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FRAMEWORK FOR DISCLOSURES BY FUND MANAGEMENT ENTITIES FOR ENVIRONMENTAL, SOCIAL OR GOVERNANCE (ESG) SCHEMES

Relevant for: Indian Economy | Topic: Effects of Liberalization on the economy, changes in industrial policy and their effects on industrial growth incl. Economic Reforms

International Financial Services Centres Authority (IFSCA), with the aim to establish GIFT-IFSC as a hub for various sustainable finance related activities, has already issued/notified the following regulatory frameworks/requirements:

To tap into the increasing investor awareness regarding the social and ecological impact of their investments, asset managers globally, have been focusing on offering investment products relating to various aspects concerning sustainability. According to Bloomberg Intelligence, by 2025, over a third of assets under management globally, shall pertain to ESG.

In order to promote consistency, comparability and reliability in disclosures concerning ESG schemes and ensure ESG schemes in IFSC are true to their label, IFSCA has issued a circular today requiring ESG schemes to make certain initial and periodic disclosures. Further, norms have been prescribed for ongoing monitoring and performance evaluation. The framework prescribed by IFSCA is principle-based, and largely aligned with international best practices. Further, in order to set regulatory expectations, IFSCA has also provided detailed guidance notes and illustrations.

The salient features of the circular are as under:

The detailed framework for ESG Schemes may be accessed at https://ifsca.gov.in/Circular

With this framework, IFSCA lays down standards and practices (including guidance) for FMEs launching and managing ESG schemes. Given the ongoing evolution of ESG investing landscape, IFSCA will continue to monitor the developments in this area and based on experience gained may supplement/update this Circular from time to time.

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