

CareEdge-ESG PULSE

Monthly Newsletter

March 2026



Climate Transition Risks
What Indian Corporates Can No Longer Ignore

SEBI Registered

IFSCA Approved

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Why Transition Risk Matters More Than Ever: What Indian Corporate Can No Longer Ignore

India's climate discourse has entered a decisive phase. What was once framed largely as a sustainability or compliance issue is now being priced into capital, credit, and competitiveness. Climate transition risks—arising from policy changes, evolving regulations, technology disruption, market shifts, and investor expectations—are no longer peripheral. They are rapidly becoming material financial risks that Indian corporates must manage proactively.

Discussions across India Climate Week in February—spanning Mumbai Climate Week and parallel dialogues in Delhi—reinforced a clear message: **Indian corporates are no longer being assessed only on historical ESG performance, but on the credibility, pace, and governance of their transition pathways.**

This edition of CareEdge-ESG Pulse distills those conversations into actionable insights for boards, CFOs, risk leaders, and sustainability teams.

From Climate Narrative to Climate Pricing

India is moving from climate ambition to climate accountability. Regulatory and market signals are converging, making transition risk a quantifiable variable in financial decision-making.

At the regulatory level, climate risk is being institutionalised within the financial system. The Reserve Bank of India's evolving climate-risk framework is pushing banks to integrate physical and transition risks into governance, risk management, scenario analysis, and portfolio disclosures. This inevitably cascades to borrowers, where access to capital will increasingly depend on climate preparedness rather than backwards-looking disclosures. At the same time, SEBI's BRSR Core and assurance glidepath is raising expectations around data consistency, value-chain transparency, and audit-ready ESG metrics. Climate disclosures are no longer narrative statements; they are becoming verifiable inputs into investor and lender due diligence.

The Government of India's Draft Climate Finance Taxonomy further accelerates this shift by introducing a common language for classifying climate-supportive and transition-supportive activities. This is particularly critical for hard-to-abate sectors, where absolute "green" alignment may not yet be feasible, but credible transition pathways are essential.

The result is clear:

- Climate risk is moving into underwriting models
- Transition plans are becoming credit documents
- ESG credibility is influencing the cost of capital

Why Transition Risk is Now a Financial Variable

- Regulatory momentum: RBI's draft and evolving directions on climate risk governance, disclosures, financed-emissions metrics and scenario analysis are pushing banks to integrate climate into risk pricing, cascading requirements to borrowers.
- Disclosure quality: SEBI's BRSR Core assurance glidepath is raising the bar on consistent, comparable ESG data across supply chains—reducing greenwashing and sharpening investor due diligence.
- Taxonomy clarity: The Ministry of Finance's draft Climate Finance Taxonomy (2025) introduces 'climate-supportive' and 'transition-supportive' activities, a common language that will steer debt markets and corporate capex planning.
- Market signals: India's Sovereign Green Bonds (FY23–FY24) and growing labelled debt volumes are establishing pricing references and investor depth, with longer tenors now available—bringing transition instruments into the mainstream.

What India Climate Week Made Explicit

India Climate Week 2026 marked a turning point in how climate action is discussed in India.

Mumbai Climate Week, held from 17–19 February, positioned climate action as a **systems and implementation challenge**, rather than a policy aspiration. Energy transition, urban resilience, and food systems were examined through the lens of financing, governance, and execution—especially in fast-growing, infrastructure-intensive economies like India. Parallel conversations in Delhi reinforced the importance of **innovation, MSME inclusion, and bottom-up solutions**, highlighting that transition risks are not limited to large corporates but extend across supply chains and financial ecosystems. Across both cities, one theme dominated: **"Capital will flow to credibility, not just ambition"**.

Investors and lenders are no longer satisfied with net-zero declarations. They are seeking:

- Clearly articulated transition pathways
- Time-bound interim targets
- Capex alignment and governance oversight
- Independent validation through ratings and external reviews

What India Climate Week Put in Focus

- Urban & systems view: Mumbai Climate Week (Feb 17–19) framed energy transition, urban resilience and food systems as integrated, citizen-led priorities—moving from policy talk to implementation pathways. Delhi's Climate Innovation Week complemented this with bottom-up solutioning and youth engagement.
- Capital & credibility: Dialogues emphasised credible transition plans for hard-to-abate sectors (steel, cement, heavy transport) and the need for science-aligned KPIs/SPTs to unlock sustainability-linked pricing. IFSC transition-bond pathways and ICMA's Climate Transition guidance were recurring references.

