

CIRCULAR

SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/020

February 03, 2023

To,

All Issuers who have listed/ propose to list green debt securities

Madam/ Sir,

Sub: Dos and don'ts relating to green debt securities to avoid occurrences of greenwashing

1. Regulation 2(1)(q) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations'), defines "green debt security" and Chapter IX of the Operational Circular for issue and listing of Non-Convertible Securities (NCS), Securitised Debt Instruments (SDI), Security Receipts (SR), Municipal Debt Securities and Commercial Paper (CP) dated August 10, 2021 as amended from time to time ('Operational Circular'), *inter-alia* provides the initial and continuous disclosure requirements for entities issuing/ proposing to issue green debt securities.
2. The extant framework of '*green debt security*' was reviewed recently and consequential changes were brought in the NCS Regulations vide Gazette notification dated February 02, 2023. In the process of consulting the stakeholders, comments/ representations from the market participants, particularly investors, were also received to address the concerns of '*greenwashing*'.
3. While there are no universally accepted taxonomies on greenwashing, the generally accepted definition of '*Greenwashing*' is, '*making false, misleading, unsubstantiated, or otherwise incomplete claims about the sustainability of a product, service, or business operation*'.
4. To address the concerns of market participants, regarding greenwashing, an issuer of green debt securities shall ensure the following to avoid its occurrence:
 - (i) While raising funds for transition towards a greener pathway, it shall continuously monitor to check whether the path undertaken towards more sustainable form of operations is resulting in reduction of the adverse environmental impact and contributing towards sustainable economy, as envisaged in the offer document.
 - (ii) It shall not utilize funds raised through green bonds for purposes that would not fall under the definition of '*green debt security*' under the NCS Regulations.
 - (iii) In case any such instances mentioned in (ii) above come to light regarding the green debt securities 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.

- (iv) It shall not use misleading labels, hide trade-offs or cherry pick data from research to highlight green practices while obscuring others that are unfavourable in this behalf.
 - (v) It shall maintain highest standards associated with issue of green debt security while adhering to the rating assigned to it.
 - (vi) It shall quantify the negative externalities associated with utilization of the funds raised through green debt security.
 - (vii) It shall not make untrue claims giving false impression of certification by a third-party entity.
5. The provisions of this circular shall come into force with immediate effect. The provisions of this circular shall be appended as new Chapter IX-A of the Operational Circular.
 6. 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 the interest of investors in securities and to promote the development of, and to regulate the securities market.
 7. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars".

Yours faithfully,

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