G20 and Sustainable Finance: A Case for GSS+ Bonds

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Abstract. *Sustainable Finance* aims at the concept of incorporating various ESG factors into the process of investment decision-making in the financial domain. The concept of sustainable financing aims at increasing long-term investments in sustainable economic activities & projects. India's G-20 presidency brought about a paradigm shift in the mindset of the Indian regulators to make a push towards sustainable finance & responsible investments. In the opening statement of G20, India promised heavy investment into sustainable development as well as reduction of carbon emission to combat climate change, in addition to India's announcement of a "Net – Zero carbon by 2070 in the 26th session of United Nations Framework Convention on Climate Change (COP 26)". The regulators responded to the G20 declaration by introducing a proper framework to promote the financing of projects that are sustainable in nature as well as promoting cherished ideals to everyone. The regulators in the process of introducing the G20 statement amended its 2019 regulations to incorporate changes in light of the statement. Subsequently, the Government of India introduced GSS+ bonds along with its purpose, the disbursement method to be adopted & the benefits that it carries along with the compliance required for issuing the same. The government also demarcated these bonds into four categories, namely – "Green Bonds, Social Bonds & Sustainability Bonds & other labeled bonds which included Blue, Yellow & Transition Bonds".

This paper is divided into three parts – Firstly, the existing legal framework before the G20 statement; Secondly, the G20 statement leading to the amendment brought about by the regulator, and lastly, the scope & future of these regulations concerning sustainable finance. The paper will employ descriptive and exploratory tools for this research as the paper aims to explore the impact of recent amendments.

Keywords: G20, Sustainable Finance, Bonds, Framework, GSS+.

T. Pradhan et al. (eds.), *Proceedings of the NDIEAS-2024 International Symposium on New Dimensions and Ideas in Environmental Anthropology-2024 (NDIEAS 2024)*, Advances in Social Science, Education and Humanities Research 848,
https://doi.org/10.2991/978-2-38476-255-2_16

1 Introduction

G20 refers to the primary platform for the world's major economies to develop global policies addressing the most pressing challenges of the present times. The G20 or Group of Twenty refers to a worldwide conference with 19 member countries and the EU, depicting 90% of the world economy, 75% of world trade, and 2/3rd of the global populace. [1] The size & the key relevance of the G20 group play a noteworthy role in establishing the trajectory for the prospective development of the landscape of the world economy. Initially, in the year 1999, the group began as a meeting for the financial ministers and governors of the central bank. However, the 2008 international economic downturn created an urgent need for the meeting of the G 20 leaders. Consequently, in November 2008 the required meeting was convened with the G 20 Leaders in Washington D.C. where it coordinated governmental financial, monetary, and economic strategies aiming at setting the world economy on a restorative path. [2] Thereafter the G 20 has developed naturally, transitioning from an international crisis managing group to a significant & distinctive international group focused on addressing long-term structural changes globally. [3]

India's presidency of the 18th session of the G20 summit for the year 2023, with the slogan of 'One Earth, One Family, One Future' was hosted from 9th – 10th September 2023. [4] The Summit being led by India sought to offer the world a much-needed shift from a GDP-centric progress to a more human-centric one. The focus was on reminding the world of what unites us, rather than what divides us.[1] Further, as the G-20 president, India's approach focused on the four key words – "Inclusive, Ambitious, Action-Oriented & Decisive".

Keeping in view the above keywords as the goal and under the leadership of India, the 4th meeting of the G20 SFWG[2] was also concluded on the 14th of September 2023 at Varanasi. The main goal of the "G20 SFWG is to promote sustainable finance to enhance global growth and stability, facilitating the transition towards environmentally sustainable, resilient, and inclusive societies and economies. The Group is dedicated to advancing global initiatives aimed at reinforcing both private and public sustainable finance, thereby expediting the attainment of goals delineated in the Paris Agreement and the 2030 Agenda for Sustainable Development. In 2021, the G20 Sustainable Finance Roadmap was finalized which served as the fundamental framework guiding the current and future endeavors of the SFWG".

Aligned with the principles of "One Earth, One Family, One Future" and in consonance with the spirit of "*Vasudhaiva Kutumbakam*", the SFWG, under the leadership of India in G20, has played a significant role in promoting global welfare and nurturing a more sustainable planet. The Hon'ble PM of India further emphasized that it is a shared duty amongst us to prevent any setbacks in achieving the

[1] India's G 20 priorities were aimed at Green Development, Climate Finance & LiFE; Accelerated, Inclusive & Resilient Growth; Accelerating Progress on SDGs; Technological Transformation & Digital Public Infrastructure; Multilateral Institutions for the 21st Century; and Women-led Development.

