The loans offered by IBUs and specified FC/ FUs shall be labelled as 'green loans', 'social loans', 'sustainability-linked loans' (as applicable) only if such loans are aligned with the following principles (as applicable):

a) 'Green Loans Principles' jointly developed by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndication and Trading Association (LSTA);

b) 'Social Loan Principles' jointly developed by LMA, APLMA and LSTA;

c) 'Sustainability Linked Loan Principles' jointly developed by LMA, APLMA and LSTA;

d) Any other globally recognized standards or any framework or methodology specified by a Competent Authority in India or financial sector regulator in India;

e) Other international standards, as may be specified by the Authority from time to time.

(v) The IBU/ FC/ FU (as the case may be) shall put in place a policy approved by its Board / Governing body (as applicable) and such policy shall incorporate the principles laid down in at least one of the aforementioned international standards / principles.

(vi) The core components of such policy shall cover, inter-alia, the following aspects:

Core components for policy on Green/ Social lending:	**Core components for policy on Sustainability- linked lending:**

a) Borrower assessment process; b) The eligible green / social projects that may be financed (refer Annex I for illustrative list of such projects) and appropriate description of the same in the legal documentation of the loan facility; c) Process to be adopted for project evaluation and selection; d) Process for monitoring and validating the performance of the borrower; e) Process of review to ensure alignment of the loan facility with the internationally acceptable principles (to be negotiated and agreed between the lender and the borrower); f) Reporting.	a) Borrower assessment process; b) Manner of selection of Key Performance Indicators (KPI); c) Setting the Sustainability Performance Targets (SPT) (to be set in mutual agreement between borrower and lender) and examining appropriateness of the SPT; d) Financial and/or structural characteristics to incentivise the achievement of the SPT; e) Process for monitoring and validating the performance of the borrower; f) Process of review to ensure the alignment of the lending facility with internationally acceptable principles (to be negotiated and agreed between the lender and borrower on a transaction-by-transaction basis); g) Reporting.

(vii) The IBU/ FC / FU may choose to adopt the relevant policy of its parent for the purpose of compliance with the requirements at (iv) above, provided such policy is consistent with the aforementioned principles and encompasses the key components outlined above.

A.2 - Guidelines on sustainable trade finance

(i) The International Chamber of Commerce (ICC) has issued the 'Principles for Sustainable Trade Finance'[40] in October 2024 which provides, inter-alia, detailed 'Principles for Green Trade Finance'. The IBU/ FC/ FU may provide 'green trade finance' as a product aligned with the aforementioned principles.

(ii) Entities to have policy on Sustainable Trade Finance: For the purpose of such financing, the IBU/ FC/ FU (as the case may be) shall put in place a policy approved by its Board/ Governing body (as applicable) and such policy shall duly factor in the principles laid down

[40] https://iccwbo.org/publication/icc-standards-for-sustainable-trade-and-sustainable-trade-finance/

in aforementioned principles of ICC.

(iii) The IBU/ FU may choose to adopt the relevant policy of its parent for the purpose of such lending, as long as the adopted policy is consistent with the principles mentioned above.

5. Part **B: Guidelines on Sustainable Deposits :**

(i) For purpose of undertaking sustainable lending/ financing/ investments, as outlined in this circular, IBUs may offer 'sustainable deposits' as a distinct product offering to its customers.

(ii) IBUs may accept **Sustainable Deposits** (by whatever name called) as a 'term deposit'. The IBU shall adhere to the applicable provisions of the module on 'Accepting Deposits (ACDE)' as specified in the IFSCA Banking Handbook on Conduct of Business with respect to such deposits.

(iii) **Policy:** IBUs shall put in place policy for 'acceptance and allocation of sustainable deposits' approved by its Governing Body, laying down therein, all aspects for the issuance and allocation of sustainable deposits. The allocation of proceeds raised from such deposits shall be aligned to guidelines provided this circular. Deposits raised under the policy may be temporarily invested for upto one (1) year from the date of raising the deposit in liquid instruments\, as specified in the IBU's policy, pending their deployment or allocation for the purposes of sustainable lending and sustainable investment as outlined in this circular.

6. **Part C: Guidelines on sustainable investments.**

(i) IBUs/FC/FU shall put in place a policy, approved by its Board/ Governing Body, to invest in sustainable financial products, both inside and outside IFSC which may include, inter alia:

a. Debt Securities: Such investment may include -

(i) 'ESG labelled debt securities': such as those meeting the standards and requirements outlined in the IFSCA (Listing) Regulations, 2024;

(ii) 'Transition Bonds': such as those which meet the requirements outlined under the 'IFSCA Framework for Transition Bonds'

b. ESG Funds/ ESG scheme: such as ESG fund/ scheme in IFSC as outlined in IFSCA (Fund Management) Regulations, 2025;

c. Any other forms of investment as may be specified by the Authority.

