



CIRCULAR

F. No. IFSCA-DSF0SFHB/2/2025-Capital Markets

July 29, 2025

To,

**Recognised stock exchanges in the International Financial Services Centres (IFSCs)
Issuers intending to list Transition Bonds in the IFSCs**

Madam / Sir,

Subject: Framework for Transition Bonds

- A.** International Financial Services Centres Authority (IFSCA) recognises the pivotal role of ESG-labelled debt securities (Green Bonds, Social Bonds, Sustainability Bonds, Sustainability-linked Bonds) in financing sustainable development and transition to a low-carbon economy. To operationalise the same, IFSCA has enabled a regulatory framework for Green, Social, Sustainability and Sustainability-linked Bonds under the extant IFSCA (Issuance and Listing of Securities) Regulations, 2021 and subsequently subsumed in the IFSCA (Listing) Regulations, 2024 ('Listing Regulations'). Pursuant thereto, as on June 30, 2025 around USD 15.43 Bn of ESG-labelled debt securities, accounting for approximately 25% of the total USD 65.1 Bn debt securities, have been listed on the IFSC exchanges.
- B.** Globally, the sustainable debt market has grown to USD 5.4 Tn, as of September 2024¹. However, capital mobilisation for climate action remains concentrated in limited sectors. Notably, 75% of green debt issuance is directed towards energy, buildings, and transport², while hard-to-abate sectors responsible for 40% of global greenhouse gas (GHG) emissions struggle to access financing. These sectors inter-alia cover steel, cement, heavy duty transport, aviation, and shipping, whose decarbonisation is essential for achieving the net zero target. While green finance has been instrumental in supporting sectors such as renewable energy, energy-efficient buildings, and clean transport, its scope is often limited to projects that generate immediate or near-term carbon reductions. Thus, hard-to-abate sectors that require a phased transition face challenges in securing finance, despite their commitment to long-term decarbonisation.

¹ https://www.climatebonds.net/files/reports/cbi_mr_q3_2024_01c.pdf

² <https://www.climatebonds.net/market/data/#use-of-proceeds-charts>

- C. Transition Finance is emerging as a critical enabler to bridge this gap, providing an attractive mechanism for hard-to-abate sectors to raise funds for their brown-to-green transformation.
- D. An Expert Committee on Climate Finance was set up by the IFSCA, *inter alia*, to make policy recommendations on Transition Finance. Upon review of the recommendations of the Committee, a Consultation Paper on the proposed “Framework for Transition Bonds” was issued to solicit public comments.
- E. Based on the analysis of the global development on the subject, public comments received in response to the Consultation Paper and keeping in mind the needs of developing countries such as India, the Authority hereby labels the “Transition Bonds” as ESG-labelled debt securities and issues the Framework for Transition Bonds (‘Framework’) as under.

CHAPTER I

TRANSITION BONDS - ELIGIBLE ACTIVITIES AND TRANSITION PLAN

1. Eligible Activities

The debt securities shall be labelled as “transition bond” and be eligible to be issued and listed on a recognised stock exchange in the IFSC, only if the funds raised thereunder are proposed to be utilised for financing or refinancing projects and/or assets and/or activities classified as “transition” under any of the following taxonomies/technology roadmaps:

- (a) ASEAN Taxonomy for Sustainable Finance;
- (b) Australian Sustainable Finance taxonomy;
- (c) Climate Bonds Taxonomy;
- (d) EU taxonomy for Sustainable Activities;
- (e) Singapore-Asia Taxonomy for Sustainable Finance;
- (f) IEA Technology roadmap(s);
- (g) Technology Roadmap developed by Japan’s Ministry of Economy, Trade and Industry (‘METI’);
- (h) Taxonomy(ies)/ technology roadmap(s) as may be specified by the Government of India; or
- (i) Any other taxonomy as may be permitted by the IFSCA.