[2] Sustainable Finance Working Group.

Sustainable Development Goals (SDGs) while confirming the inclusivity of all. The SFWG, in the year 2023, undertook efforts to facilitate financial support for SDGs and the timely allocation of sufficient funds aimed at addressing climate-related challenges as its principal goals. [5]

2 Sustainable Finance – An Overview:

The financial market serves as a platform wherein the people with surplus cash (i.e., the investors) provide funds to the entities/persons in need of the same (i.e., the companies) to carry out their business. The vital factor on which the success of such a market depends on the return assured to the investors but at the same time it is a well-known fact that every investment comes along with certain risks. However, when we talk about the idea of finance sustainability, it refers to a notion that goes further from risks & returns. [6] The trajectory of finance is towards stakeholder capitalism. It has been proved that it is no longer sustainable for companies to only prioritize shareholders. This necessitates decision-making that seamlessly integrates various factors, including environmental, social and governance (ESG) considerations into capital allocation choices. Thus, it becomes inevitable and quite necessary for the companies to secure funding via green bonds, Sustainability-linked Bonds (SLBs) and similar financial instruments to fight the climate impact.

'Sustainable Finance' is also referred to as Socially Responsible Investment (SRI), Green Finance, and Ethical Investing. The concept of sustainable finance encompasses any financial service that incorporates ESG criteria into business or investment activities to achieve sustainable benefits for both clients and society. [7] Environmental factors may include "initiatives for climate change mitigation and adaptation, as well as broader environmental concerns such as biodiversity conservation, pollution control & the promotion of practices about the circular economy". Social considerations encompass equity-related concerns, inclusivity, labor practices, investments aiming at human resources and communities as well as the protection of human rights. Governance aspects, "both in public and private sectors, include management structures, relationship with employee and executive compensation are crucial in determining the culmination of social and environmental considerations into the decision-making processes". When we consider the notion of 'sustainable finance' its interpretation is quite wide as it includes the utilization of ESG factors in financial decision-making. [8]

2.1 G20's Commitment to Sustainable Finance:

The year 2016 marked the commitment of the G20 member countries towards sustainable finance, during the leadership of China in G20. Herein, the GFSG[3] was tasked with "pinpointing institutional and market obstacles to green finance and

[3] Green Finance Study Group

devising strategies to encourage the utilization of private capital for environmentally sustainable investments". Further, in the year 2018, the group expanded its focus to include broader aspects of sustainable development, leading to its renaming as the Sustainable Finance Study Group (SFSG). Subsequently on April 7, 2021, "the G20 Finance Ministers and Central Bank Governors endorsed for the re-establishment of the SFSG and elevated its status to that of a working group", now known as "G20 Sustainable Finance Working Group" (G20SFWG). [9] The SFWG was additionally charged with the "collaborative development of an initial evidence-based, climate-centric G20 Sustainable Finance Roadmap". Its main objective was to concentrate on "enhancing sustainability reporting, pinpointing sustainable investments and aligning the efforts of International Financial Institutions with the Paris Agreement". The objective of the SFWG was to "harness sustainable finance in a way to promote international development and steadiness, thereby facilitating the transition towards a greener, more resilient, and inclusive economy as well as societies". The G20 SFWG Roadmap primarily identified five[4] primary focus areas to work on. [10]

In 2023, the Finance Ministers & Central Governors of G20 members directed the SFWG to persist in overseeing the progress of the G20 Sustainable Roadmap (referred to as the 'Roadmap'). During this period, the SFWG focused on "facilitating finance for the SDGs and ensuring the utilization of timely and sufficient resources for climate finance as key priorities". Under the leadership of India in the G20, the SFWG has provided guidelines for six[5] significant domains. [11]

The 2023 G20 Sustainable Finance Report has been divided into two volumes. Volume I consolidates the 2023 G20 SFWG deliverables and the 2023 G20 Sustainable Finance Roadmap Progress Report. Volume II includes the two compendia of case studies on Financing for Sustainable Development Goals and NPPL[6] to support sustainable investment. The report compiles suggestions intended for voluntary consideration by jurisdictions, international organizations, and other stakeholders. It's important to consider the pertinent policy and regulatory frameworks, as well as country-specific contexts when evaluating these recommendations.[7]

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[4] (1) Advancement of markets and strategies for aligning investments with sustainability goals; (2) Making provisions for uniform, comparable and practical data concerning sustainability risks, opportunities and impacts; (3) Evaluation and mitigation of climate & sustainability risks; (4) Examination of the role of International Financial Institutions(IFIs), public finance and incentives; and (5) Exploration of intersecting concerns.