7. Part D: Target for IBUs:

(i) Each IBU shall ensure that, in each financial year, an amount equivalent to at least five (5) per cent of the aggregate loans disbursed and investments made (in debt securities and funds) in the immediately preceding financial year is deployed towards sustainable lending and/ or sustainable investments, in accordance with the directions of this circular.

(ii) The target at 7(i) above shall apply as follows:

a. *IBUs licensed and commenced business prior to issuance of circular* shall ensure compliance with the framework effective from the subsequent quarter on a pro-rata basis of the annual target, as applicable.

b. *IBUs commencing business post issuance of this circular* shall be required to comply with the framework from the financial year subsequent to commencement of its operations.

8. The Authority may, as suitable, review and amend this target, from time to time. In case, the IBU is unable to meet the above targets it shall report the same to the Authority explaining the reasons for such non-compliance along with an action plan towards ensuring compliance with this framework.

9. External review:

The IBU/ FC/FU (as applicable) shall arrange to carry out an external review of its policy on sustainable lending and / or investment ensuring, inter-alia, that such policy meets the requirements prescribed under the applicable international standards.

Provided that such external review shall not be required where the IBU/FU has adopted the policy of its parent entity and the said policy has already been subjected to an external review.

10. Third party verification / Assurance

(i) The allocation of funds raised through 'sustainable deposits' or otherwise towards sustainable lending/ investments by the IBU or FC/FU (as applicable) during a financial year shall be subject to an annual independent third-party verification / assurance. The third-party verification / assurance shall not absolve the IBU/ FC/ FU of its responsibility regarding the end-use of funds, for which it shall follow the laid down procedures of internal checks and balances.

(ii) The IBU/ FC/ FU may engage any appropriate and reputed domestic / international agency for undertaking third-party verification / assurance of the allocation of funds.

(iii) The third-party verification / assurance report shall, at minimum, cover the following aspects:

a. Use of proceeds of sustainable deposits by the IBU in accordance with the requirements of this circular.

b. It shall monitor the end-use of funds allocated towards sustainable lending/ investment.

c. Policies and internal controls of the IBU/ FC/FU (as applicable) towards raising of funds via 'sustainable deposits' and allocation of funds for purposes mentioned in this circular.

11. Impact assessment

(i) An IBU/ FC/ FU, as applicable, shall, with the assistance of external firms, assess annually the impact associated of the funds lent or invested towards sustainable lending/ investment during a financial year through an Impact Assessment report.

(ii) In case an IBU/ FC/FU is unable to quantify the impact of their lending / investment, it shall disclose, at the minimum, the reasons, the difficulties encountered, and the time-bound plans to address the same.

12. Part E: Reporting and Disclosures:

(i) The IBUs/ FU/ FUs shall report to such information on its sustainable deposits, green trade finance and sustainable investments as per the format prescribed by the Authority.

(ii) The IBUs/ FC/FUs shall also disclose information on its website pertaining to its sustainable lending and investment which shall include the below, as applicable:

a) Policy on sustainable deposits and its allocation;

b) Policy on green/ social / sustainability-linked lending;

c) Policy on green trade finance.

d) the Third-Party Verification / Assurance Report and Impact Assessment Report.

13. This circular is issued in exercise of powers conferred by Section 12 and 13 of the International Financial Services Centres Authority Act, 2019, and shall come into force from April 01, 2026.

14. Repeal and Saving:

(i) With the issuance of this circular, the circular titled 'Guidance framework on Sustainable and Sustainability linked lending by financial institutions' dated April 26, 2022, issued by the Authority shall stand repealed.

(ii) Any reference in other Circulars/ Guidelines/Notifications containing reference to the said repealed Circular, shall mean the reference to this Circular.

15. A copy of this circular is available on the website of the International Financial Services Centres Authority at www.ifsca.gov.in

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Appendix I

Indicative List (examples only) of Eligible Green and Social categories

(I) Examples of eligible green categories:

No.	Eligible Green Categories	Illustrative Eligible Green Projects
1.	**Renewable Energy**	• Generation of electricity from Renewable Energy (RE) sources such as wind (onshore & offshore), solar, hydropower <25 MW or >25MW which have either a lifecycle carbon intensity of ≤100gCO2/kWh or power density ≥5W/m^2 (4), waste to energy, geothermal energy or production of biofuels from waste sources. • Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage. • Construction/ maintenance/ expansion of RE-associated distribution networks. (4) – Climate Bonds Initiative - Hydropower sector guide (https://www.climatebonds.net)
2.	**Energy Efficiency**	• Promotion of energy efficiency in industrial and commercial sectors through development, manufacture and/or installation of technologies for increasing operational energy efficiency of utilities and reducing GHG emissions. • Retrofit of renewable energy power plants. • Energy efficiency in municipal projects – Street Lighting projects. • Energy efficiency in residential building, agricultural equipment and transportation.
3.	**Pollution Prevention and Control**	• Projects addressing reduction of pollution and waste (e.g. air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/ emission-efficient, waste to energy etc.)
4.	**Sustainable Water and Wastewater Management**	• Activities that provide access to adequate sanitation facilities. • Activities that improve water quality (e.g. water treatment facilities and upgrades to waste water treatment plants to remove excess nutrients). • Activities that increase water-use efficiency (e.g. water recycling and reuse, water saving systems, technologies and water metering). • Water management/ treatment projects, distribution, desalination and other projects that ensure accessibility, drinkability and security of water • Sanitation infrastructure projects • Projects, products and services to provide basic sanitation and safe drinking water to society.