Where Transition Risks Are Most Acute

While transition risk is economy-wide, its manifestation is sector-specific.

In **cement and steel**, the focus is firmly on emissions intensity, fuel switching, and technology readiness. Rising carbon costs, evolving policy expectations, and international buyer scrutiny are creating pressure to demonstrate credible pathways that include alternative fuels, waste heat recovery, energy efficiency, and early-stage CCUS or hydrogen-ready investments. For these sectors, transition finance—rather than conventional green finance—is becoming the primary lever.

In **power and utilities**, transition risks stem from the shift away from thermal baseload toward renewables, storage, and grid flexibility. Capital allocation decisions are increasingly being evaluated against long-term asset viability and alignment with India's decarbonisation trajectory.

In **automotive and automotive components**, the transition is being driven by electric mobility mandates, supply chain decarbonisation, and changing consumer preferences. Companies are now being assessed not only on their own operations but also on how effectively they manage upstream and downstream emissions.

For **financial institutions**, transition risk is systemic. Financed emissions, climate stress testing, and portfolio alignment are becoming central to supervisory expectations. Banks and NBFs are under pressure to demonstrate how they identify, price, and mitigate climate risks across their loan books.

Financing the Transition: Instruments That Matter

A key outcome of India Climate Week was the recognition that **transition will not happen without fit-for-purpose finance**.

India's sustainable finance ecosystem is evolving rapidly, supported by sovereign green bond issuances, regulatory clarity, and growing investor appetite. Importantly, the market is expanding beyond pure green assets to include transition-aligned structures.

Key financing pathways discussed included:

- Use-of-proceeds for green, sustainability, and transition bonds aligned with ICMA principles
- Sustainability-linked bonds and loans with calibrated KPIs and ambitious SPTs
- Transition bonds, particularly through IFSC (GIFT City), are designed for hard-to-abate sectors
- Blended finance and on-lending frameworks for MSMEs and supply-chain transition

Transition bonds, in particular, emerged as a critical opportunity

Transition Bonds enable hard-to-abate carbon-intensive sectors to raise capital for credible, science-aligned transition projects—without being excluded from sustainable finance markets. With India's draft taxonomy, SEBI ESG Debt Securities Circular and IFSCA's transition bond framework, the enabling architecture is now taking shape.

CareEdge-ESG at India Climate Week: From Dialogue to Deal-Readiness

Mumbai Climate Week 2026 marked a defining moment for India's climate and sustainable finance ecosystem. Hosted at a time when regulatory expectations, investor scrutiny, and real economy transition pressures are intensifying, the conversations in Mumbai reflected a decisive shift—from ambition-setting to execution and capital alignment.

CareEdge ESG's presence at the Mumbai Climate Week reflected this evolution. Our engagement was not limited to visibility or thought leadership; it centred on **how transition pathways become credible, financeable, and investment-ready**.

Across multiple sessions and side-conversations with issuers, lenders, policymakers, and global partners, three themes consistently emerged.

First, **credibility has become the currency of climate finance**. Investors supporting India's transition—particularly in hard-to-abate and energy-intensive sectors—are no longer differentiating between "green" and "brown" narratives. Instead, they are assessing whether companies have governance structures, transition plans, interim targets, and reporting systems that can withstand scrutiny over multiple funding cycles.

Second, **transition finance is no longer theoretical**. With India's draft Climate Finance Taxonomy, IFSC frameworks for transition bonds, and the expansion of sustainability-linked structures, the market architecture is now sufficiently developed. What is limiting capital flow today is not product availability, but the readiness of issuers to demonstrate credible alignment.

Third, **banks and financial institutions are emerging as orchestrators of the transition**. Rather than passive capital providers, Indian lenders are increasingly shaping transition pathways for their clients—driven by the RBI's climate-risk expectations and by the need to account for financed emissions.

CareEdge ESG's role in this landscape was evident through real-world market applications. A notable highlight at Mumbai Climate Week was **Union Bank of India's public recognition of its CareEdge ESG 1+ (Leadership) rating, showcased during the Bank's Climate Dialogue on financing transitions in hard-to-abate sectors**. The dialogue brought together industry representatives, regulators, think tanks, investors, and rating agencies to examine how climate ambition can be converted into investable frameworks.

The discussion underscored a key reality: **independent ESG assessment and credible external reviews are foundational to transition finance**. They give lenders confidence to structure climate-aligned products and give investors assurance that capital is not merely labelled, but strategically deployed.