[5] (1) Creating systems to ensure timely and adequate funding for climate finance; (2) Enacting policy measures and financial tools to expedite the advancement and utilization of environmentally friendly and low-carbon technologies; (3) Expanding the utilization of investment tools aimed at generating positive social impact; (4) Improving data collection and reporting about nature-related aspects; (5) Creating a technical assistance action plan for the G20; and (6) Resolving obstacles related to data for climate investments.

[6] Non-Price Policy Levers

[7] The recommendations encompass deliverables associated with the three priority areas - Methods to ensure timely and adequate funding for climate finance, facilitating financial

2.2 India's Commitment:

India being an active G20 member has been keenly working towards the promotion of Green finance & sustainability. Accordingly, at the 26th Session of the CoP 26 to the UNFCC[8], India introduced five pivotal elements (popularly known as '*panchamrit*') of which the "most important was India's pledge to reach net zero emissions by 2070". India further emphasized the fact that the expectations regarding climate finance by developed nations can no longer remain static as it was during the Paris Agreement in 2015. [12] During the CoP26, the LIFE (Lifestyle for Environment) mantra to address climate change was also launched which emphasized evolving it into a campaign transforming into a widespread movement promoting environmentally conscious lifestyles. Further at the CoP26, India successfully sent in the message at a global level that it has become very pertinent for the world to embrace mindful and purposeful utilization rather than engaging in thoughtless and destructive consumption. [13]

Keeping up with its efforts towards embracing its allegiance to sustainability India came up with the final Sovereign Green Bonds Framework on the 9th of November 2022 on receiving the assent from Smt. Nirmala Sitharaman, Union Minister of Finance & Corporate Affairs. This approval strengthened India's dedication to achieving its NDC[9] goals laid down in the Paris Agreement, while simultaneously striving to attract both global and domestic investments in eligible green projects. The approved framework is also close to India's commitment under 'Panchamrit'. The Framework is additionally crafted to adhere to all four elements and primary guidelines of the ICMA GBP[10], 2021. Furthermore, the Union Budget of 2022-23 introduced Sovereign green bonds and thematic funds for blended finance aimed at climate action. The budget also specified that by SEBI Regulations, "green debt securities are established to finance projects with positive environmental and/or climate impacts. The funds raised from these bonds are designated for green projects". [14]

3 Spectrum of GSS+ Bonds

In light of the paradigm shift that the world is witnessing towards sustainable finance with a rising emphasis on ESG considerations, we also see a simultaneous rise among innovative financial instruments. Such instruments are broadly or popularly

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support for achieving the Sustainable Development Goals & strengthening the ecosystem's capacity for financing sustainable development.

[8] Conference of Parties to the United Nations Framework Convention on Climate Change held in Glasgow, UK.
[9] Nationally Determined Contribution.
[10] Green Bond Principles issued by the International Capital Market Association.

known as GSS+ bonds. These bonds are also referred to as "thematic" or "labelled" bonds, with their end-use tied to a specific goal depicted by each bond. [15]

Green Bonds form the majority of the GSS+ bonds. Apart from the same 'S' stands for the social bonds & the other 'S' stands for the Sustainability bonds. However, the '+' includes other categorized bonds, notably transition bonds, & based upon their purpose, may encompass additional SLBs such as "blue bonds, gender bonds, climate bonds, yellow bonds, etc.". Occasionally, these terms might overlap. [16] Therefore, GSS+ bonds majorly denote debt instruments connected to the purpose for which its proceeds are being used about various ESG factors. The voluntary standards established by the ICMA, which is widely acknowledged globally, recognize the following four types of bonds linked with sustainable financing:

Table I: Class of GSS+ Bonds

Type of Bonds	**End Use**
Green Bonds	Climate & Environmental Projects
Social Bonds	Projects relating to health, education, food security, etc.
Sustainability Bonds	A blend of Green & Social Bonds
Sustainability Linked Bonds (SLBs)	General Corporate Purpose Bonds with attached sustainability-linked performance conditions.

