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GLOBAL CONNECT



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Sustainability-Linked IPO Frameworks: Global Trends and India's Readiness

Sustainability-linked IPOs (SL-IPOs) are reshaping capital markets by directly tying ESG goals to public listings. As global investors increasingly value ethical business practices, regulators in the EU, US, and Asia-Pacific are establishing frameworks to embed sustainability into equity offerings. These models vary—from mandatory disclosures in Europe to evolving incentives in Asia—but all reflect a shared shift toward responsible growth. India, too, is gearing up for this transition, leveraging SEBI's BRSR Core framework and CSR legacy to align IPOs with sustainability agendas. Yet challenges remain, including the need for standardized SL-IPO mechanisms and deeper integration of ESG metrics. Within this landscape, Company Secretaries play a vital role in merging regulatory compliance with ethical stewardship. From embedding ESG KPIs in offer documents to guiding boards on sustainability narratives, they become the architects of conscience-driven listings. This article explores how SL-IPOs can redefine public market credibility—where values meet valuation.



CS Satish Panditrao Bhattu, FCS

Practicing Company Secretary, Mumbai
satishbhattu95@gmail.com

INTRODUCTION

There was a time when going public simply meant ringing a bell on Wall Street, listing shares, and entering the scrutiny of the market. The Initial Public Offering was a financial milestone—a moment of triumph, marking a company's arrival into adulthood. But the twenty-first century has rewritten the script.

Today's capital markets are no longer neutral corridors of commerce. They are charged arenas where climate risk, social justice, and corporate ethics are not background noise—they are front-row centre. The IPO is no longer just a fiscal transaction; it is a narrative declaration. It says: *This is what we value. This is who we serve.*

In response, a new archetype has emerged: the Sustainability-Linked IPO, or SL-IPO. These are not just about raising capital—they are about raising accountability. By embedding environmental, social, and governance (ESG) targets into the offer structure, companies commit—openly, measurably—to stakeholder impact. Carbon emissions reduction, board diversity, ethical supply chains: these are no longer side notes—they are deal breakers.

Across the globe, examples illuminate the shift and as this transformation unfolds, a quiet revolution is taking shape behind the scenes. Company Secretaries—once guardians of compliance—are becoming strategic ESG translators. They are crafting offer documents that speak to regulators and resonate

with investors. They are building bridges between the ethical and the executable. In this era, going public is no longer just an act of capitalization—it's an act of character.

GLOBAL TRENDS SHAPING THE SL-IPO LANDSCAPE: A TRI-CONTINENTAL PERSPECTIVE

As the Sustainability-Linked IPO (SL-IPO) framework gains traction worldwide, the contours of its evolution are being shaped by three distinct regional forces: institutional regulation, market-driven narratives, and policy-culture hybrids.

In Europe, the momentum is unmistakably institutional. Anchored by the EU's Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation, and the Corporate Sustainability Reporting Directive (CSRD), the continent has erected a comprehensive scaffolding for ESG accountability. These are not just guidelines—they are architectural pillars for sustainable finance. The success of sustainability-linked bonds (SLBs), which impose financial penalties for unmet ESG targets, has paved the way for similar innovations in equity markets. Here, the balance is clear: legislative weight paired with market incentives is nudging companies toward climate-conscious public offerings.

Across the Atlantic, in the United States, the ESG narrative is powered less by law and more by market influence. While federal regulations are still catching up—led in part by the SEC's efforts to formalize climate-related disclosures—the real engine is investor demand. In the U.S., sustainability is not mandated—it is monetized. SL-IPOs thrive in sectors where innovation and ESG aspirations align, especially tech and renewables.

Meanwhile, in the Asia-Pacific region, a fascinating blend of policy foresight and cultural responsibility is emerging. Exchanges in Singapore and Hong Kong have adopted ESG reporting mandates and introduced advisory frameworks that guide companies in green IPO practices. Japan, with its emphasis on stewardship codes and sustainable finance strategies, champions long-term value creation over quarterly gains. These markets craft SL-IPO narratives that resonate with both governmental vision and community values. Together, these regional currents are building a mosaic—a multipolar SL-IPO ecosystem where accountability is no longer an option, but a competitive edge.