2. Transition Plan

An issuer shall have a credible transition plan at the entity level. The transition plan should, *inter alia*, include the following elements:

(a) Paris Agreement-aligned decarbonisation goals and pathways:

The transition plan shall outline clear emission reduction milestones within specified timeframes and the said transition plan shall be aligned with the Paris Agreement's goal to limit global temperature rise to well below 2°C above pre-industrial levels, with efforts to keep it within 1.5°C.

(b) Robust decarbonisation strategy and action plan:

Transition plan shall detail a comprehensive decarbonisation strategy, supported by concrete and sector-specific actions to achieve emissions reduction. This shall include a clear articulation of technology deployment, operational changes, investment plans, and indicative timeline(s) for phasing out high-emission assets, if possible.

(c) Quantified, time-bound greenhouse gas (GHG) reduction targets:

The transition plan shall have science-based, quantified and timebound targets for reduction of GHG emissions, specifically covering Scope 1 and Scope 2 emissions. These targets must be aligned with the net-zero ambitions and should include interim milestones to enable progress tracking. The issuer may also address Scope 3 emissions in a comprehensive and transparent manner, whenever possible.

(d) Strong governance:

Transition plan shall have board-level oversight of the transition strategy, clear assignment of responsibilities for climate-related decision making. It shall also reflect the integration of climate risk into the entity's enterprise risk management framework.

(e) Stakeholder and value chain engagement:

The transition plan shall demonstrate active engagement with key stakeholders, including suppliers, customers, employees and other actors across the value chain. It shall outline how the issuer collaborates with partners to reduce emissions and support shared climate goals. The issuer may consider incorporating capacity building measures for relevant stakeholders to support effective implementation of its transition plan.

(f) Transparency:

The issuer shall commit to public disclosure of its transition strategy, targets, progress, the methodologies used for measuring GHG emissions and assessing climate risks. The transition plan shall also include a clear framework for transparent reporting outlining key assumptions, monitoring mechanisms, progress tracking and accountability structures.

CHAPTER II

APPOINTMENT OF INDEPENDENT EXTERNAL REVIEWER(S)

3. Appointment of Independent external reviewer(s)

- (1) The issuer shall appoint independent external reviewer(s) to confirm that the proposed issuance of transition bond is in alignment with the Framework.
- (2) The appointment of independent external reviewer(s) shall be in accordance with the conditions mentioned in regulation 76(3) of the Listing Regulations.
- (3) The independent external review in terms of sub-clause (1) above shall be conducted in one or more of the following manner:
 - a) Second Party Opinion;
 - b) Verification;
 - c) Certification.

Explanation. - A credit rating agency or an ESG rating provider registered with the Authority or with a regulator in India or a Foreign Jurisdiction shall also be eligible to act as an independent external reviewer for the purpose of this Framework.

- (4) The issuer shall ensure that the details regarding the independent external review are adequately disclosed and easily accessible to the investors.

CHAPTER III

DISCLOSURES

4. Initial and Additional Disclosures

- (1) The issuer shall make initial and additional disclosures in the offer document or information memorandum, as the case may be, in accordance with regulations 70 and 77 (1) of the Listing Regulations.

- (2) Notwithstanding the disclosures required under sub-clause (1) above, the issuer shall also make the following disclosures in the offer document or information memorandum, as the case may be, in respect of Transition Bond:

(a) Transition Plan & Governance Disclosures:

- (i) Disclosures on the issuer's transition plan or climate transition strategy. The strategy should address all the relevant and material aspects of issuer's business.
- (ii) Disclosures on short, medium, and long-term GHG emissions reduction targets, which are quantitatively measurable, aligned with the latest available methodologies and consistent with the goals of the Paris Agreement, along with the specified baseline year.
- (iii) Disclosures on governance mechanisms that provide clear oversight of issuer's climate transition strategy, including management/board level accountability.
- (iv) Disclosures on broader sustainability strategy to mitigate relevant environmental and social externalities. Additionally, the issuers are also encouraged to align their sustainability strategy with United Nations Sustainable Development Goals (UN SDGs).