Further, the ICMA has issued separate guidelines concerning each of the above-mentioned types of bonds. [17] A brief comparison between the four types is depicted below:

Table II: Comparison between various GSS+ Bonds

Spectrum of Bonds	**Green Bonds**	**Social Bonds**	**Sustainability Bonds**	**Sustainability Linked Bonds (SLBs)**
End Use of Proceeds	Financing/ Re-financing new/ existing eligible Green Projects	Financing/ Re-financing new/ existing eligible Social Projects	Financing/ Re-financing new/ existing eligible blend of Green & Social Initiatives	General Corporate objectives or any other aim specified by the issuing company
Project Evaluation & Selection	Aim, criteria for assessing project suitability & project eligibility criteria – Must be communicated by the issuing company.			Performance conditions are attached to the bonds at the time of issue.

Management of Proceeds	Gross Earnings or comparable sum shall be held in a separate sub-account for monitoring; the remaining amount of monitored earnings is to be allocated to eligible projects after adjustment; an Auditor or independent 3rd party to confirm the internal monitoring approach & distribution of funds	Usually includes an increase in the coupon rate if sustainability performance indicators are not met.
Reporting	Annual review of date information as regards the funds used; Yearly Report to comprise projects' list where funds are assigned, along with a description of the amount and anticipated effect.	
External Review	To evaluate, before issuance, the conformity of bonds with the guidelines; after issuance, to verify internally tracked funds and their allocation.	

4 Understanding Green Bonds

Finance being the prerequisite for sustainability goals, the idea of sustainable finance has become a matter of great significance. "Finance can play a leading role in allocating investment to sustainable corporates and projects and thus accelerate the transition to a low carbon and more circular economy. Moreover, investors can exert influence on the corporations in which they invest. As a result, long-term investors can steer the corporates towards sustainable business practices." [18] Thus the term 'sustainable finance' has a wider scope, as it incorporates the integration of ESG factors into investment decision-making.

Green Bonds or Green securities comprise the largest component of such sustainability-backed bonds or GSS+ bonds. Green bonds refer to those bonds whose proceeds are earmarked for use towards green projects. [19] Green bonds are one step closer to promoting sustainable financing & responsible investing in ESG as these projects aim at providing finances for renewable energy, bioenergy, low-carbon transportation, etc. by multilateral organizations like the World Bank, private corporations, as well as national and local government entities. [20]

The GBPs issued by the ICMA recognize Green Bonds as "A bond instrument of any kind, wherein the proceeds or a comparable sum are solely utilized to finance or refinance, wholly or partially, new and/or existing eligible Green Projects, in alignment with the four components of the GBP, namely Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting." [21] Additionally, the Green Bond issuer is firmly urged to offer prospective investors explicit indications of the sustainability goals and environmental risks linked to the instrument. They should also uphold transparent and precise records of fund allocation and utilization, facilitating the assessment of the impact and scrutiny of the green bond proceeds' utilization. Moreover, investors should be kept abreast of "the allocated and unallocated net proceeds throughout the stages of fund disbursement and usage". [11]

The GBP offers a suggestive, “non-exhaustive list of eligible Green Projects”. Nevertheless, the fundamental doctrine guiding the categorization of any project as green is the presence of evident environmental advantages. GBP acknowledges "green projects" to encompass projects related to renewable energy, energy efficiency, pollution management, eco-friendly buildings and property, renovated products, land & water biodiversity, environment-friendly transportation, water management systems promoting sustainability, adaptation to climate change, products and technologies aligned with the circular economy, and/or certified environmentally efficient products, as well as green buildings.

As a testament to its strong dedication to increasing renewable energy generation and decreasing carbon intensity, India released the initial tranche of its inaugural sovereign green bonds valued at INR 80 billion on January 25, 2023. Furthermore, on February 5, 2023, the GoI declared the issue of an additional INR 80 billion in sovereign green bonds. As the foremost issuer of green bonds in India, the Greenko Group is financing “hydro, solar, and wind power projects across various Indian states using the proceeds from its green bonds”. In the year 2021, Ghaziabad Nagar Nigam, a civic body in Uttar Pradesh became the initial local government in India to have issued a green bond worth USD eq 20 million. Further, green bonds worth USD 87 million were issued by Indore Municipal Corporation in 2023. This marks the fact that a much larger amount of green bonds worth $21 billion have been issued by Indian issuers in comparison to other emerging markets in Asia, except China. Keeping in view the increasing foray of the GoI into the market of Green Bonds, we can have a prospective expectation of witnessing a surge in investments relating to green and climate-friendly projects and activities thereby contributing towards India’s journey of transitioning to a greener, resilient & inclusive growth and development.