INDIA'S READINESS FOR SL-IPOs: EMERGENT YET EVOLVING

India stands at a pivotal crossroads in its financial evolution. With a rapidly growing appetite for green finance and a policy landscape beginning to take shape, the country is poised to transition from ESG rhetoric to ESG results. Yet, the pathway to structured Sustainability-Linked IPOs (SL-IPOs) remains formative—less of a superhighway and more of a developing arterial route. At the heart of this transition lies a trio of foundational forces—regulation, markets, and professional ecosystems—each quietly reshaping the contours of India's public equity story.

On the Regulatory Front, the groundwork is already underway. SEBI's mandate for the top 1,000 listed companies to adopt Business Responsibility and Sustainability Reporting (BRSR) marks a significant leap. It's not just compliance; it is consciousness embedded into the disclosure fabric. Add to that the 2023 Green Bond Regulations, which bring procedural clarity to fixed-income sustainability instruments. While equity adaptation still needs tailoring, the blueprint is clearly within reach. The government's push toward monetizing carbon reduction through a domestic carbon market framework reinforces the country's economic commitment to ESG integration—not just as ideology, but as investment logic.

Market Dynamics, too, are shifting. Investor sentiment, particularly among domestic mutual funds and foreign institutional stakeholders, is increasingly tethered to ESG benchmarks. They're not just looking for returns—they're looking for responsibility. Among issuers, India's large conglomerates are mapping ESG priorities into operational strategy, paving the way for ESG-conscious public offerings. Still, mid-cap and SME sectors lag, burdened by limited resources and competing priorities. This asymmetry signals both challenge and opportunity.

And then, there are the **Company Secretaries**—professionals once anchored to procedural rigor, now evolving into ESG evangelists. Through upskilling in sustainability assurance, SDG integration, and materiality analysis, they are becoming not just interpreters of compliance, but architects of ethical intent.

India's SL-IPO journey may be nascent, but its pulse is alive. The early signals—from regulation to markets to professionals—are converging. What is needed now is narrative muscle: stories of purpose-backed equity that redefine what it means to go public in an era of planetary accountability.

Challenges to SL-IPOs in India



Absence of a Formal SL-IPO Regulatory Framework

SEBI has yet to issue specific guidelines for SL-IPOs, unlike its structured approach to green bonds



Limited ESG Literacy Among Mid-Cap and SME Issuers

Many companies, especially outside Tier-1 cities, lack awareness or capacity to define and track sustainability KPIs



Inconsistent ESG Data and Assurance Mechanisms

ESG metrics are often unaudited or self-reported, leading to credibility gaps



Complexity in IPO Filing and Documentation

The IPO process is already documentation-heavy, adding ESG layers without simplification may deter issuers

THE STRATEGIC EVOLUTION OF COMPANY SECRETARIES: STEWARDS OF SL-IPO INTEGRITY

In the unfolding story of Sustainability-Linked IPOs (SL-IPOs), a new protagonist is stepping into the spotlight: the Company Secretary.

Once seen as the silent sentinel of procedural compliance, the Company Secretaries now find themselves in a dynamic role—where legal oversight intersects with strategic storytelling, and sustainability assurance becomes a hallmark of capital market maturity.

Their journey begins **before the IPO even takes shape**. At this early stage, they initiate ESG audits, ensuring that a company's internal systems are not just prepared—but purpose-driven. They guide boards toward composition that reflects ethical inclusivity, embedding diversity and sustainability into leadership DNA. With metrics tied to the Sustainable Development Goals (SDGs) or national ESG priorities, they help define success beyond profit.

As companies transition into the IPO phase, the Company Secretaries' role intensifies. They become the **narrative custodians** of the offer documents—embedding sustainability objectives directly into the red herring prospectus and Draft Red Herring Prospectus (DRHP). Claims around ESG are no longer promotional—they are verifiable, with third-party assurance mechanisms safeguarding credibility and investor trust.

But it does not stop at paperwork. These professionals are also the **architects of stakeholder alignment**. They craft compelling investor narratives that spotlight ESG milestones and tangible impact. Global sustainability jargon is translated into local relevance, ensuring that ambitions resonate across jurisdictions, from domestic mutual funds to global ESG funds.

And after the IPO bell rings, their job evolves yet again. In the **post-listing phase**, Company Secretaries facilitate periodic ESG reporting in alignment with SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework. They monitor progress, oversee compliance audits, and ensure the SL-IPO commitments made on Day One remain visible and verifiable through the company's lifecycle.