Beyond the main-stage dialogues, CareEdge-ESG engaged with corporates and financial institutions on practical aspects of sustainable finance execution, including:

- Readiness for sustainability-linked and transition instruments
- KPI materiality and calibration challenges across Indian sectors
- Alignment of sustainable finance frameworks with BRSR Core, RBI guidance, and global investor expectations
- Managing the risk of greenwashing as disclosures become assured and legally consequential

These interactions reinforced that the next phase of India's climate finance journey will be driven by **quality of ESG intelligence**, not quantity of disclosure.

How CareEdge-ESG Enables Sustainable Finance Instruments Like Transition Bonds

As sustainable and transition finance volumes grow in India, the central question for markets is no longer the availability of capital, but **credibility**. Investors and lenders are increasingly aligned on one principle: climate-labelled capital must be anchored in robust governance, measurable outcomes, and transparent reporting. This is where the role of independent ESG assessment becomes critical.

CareEdge ESG enables sustainable finance by serving as a **bridge between climate intent and financial credibility**. Our work strengthens the trust architecture that allows green, sustainability-linked, and transition instruments to move from niche products to mainstream funding tools. At its core, CareEdge ESG provides **credible ESG ratings** that go beyond disclosure checklists. Our assessments evaluate not only outcomes, but also the systems that deliver them—policies, governance structures, transition strategies, internal controls, and implementation discipline. This ensures that ESG performance is interpreted as a forward-looking risk and opportunity signal, rather than a backward-looking score.

Building on this assessment layer, CareEdge-ESG plays a pivotal role in **sustainable debt markets through Second Party Opinions (SPOs)**. As ICMA-eligible external reviewers, our SPOs validate alignment of sustainable finance frameworks with international principles while embedding India-specific regulatory realities, such as BRSR Core, RBI guidance, and the emerging national climate taxonomy. Importantly, our approach to sustainable finance is **transaction-relevant and outcome-oriented**. We do not view SPOs as a labelling exercise. Instead, we evaluate whether an instrument genuinely supports a borrower's transition and whether its structure will withstand investor scrutiny over time.

CareEdge-ESG enables sustainable finance across the full spectrum:

- **Transition Finance and Transition Bonds**

For hard-to-abate sectors, CareEdge ESG supports credible access to capital through transition-aligned instruments. Our assessments examine whether transition plans are science-aligned, whether capex is sequenced realistically, and whether governance mechanisms prevent carbon lock-in or greenwashing.

Across all instruments, CareEdge-ESG places strong emphasis on **measurement, reporting, and verification (MRV)**. Sustainable finance does not end at issuance. Ongoing allocation reporting, impact disclosures, and performance tracking are essential to preserve market integrity and issuer reputation. Our assessments are designed to be issuance-ready and post-issuance-ready, reducing future compliance and reputational risks.

From a market perspective, the value is clear. Independent validation from CareEdge-ESG, a SEBI-registered, IFSCA-approved, ICMA-recognised ESG assessment provider, helps:

- **Expand investor participation**, especially from global ESG and transition-focused funds
- **Improve pricing efficiency** by reducing perceived ESG and transition risk
- **Accelerate execution timelines** through standardised, regulator-aligned frameworks
- **Strengthen issuer credibility**, particularly for first-time or transition-focused issuers

Ultimately, CareEdge-ESG enables sustainable finance not by simply certifying instruments, but by **embedding sustainability into financial discipline**. By aligning strategy, risk, disclosure, and capital markets execution, we help Indian corporates and financial institutions convert climate ambition into bankable, investable, and resilient outcomes.

Case Study | Enabling Credible Sustainable Finance

DCM Shriram Limited: Translating Transition Strategy into Bankable Finance

Context

DCM Shriram Limited operates across multiple energy- and resource-intensive businesses, including chemicals, cement, sugar, and agri-inputs sectors that sit at the core of India's transition challenge. For such diversified industrial groups, sustainable finance is not about isolated green projects, but about embedding sustainability into long-term business strategy and capital allocation decisions.

Against this backdrop, **DCM Shriram engaged CareEdge-ESG** to provide a **Second Party Opinion (SPO)** on its **Sustainable Finance Framework**, with the objective of accessing sustainable financing in a manner that is credible to investors, lenders, and regulators.