5 Social Bonds

Social Bonds refer to such debt instruments that are issued to utilize the proceeds for funding or refinancing qualifying social projects. [22] Similar to green bonds, these too are mandated to conform to the 4 fundamental ingredients of the SBP[12], mirroring those of the GBP mentioned earlier. These would predominantly refer to any project yielding evident social benefits, as outlined in the indicative list provided by the SBP, namely – Economic foundational infrastructure, Availability of important services, Economic Housing Options, Initiatives to create jobs and schemes aimed at preventing and/or alleviating unemployment resulting from socio-economic crises,

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[11] Further, the GBP Green Bonds include the following bonds: (1) Standard Green Use of Proceeds Bond (2) Green Revenue Bond (3) Green Project Bond (4) Secured Green Bonds.

[12] Social Bond Principles (SBP).

encompassing the significant influence of financing for "SMEs and microfinance, food security and sustainable food systems, socio-economic progression, etc”. [23]

6 Sustainability & Other Labelled Bonds:

The second most substantial segment of the GSS+ Bonds comprises Sustainability Bonds. The utilization of the proceeds from these bonds is not targeted towards projects that are exclusively 'Green' or 'Social', but rather towards those that embody a combination of both. The primary objective of such bonds is to target cases that knowingly integrate benefits from both green & social bonds. These instruments are favored upon social bonds at least due to the flexibility they offer compared to others. Sustainability Bonds make up 21% of the overall sustainable market in the first half of 2022. [24]

According to the ICMA's SLBs Principles, "sustainability-linked bonds (SLBs) refer to any type of bond for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives." [25] The outstanding feature of an SLB in comparison to other sustainable finance bonds is that "proceeds from an SLB-linked bond can be employed for any corporate purpose, akin to a standard corporate bond". The sole caveat is that "the company issuing such instruments establishes a precise performance goal right from the outset and consents to face a penalty, usually in the form of higher coupons if the goal is not achieved. SLBs primarily concentrate on five[13] key pillars”.

Transition Bonds are a category within sustainable debt financing instruments wherein "the company raises funds in debt markets for climate and/or just transition-related purposes". [26] Such instruments can manifest in various forms.[14] The main aim of issuing these instruments is to finance the corporate issuers' shift towards diminished ecological impact or decreased carbon output. They might not meet the criteria for Green Bonds as they are often utilized in sectors that are ineligible for such instruments, such as "oil and gas, iron and steel, chemicals, aviation, and shipping which are carbon-emitting industries". [27] To achieve the objective of constructing a less carbon-intensive market and achieving the "net zero" goal by 2050, as outlined in the Paris Agreement, significant change is necessary in several major sectors, notably energy, transportation, and various industries. [28] The main objective of "transition bonds or transition financing is to secure funds for this transformation, facilitating the shift from a high-carbon economy to a low-carbon economy".

Further, the ***'Yellow Bonds'*** refer to the set of sustainable debt instruments that are aimed at using the net proceeds of the projects that are about the use of solar energy and also somehow qualify for Green bonds.

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[13] Selection of Key Performance Indicators (KPIs); Calibration of Sustainability Performance Targets (SPTs); Bond Characteristics; Reporting; and Verification.

[14] Including the Use of Proceeds instruments, which are aligned with the Green and Social Bond Principles or Sustainability Bond Guidelines, or General Corporate Purpose instruments aligned with the SLB Principles.

