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SEBI Guidance On Disclosure Norms For Listed Entities | ESG - BRSR Core And Value Chains Disclosures

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In light of the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 notified on June 14, 2023 ([available here](#)) (“**LODR Amendment Regulations**”), SEBI has issued circulars with respect to the following:

- A. **Disclosure of material events/information by listed entities under Regulations 30 and 30A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”)**: SEBI has issued a circular in respect of the continuous disclosure obligations under the LODR Regulations, with the objective of enforcing stricter timelines for disclosure of material events and to provide further clarity on details and specifications that listed entities are required to provide when making disclosures to stock exchanges. SEBI has also provided further guidance on when an event / information can be said to have occurred, and clarity on the criteria for determination of materiality of events / information.
- B. **BRSR Core**: SEBI has provided formats for the (i) updated Business Responsibility and Sustainability Report (“**BRSR**”) with the addition of new key performance indicators, and (ii) BRSR Core comprising of certain Environmental, Social and Governance (“**ESG**”) attributes to ensure assurance to stakeholders. Further, listed entities will also be required to make ESG disclosures in respect of its value chain in its annual report.

The above circulars have been analyzed below.

A. Disclosure of Material Events / Information by Listed Entities under Regulation 30 and 30A of LODR Regulations

In respect of the continuous disclosure obligations of listed entities under Regulation 30 of the LODR Regulations, SEBI had issued a circular dated September 9, 2015 (“**2015 Circular**”) specifying the details to be provided while disclosing events given in Part A of Schedule III of the LODR Regulations and guidance on when an event / information can be said to have occurred.

With the objective of bringing transparency and ensuring timely disclosure of material events and information by listed entities, SEBI has issued a circular (“**2023 Circular**”) with stricter disclosure requirements under Regulations 30 and 30A of LODR Regulations.

Significant changes introduced in the 2023 Circular pursuant to amendments to the LODR Regulations and in addition to the 2015 Circular have been analyzed below.


I. Details to be provided for disclosures under Part A of Schedule III of LODR Regulations

| Para A of Part A of Schedule III | |
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| <p>Agreements binding / impacting the listed entities</p> | <p>The LODR Amendment Regulations introduced a new Regulation 30A along with Paragraph 5A to Para A of Part A of Schedule III as per which agreements entered into by parties as specified therein, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or impose any restriction or create any liability upon the listed entity, shall be disclosed to the stock exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the listed entity is a party to such agreements.</p> <p>Given this, the 2023 Circular provides for certain details to be disclosed which <i>inter alia</i> include:</p> <ul style="list-style-type: none"> ▪ Details of parties entering into the agreement; ▪ Purpose of the agreement; ▪ Significant terms of the agreement, in brief; ▪ Extent and the nature of impact on management or control of the listed entity; ▪ Relationship with promoter/promoter group/ group companies in any manner, if any; ▪ In case of issuance of shares to the parties, details of issue price, class of shares issued; |

| Para A of Part A of Schedule III | |
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| | <ul style="list-style-type: none"> ▪ Any other disclosures related to such agreements, viz., details of nominee on the board of directors of the listed entity, potential conflict of interest arising out of such agreements, etc.; ▪ In case of rescission, amendment or alteration of an agreement, additional details like details and reasons for amendment or alteration and impact thereof, or reasons for rescission and impact thereof. |
| Acquisition / Scheme of Arrangement, sale or disposal or any other restructuring of the listed entity | Where sale or disposal of any unit(s), division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the listed entity, sale of stake in the associate company of the listed entity, is concerned, in addition to the details provided in the 2015 Circular, listed entities will now also have to disclose whether the sale, lease or disposal of the undertaking is outside the scheme of arrangement. If yes, the listed entity to provide details of the same including compliance with Regulation 37A of the LODR Regulations (<i>Sale, lease or disposal of an undertaking outside Scheme of Arrangement</i>). |
| New Ratings or Revisions in Ratings | <p>Listed entities are required to notify the stock exchanges of <i>inter alia</i> the details of any new rating or revision in rating assigned from a credit rating agency to any debt instrument of the listed entity or to any fixed deposit program or to any scheme or proposal of the listed entity involving mobilization of funds whether in India or overseas.</p> <p>In light of the new amendments, the 2023 Circular provides that the requirement to disclose ratings shall also be applicable to the following:</p> <ul style="list-style-type: none"> (a) Revision in rating even if it was not requested for by the listed entity or the request was later withdrawn by the listed entity; (b) Revision in rating outlook even without revision in rating score; (c) ESG ratings by registered ESG Rating Providers. |
| Frauds / Defaults / Arrests | Listed entities are now required to disclose any frauds or defaults by directors, senior management or subsidiaries of listed entities or arrests of director or senior management of the listed entity whether occurred in India or abroad, in addition to the earlier requirements of fraud/ defaults by promoter or key managerial personnel or by the listed entity or arrest of key managerial personnel or promoter. |

| Para B of Part A of Schedule III | |
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| Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority | <p>The 2023 Circular has introduced a new requirement of disclosure of delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority wherein the following information is required to be disclosed:</p> <ul style="list-style-type: none"> (a) name of the authority; (b) details of fines, penalties, dues, etc. including amount; (c) due date of payment; (d) reasons for delay or default in payment; (e) impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible. <p>In addition to the above, details of payment including date of payment and amount paid shall be disclosed upon payment of the fines, penalties, dues, etc.</p> |