(b) Business model environmental materiality:

Disclosures on the materiality of climate-related eligible projects and the overall emissions profile of the issuer.

(c) Climate Transition Strategy to be 'science-based':

Disclosures on the scenario(s) used and methodology applied (e.g., ACT, SBTi, IEA, etc). Issuers are encouraged to validate their transition targets / pathways through organisations such as the Science Based Targets initiative (SBTi), or by aligning with recognised scientific methodologies (e.g., IEA Net Zero Emissions Scenario, ACT Pathways). If third-party trajectories are not available, issuers shall make disclosure on the industry peer comparison and/or internal methodologies/historical performance.

(d) Implementation Transparency:

- (i) Disclosures on Capital Expenditure (CapEx) roll-out plan consistent with the overall transition strategy and also as to how it informs CapEx decision-making within the organisation.
- (ii) Disclosures on phase-out plan regarding activities or products that are incompatible with the climate transition strategy.
- (iii) Disclosures on a qualitative or quantitative assessment, or both, of the potential locked-in GHG emissions from issuer's key assets and products.

5. Continuous Disclosures and Reporting Requirements

- (1) The issuer shall make continuous disclosures in accordance with the regulation 78 (1) of the Listing Regulations.
- (2) Notwithstanding the disclosures required under sub-clause (1) above, the issuer shall also make the following reporting and disclosures to the recognised stock exchange(s), at least on an annual basis, until the redemption proceeds of the Transition Bond are paid to the investors.

(a) Transition Plan & Governance Disclosures:

- (i) Report progress against climate transition strategy, which *inter-alia* covers:
 - (a) Annual GHG emissions reduction;
 - (b) Progress on committed GHG emission reduction targets; and
 - (c) Percentage of CapEx allocated to GHG emission reduction projects out of total CapEx made.
- (ii) For reporting purpose under sub-clause (i) above, issuer may take guidance from global standards such as the International Sustainability Standards Board (ISSB) for reporting on key metrics/indicators.

(b) Business model environmental materiality:

Disclosure of an indicative timeline for reporting Scope 3 emissions and shall endeavour to report such emissions in accordance with the disclosed timelines.

(c) Climate transition strategy to be ‘science-based’:

- (i) Report progress focused on any emissions reduction benchmarking or validation.
- (ii) Disclosures on the use of carbon capture technology; nature, volume and role of carbon offsets in achieving stated targets, if applicable. Carbon offsets shall be aligned with Voluntary Carbon Markets Integrity Initiative (VCMI)/Integrity Council for the Voluntary Carbon Market (ICVCM) standards and used solely for residual emissions. For this purpose, the issuer may buy carbon credits from the voluntary markets either from India or foreign jurisdictions for the purpose of emissions which are “unavoidable” under the current technological and economic constraints.

(d) Implementation transparency:

- (i) Any change from the initial disclosures made in terms of clause 4(2)(d) above may be suitably reported, along with details of the deviation and the plan to take corrective action.
- (ii) Issuers may consider adopting digital Measurement, Reporting, and Verification (MRV) platforms, or similar technologies to enhance real-time transparency and comparability.

6. Guidance on the disclosure requirements

In reference to the disclosure requirements, issuers may refer to International Capital Market Association’s (‘ICMA’) *‘Climate Transition Finance Handbook’*, as updated from time to time, for further guidance. Issuers are further encouraged to undertake verification of annual disclosures to enhance credibility and transparency.

CHAPTER IV

POWER TO ISSUE CIRCULAR

- 7. This Circular is issued in exercise of the powers conferred by Section 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with regulations 75(1) and 130(1) of the Listing Regulations.

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

Yours faithfully

Sd/-

Pavan Shah
General Manager
Division of Investment Funds – I and New Products & Services
Capital Markets Department
Email: pavan.shah@ifsc.gov.in