Now, finally moving on to ***Blue Bonds***, the World Bank defines them as “a debt instrument issued by governments, development banks or others to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits.” [29] Further, they are defined by the ADB[15] as “a relatively new form of a sustainability bond, which is a debt instrument that is issued to support investments in healthy oceans and blue economies.” [30] The Sustainable Blue Economy Finance Principles have been laid down by the UNEP-FI[16]. Moreover, the United Nations Global Compact has published practical guidance for issuing blue bonds. Additionally, “the ADB has released an updated Green and Blue Bond Framework in line with the GBP of ICMA and the BEP[17] of the UN”. In January 2022, the IFC[18] also issued "Guidelines for Blue Finance". The significance is that "because of the interconnectedness amongst a green bond and a blue bond, a situation may occur where an instrument qualifies to be classified as both". Nevertheless, a single instrument cannot be allocated to both green and blue bond portfolios simultaneously as per the ADB Framework. Thus, in such circumstances the ADB will decide upon regarding, if the project is under the green bond portfolio or the blue bond portfolio based on the main objective of the project, aimed at outcomes, and demands/ factors of the market.

7 Legal Regime

Globally, the legal framework as regards the GSS+ bonds issuance and listing is provided in the "Green Bonds Principles (GBP), Social Bond Principles (SBP) which is similar to the GBP, Sustainability-Linked Bond Principles issued by the ICMA, which are already discussed earlier. As far as Blue Bonds are concerned the UNEP FI[19] offers the SBEFP[20]”. Moreover, the “United Nations Global Compact (UNGC) has also released practical guidance for issuing a blue bond. Additionally, the Asian Development Bank (ADB) has issued an updated Green and Blue Bond Framework in alignment with the GBP of ICMA and the BEP of the United Nations (UN)”.

7.1 Indian Scenario

Initially, issuing ‘green debt securities’ (GDS) in our country received its formal recognition in 2017 through a SEBI circular. In this regard, SEBI issued the “Disclosure Requirements for Issuance and Listing of Green Debt Securities”, where green debt securities were precisely outlined. SEBI herein required the issuers of

[15] Asian Development Bank.
[16] UN Environment Program- Finance Initiative
[17] Blue Economy Principles

[18] International Finance Corporation
[19] United Nations Environment Programme - Finance Initiative
[20] Sustainable Blue Economy Finance Principles.

green bonds to make certain disclosures. Subsequently, this circular was incorporated into the SEBI Regulations[21] in conjunction with the IX Chapter of the Operational Circular about it. This regulation provided a formal definition of the term 'green debt security'. Later, the regulatory framework for Green Debt Securities (GDS) in India underwent review. Following a "Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance" issued on August 4, 2022, SEBI sanctioned revisions to the current regulatory framework governing the issue of Green Debt Securities (GDS) in its meeting on December 20, 2022. SEBI supported the amendments made to the Green Debt Securities (GDS) issue in response to the growing interest in sustainable finance in India and globally. Additionally, the amendments were aimed at aligning the existing framework for GDS with the recent GBP recognized by IOSCO[22]. This resulted in increasing the extent of GDS by bringing about changes to its meaning [31] which brought about the essential guidance on preventing greenwashing [32] implemented stricter disclosure requirements and made third-party reviews mandatory [33]. These Amendment Regulations came into immediate effect, and as such, the broadened definition of Green Debt Securities (GDS) applies to all issuances on or after February 2, 2024. However, these amended & increased disclosure requirements will not apply to ongoing GDS issuances. Moreover, it should be observed that the regulatory framework concerning GDS applies solely to issuances intended to be listed on Indian stock exchanges. For issuances planned for listing on international markets, general compliance with bond issuance regulations under the Companies Act, 2013, and specific compliance requirements relevant to the area where these instruments are intended to be applied & where such instruments are about to be listed should be adhered to. Nevertheless, all of these requirements are applicable in a "comply or explain" format for 2 years, commencing from April 1, 2023. This signifies that the issuer should strive to adhere to the said regulations and attain complete conformity within 2 years from the issue date of the circular. If the issuer falls short of the same within the said timeline then, it must elucidate the causes for the same and also outline the measures taken to attain full compliance, in its yearly report.

As far as the amendment about mandating the appointment of third-party reviewers for a GDS issue is concerned, it is anticipated that this would lead to greater confidence in the issuer's green initiatives. However, one might question if the heightened necessity for adherence could be perceived as a roadblock by companies intending to go for the listed GDS issue, potentially discouraging the Indian GDS market. Upon examination of the prospectus issued by several companies issuing GDS in India, it came to the notice that though there was no duty to appoint a third-party reviewer under the current legal provisions, GDS issuers have been doing the same as a best practice.

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[21] SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (ILNCS Regulations).