COMPARATIVE SNAPSHOT: GLOBAL VS. INDIAN SL-IPO READINESS

Dimension	EU	US	Asia-Pacific	India
Regulatory Framework	Robust (SFDR, CSRD)	Voluntary, SEC shift	ESG mandates rising	BRSR, Green Bonds
Market Maturity	Established SLBs & IPOs	Investor-led growth	Region-specific pilots	Early adoption phase
ESG Literacy (Corporate)	High	Moderate	Mixed	Emerging
Role of Governance Pros	Strategic integration	Narrative specialists	Culturally attuned	Opportunity-rich
IPO Documentation	ESG embedded	ESG-themed messaging	ESG-tied prospectuses	Limited integration

CHARTING INDIA'S SL-IPO FUTURE: STRATEGY MEETS SOUL

As India approaches a new frontier in sustainable finance, the question is no longer *if* we are ready for Sustainability-Linked IPOs (SL-IPOs)—but *how* we craft the scaffolding to support their rise. The answers lie in a tapestry of bold policy foresight, empowered professional ecosystems, technological innovation, and a renewed commitment to investor consciousness.

At the **regulatory level**, India stands on the cusp of transformative clarity. If SEBI were to introduce a voluntary SL-IPO framework—mirroring its pioneering work with sustainability-linked bonds—it would allow companies to embed ESG commitments transparently within equity offerings. But transparency alone is not enough. We must also **standardize ESG KPIs**, building a national registry that draws from global frameworks like the SDGs and UN Principles for Responsible Investment, while aligning with India's own climate goals. This registry would serve as a common language for sustainability accountability.

But no framework thrives without human capability. Through **capacity building**, India can empower its financial stewards.

Technology will be our silent enabler. **RegTech platforms** can ensure real-time tracking of ESG metrics, converting sustainability promises into traceable outcomes. And **AI-powered audits** can streamline ESG data validation, ensuring IPO filings are not just hopeful, but verifiable. These tools will foster trust where it matters most: with the investors.

And speaking of investors—**education is essential**. Campaigns must demystify ESG-linked instruments, highlight their unique risk-reward dynamics, and introduce impact investing as a powerful narrative for capital stewardship.

IPOs AS ETHICAL THRESHOLDS: REVIVING DHARMA IN THE BOARDROOM

But beyond metrics and mandates lies a more profound truth. An IPO is more than a financial transition—it is a declaration of collective intent. SL-IPOs elevate that act, merging profit with planetary promise. They whisper a bold question into the heart of capitalism: *Can wealth creation coexist with environmental regeneration? Can shareholder gain mirror stakeholder dignity?*

India, with its reservoir of ancient wisdom, has long known the answer. The **Arthashastra** taught us governance rooted in pragmatism and foresight. The **Upanishads** illuminated paths of balance, harmony, and inner ethics. SL-IPOs offer a modern echo of those philosophies—a chance to reframe accountability not as an obligation, but as aspiration.

In this ethical renaissance, the **Company Secretary** is no longer a guardian of legality alone. They are the **conscience of capitalism**, guiding boards not just through regulatory labyrinths, but across moral crossroads. They help organizations ask not just *what will we earn?*—but *what will we impact?*

Pillars of ESG Compliance



INDIA'S SL-IPO CHALLENGE: BUILDING THE BRIDGE FROM POTENTIAL TO PRACTICE

India's foray into Sustainability-Linked IPOs (SL-IPOs) holds undeniable promise. To unlock this new era of capital accountability, strategic resolve must accompany regulatory innovation.

WAY FORWARD

As the Sustainability-Linked IPO (SL-IPO) framework gains traction worldwide, the contours of its evolution are being shaped by three distinct regional forces: institutional regulation, market-driven narratives, and policy-culture hybrids.

Investing in IPOs can be exciting and may offer high-growth potential—but it is not without risk. When IPOs falter, it's often due to inflated valuations, weak fundamentals, leadership issues, or unfortunate market timing. That's why it is essential for individual investors to conduct thorough research before participating. Whether you are exploring IPOs or considering more established stocks and ETFs, choosing a brokerage platform with flexible access can be helpful. Above all, aligning your investments with long-term financial goals and your comfort with market volatility is

key to making well-informed and resilient decisions.

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