5.	**Environmentally Sustainable Management of Living Natural Resources and Land Use**	• Programs encouraging sustainable land use and sustainable agriculture, including climate-smart agriculture which take into account climate mitigation and adaptation measures. • Projects that promote a low carbon economy around sustainable agriculture and food security; • Rehabilitation of sensitive and degraded ecosystems through sound management practices and land use planning. • Projects that promote climate smart animal husbandry, sustainable aquaculture and fisheries, sustainable management of natural resources and land use – products, services and technologies.
6.	**Terrestrial and Aquatic Biodiversity Conservation**	• Conservation and enrichment of carbon pools in natural ecosystems. • Programs that encourage environmental conservation and sustainable use of natural resources.
7.	**Clean Transportation**	• Technology to replace or reduce the direct use offossil fuels, which generate GHG. • Development of an effective, efficient, integrated affordable and eco-friendly public transportation system. • Programs encouraging land use planning which allows movement by cycling, walking and public transport. • R&D programs focusing on higher fuel efficiency and alternative fuel. • Incorporating green technology in transportation infrastructure.
8.	**Climate Change Adaptation**	• Activities that increase resilience of ecosystems such as integrated watershed management. • Climate change adaptation infrastructure such as flood defense systems.
9.	**Eco-efficient and/or circular economy adapted products, production technologies and processes**	• Projects which focus on development of environmentally sustainable products, with an eco-label or environmental certification and/or resource-efficient packaging and distribution. • Production technologies and processes may relate to design and introduction of reusable, recyclable and refurbished materials, components, circular tools and • services.
10.	**Green Buildings**	• Construction of green buildings or retrofit of existing buildings which meet regional, national or internationally recognized standards or certifications • (e.g. EDGE, BREEAM, LEED, Green Mark, GRIHA).

Exclusions:

(i) Projects involving new or existing extraction, production, and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based.

(ii) Nuclear energy generation.

(iii) Direct waste incineration

(iv) Alcohol, weapons, tobacco, gaming, or palm oil industries.

(v) Renewable energy projects generating energy from biomass using feedstock originating from protected areas. For the purpose of these Directions, feedstock primarily includes sewage, manure, wastewater, bagasse, biomass, wood pellets, etc.

(vi) Landfill projects.

(II) Examples of eligible social categories:

No.	Eligible Social Categories	Illustrative Eligible Social Projects

1.	**Employment generation, and programs designed to prevent and/or alleviate Unemployment stemming from socio- economic crises, including through the potential effect of SME financing and Microfinance**	• Financing microfinance institutions and financing of SMEs that are often unable to gain access to financial products and services, e.g.:
		    • Rural populations focusing on agricultural production and agricultural value chains.
		    • Small businesses that demonstrate gender equality at the board and/or ownership level.
		    • Provision of financing to businesses run by economically excluded individuals.
		• Financial inclusion through ease of access to financial services and promoting financial literacy
		• Commercial Vehicle Lending (for livelihood purpose only)

2.	**Affordable Basic Infrastructure**	• Clean drinking water, sanitation, transport and energy (e.g. projects under the National Energy Policy addressing access to electricity for all households, including in rural areas).
		    • Construction, maintenance and equipment for water supply infrastructure.
		    • Development of roads (including road infrastructure with a goal to improve rural/ remote connectivity.

3.	**Access to Essential Services**	• Access to health, education, vocational training, healthcare, financing and financial services (e.g. ramping up of health and wellness centers in rural and urban areas) • Infrastructure for the provision of emergency medical response and disease control services. • Supporting health-care related products and services such as provision/ distribution of healthcare equipment and R&D and manufacturing for equipment for the provision of emergency medical response and disease control services. • Construction of public schools • Training for educational professionals that is accessible to the public/ low-income individuals.
4.	**Affordable Housing**	• Access to adequate, safe and affordable housing for excluded and/or marginalized populations.

5.	**Food Security and Sustainable Food Systems**	• Physical social and economic access to safe, nutritious and sufficient food, that meets the dietary needs and requirements; • Resilient agricultural practices • Reduction of food loss and waste • Improved productivity of small scale producers

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