[22] International Organisation of Securities Commissions

Moreover, to list GSS+ bonds on any of the international exchanges, the corporates must adhere to one or more globally recognized frameworks.[23] Furthermore, SEBI Regulations[24] require “the top 1000 companies, based on market capitalization, to incorporate in their annual report a business responsibility and sustainability report (BRSR) detailing the ESG initiatives undertaken by them”.

Additionally, on 23rd April 2021, "the RBI became a member of the Central Banks and Supervisors Network for Greening the Financial System". This move was made to leverage the membership of NGFS, enabling the Reserve Bank of India (RBI) to gain insights from and contribute to global initiatives in Green Finance. Furthermore, on April 11, 2023, the RBI unveiled a framework allowing banks and deposit-taking non-banking finance companies (NBFCs) to accept "green deposits." [34] The framework also delineated nine sectors where the funds from these green bonds are to be allocated, encompassing areas such as renewable energy and green transport. The RBI additionally noted that while certain banks and NBFCs have initiated the acceptance of green deposits, it has now opted to release a framework "to nurture and cultivate a green finance ecosystem within the nation." [35]

8 Case Study – Helsingborg SLBs

Helsingborg a coastal city situated in the south of Sweden has a population of nearly, 1,50,000 inhabitants. Over recent years, this city has been seeking to create an eco-friendly society and minimize its climate impacts by reducing GHGs. In its efforts towards this target, it had adopted a Climate and Energy Plan, established local climate agreements & supported innovation in the city. Helsingborg also ranked as a finalist in the EU's Green Capital Initiative. Subsequently, it issued SLBs with a framework that sought to connect its financing with the targets that are important for long-term sustainability. However, this framework conformed with the ICMA's SLBs Principles. Helsingborg's SLB was a General Obligation Bond, which meant its premium was tied to the attainment of targets relating to the achievement of net-zero GHGs by 2035. Thus, "the city of Helsingborg was the first city to issue a SLB anywhere in the world". It set an example of how a small city can take the lead in climate action and innovate in adopting sustainable finance instruments. The issuance also appeared to achieve a 'geranium', although the same would shrink if the city did not meet the set targets.

The key success factors included in this case were thrusting upon three major areas, namely –

- **Strong Targets:** Defining clear & ambitious KPIs & SPTs that directly link to the city’s net-zero ambition (“CO2e emissions in the geographical area of

[23] Namely, a) International Capital Market Association Principles/Guidelines b) Climate Bonds Standard c) ASEAN Standards d) European Union Standards/Taxonomy e) Any framework or methodology specified by a competent authority in India f) Other international standards

[24] Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2014

Helsingborg, which implies emissions from waste, agriculture, transportation, industry, machines, individual heat supply, product use, electricity and districted heating included").

- **Independent Measurement:** Identifying an independent and credible organization (RUS) to measure the SPT & KPI, which can provide transparency to investors.
- **City Climate Strategy:** To help reach the goal and achieve the SPTs, the city had to have a "comprehensive strategy that involved commitments from businesses, actions to promote sustainable transportation and carbon capture & storage technology".

9 Challenges & Opportunities

There exists as such no assurance that sustainable investments will provide profits comparable to those that do not take these ESG variables into account. Investments in sustainable assets may deviate from conventional market standards. The lack of consistent and trustworthy ESG data is one of the major impediments to making ESG investments in India. Since many businesses withhold detailed ESG data, it can be difficult for investors to evaluate their sustainability performance. There are discrepancies in ESG Reporting metrics & standards, which make comparisons and analysis challenging.

Further, the demerits or discouraging factors to investments in Green bonds lie in its Lack of Awareness regarding these bonds among investors, Lack of standardization, Limited Supply of Green Projects, High Cost of Issuance, Lack of Investor confidence, etc.

10 Conclusion

In conclusion, the integration of G20 initiatives with sustainable finance through GSS+ bonds present a promising framework for addressing global challenges while mobilizing capital towards sustainable development goals. By leveraging the strengths of sustainable finance, GSS+ bonds have the potential to drive impactful investments in areas such as climate resilience, social inclusion and infrastructure development. However, successful implementation will require concerted efforts from policymakers, finance institutions and other stakeholders to establish robust regulatory frameworks, enhance transparency and promote market confidence. With collaborative action and innovation, GSS+ bonds can serve as a vital tool in advancing a more sustainable and resilient global economy for future generations.

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