CareEdge-ESG's Role

CareEdge-ESG undertook an independent, principle-based assessment of DCM Shriram's framework to evaluate whether sustainability-linked financing was underpinned by robust governance, realistic transition intent, and transparent reporting mechanisms.

The assessment focused on validating:

- Strategic alignment between sustainability objectives and the company's core business operations
- Eligibility and relevance of use-of-proceeds categories across manufacturing and value-chain activities
- Governance structures for oversight, monitoring, and allocation of proceeds
- Readiness for post-issuance reporting and impact disclosure

Rather than treating sustainability as a marketing overlay, the SPO assessed whether the framework genuinely supports incremental transition outcomes such as efficiency improvements, resource optimisation, and emissions-intensity reduction—within legacy industrial operations.

Why This SPO Matters

The DCM Shriram engagement reflects a broader shift highlighted at Mumbai Climate Week: capital markets are increasingly willing to support transitional activities, provided they are supported by credible frameworks and independent validation. From a market perspective, the SPO:

- Enhanced confidence among lenders and investors regarding the integrity of the sustainable finance framework
- Reduced greenwashing risk by anchoring claims to verifiable governance and reporting systems
- Positioned the issuer to access sustainable and transition-aligned pools of capital

CareEdge-ESG Perspective

Through SPOs like DCM Shriram's, CareEdge ESG helps issuers turn sustainability goals into financial, credible, and investor-ready frameworks.

Credible transition is not about perfection—it is about clarity, governance, and measurable progress. Independent ESG assessment is what turns that journey into investable reality.

Why This Matters for the Market Market

The conversations at Mumbai Climate Week made one point abundantly clear: India’s sustainable finance market is entering a more disciplined phase.

Transition risks are now being assessed alongside credit, operational, and market risks. In this environment, ESG ratings and SPOs are no longer peripheral tools—they are becoming core risk-management and capital-access instruments.

CareEdge-ESG’s work at Mumbai Climate Week, supported by live market applications such as the DCM Shriram SPO, illustrates how independent ESG analysis enables:

- Better risk pricing for lenders
- Greater confidence for investors
- Faster execution for issuers
- Reduced reputational and regulatory risk across funding lifecycles

As India moves from climate commitments to climate pricing, the role of credible ESG intelligence will only intensify. At CareEdge-ESG, our objective remains clear: to enable India’s transition by aligning sustainability strategy with capital, governance, and trust.

Sustainable finance is no longer an adjunct; it is India’s most critical enabler for a just, credible, and investment-ready transition.

Your Benefit?

- Better rating = **access to green financing and investor confidence**
- Investor confidence and eligibility for sustainability-linked pricing = **Lower cost of capital**
- Domestic and global pools seeking credible green/transition stories = **Wider investor base**
- Transparent, assured disclosures = **Enhanced reputation and stakeholder trust**
- Clearer KPIs, internal controls, and reporting systems = **Operational efficiencies**

What Can You Do? Practical Steps for Immediate Impact

- **Strengthen climate governance:** assign Board-level responsibility; integrate climate risk into ERM.
- **Build a credible transition plan:** targets, capex roadmap, and interim milestones aligned to sector pathways.
- **Align capex roadmaps:** map strategy with taxonomy-eligible and transition-supportive activities.
- **Upgrade disclosure quality:** BRSR Core readiness and data assurance; map to ISSB concepts.
- **Choose the right instrument:** Green/Social/Sustainability, SLB, or Transition, depending on use-case and KPIs.
- **Engage CareEdge-ESG early for SPO & ESG rating:** de-risk timelines, validate KPIs/SPTs.

Why CareEdge-ESG? Your Partner in Transition

Unlike generic ESG reports, our approach:

- **Identifies actionable levers** for improvement
- **Quantifies peer benchmarking** (comparative advantages)
- Offers **Second Party Opinions (SPO)** for green, social, sustainability and sustainability-linked bonds/loans

Ready to Begin Your ESG Journey?

Contact us to:

Get Your **ESG Rating & SPO** | Explore **Transition Assessment** | Assess **Sustainable Finance Framework**

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About Us:

CareEdge is a knowledge based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE ESG Ratings Limited (CareEdge-ESG) is one of the India's leading ESG rating provider fostering sustainability with ESG insights. With an aim of being a catalyst of change for a sustainable future with the most credible ESG assessments, CareEdge-ESG provides a 360-degree appraisal for the ESG performance benchmarking cum transition enabling ESG risk mitigation and enhanced decision-making capabilities for all stakeholders.

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