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| <p>Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the listed entity</p> | <p>The 2015 Circular required listed entities to notify the stock exchanges upon it or its key management personnel or its promoter becoming party to any litigation, assessment, adjudication, arbitration or dispute in conciliation proceedings or upon institution of any litigation, assessment, adjudication, arbitration or dispute including any ad-interim or interim orders passed against or in favour of the listed entity- the outcome of which can reasonably be expected to have an impact.</p> <p>The 2023 Circular now requires the above disclosure to be made by listed entities in respect of their directors, senior management, or subsidiaries as well. Further, in case the amount involved in ongoing litigations or disputes with an opposing party become material on a cumulative basis, then the same shall also be required to be disclosed to the stock exchange(s).</p> |
| <p>Giving of guarantees or indemnity or becoming a surety, by whatever name called, for any third party</p> | <p>It is now clarified that the details for giving of guarantees or indemnity or becoming a surety, by whatever name called, including comfort letter, side letter, etc., shall also be required to be disclosed in case the amount involved in terms of outstanding guarantees, indemnity or surety for a third party become material on a cumulative basis.</p> |


ELP Comments

With the introduction of a few more specifications, this circular issued by SEBI will help listed entities make more specific and accurate disclosures to its stakeholders, thus ensuring transparency.

II. Timelines for disclosures under Part A of Schedule III of LODR Regulations

▪ **Revised Timelines**

The LODR Amendment Regulations have provided for revised timelines for disclosures to be made under Regulation 30 of the LODR Regulations. To bring clarity in the above timelines for disclosure of material events or information, the 2023 Circular provides for a table which indicates the timelines of disclosures against each of the events provided under Para A, Para B and Para C of Part A of Schedule III of the LODR Regulations.

▪ **Timeline for Regulation 30A:**

In light of the new Regulation 30A of the LODR Regulations, the timeline for making disclosures thereunder is as follows:

- i. **Future agreements (Reg. 30A(1)):** The parties to the agreements shall inform the listed entity about the agreement to which such a listed entity is not a party within two working days of entering into the agreement or signing an agreement to enter into such agreements.
- ii. **Subsisting agreements (proviso to Reg. 30A(1)):**
 - a. Timeline for the parties to the subsisting agreements to inform the listed entity about the agreement to which such a listed entity is not a party: July 31, 2023.
 - b. Timeline for the listed entity to disclose all such subsisting agreements to the stock exchange(s) and on its website: August 14, 2023.

▪ **Disclosures of continuing events or information**

The 2023 Circular has also clarified that any continuing event or information which becomes material pursuant to the notification of the LODR Amendment Regulations is required to be disclosed by the listed entity **within thirty days from the date of coming into effect of the LODR Amendment Regulations, i.e., by August 14, 2023.**



ELP Comments

The LODR Amendment Regulations read with 2023 Circular have tightened the disclosure norms under Regulations 30 and 30A of the LODR Regulations to ensure quicker and more timely disclosures of material events and information of the listed entities to the public. Further, the aforementioned changes require the listed entities recall and check if any of the existing event or continuing event is required to be disclosed. This will require the management and teams of listed companies to take clear calls when it comes to particular events and their disclosures.

III. Guidance on when an event / information can be said to have occurred for the purposes of Regulation 30 of the LODR Regulations

The 2015 Circular provides for guidance on when an event / information can be said to have occurred for the purposes of Regulation 30 of the LODR Regulations. Vide the 2023 Circular, SEBI has now clarified that in case in-principle approval or approval to explore (which is not final approval) is given by the Board of Directors, the same shall not require disclosure under Regulation 30 of the LODR Regulations. Further, listed entities shall be required to confirm, deny or clarify any reported event or information in the mainstream media in terms of Regulation 30(11) of the LODR Regulations.

IV. Guidance on criteria for determination of materiality of events / information

The LODR Amendment Regulations have prescribed revised materiality thresholds for determination of materiality of events to be observed by listed entities in Regulation 30(4).

In this respect, it is clarified that the average of absolute value of profit or loss is required to be considered by disregarding the 'sign' (positive or negative) that denotes such value, as the said value / figure is required only for determining the threshold for 'materiality' of the event and not for any commercial consideration. An illustration for the same has been provided in the 2023 Circular.

Further, it is clarified that in case a listed entity does not have a track record of three years of financials, say, in case of a demerged entity, the aforesaid average may be taken for the period / number of years as may be available.






ELP Comments

The revised materiality thresholds under Regulation 30(4) of the LODR Regulations and clarifications in this respect will facilitate listed entities to avoid ambiguity and any differing interpretations with respect to the materiality policies.

The above details and timelines have been issued by SEBI vide circular dated July 13, 2023 ([available here](#)) and shall come into force from **July 15, 2023**.

B. Business Responsibility and Sustainability Report Core

SEBI had introduced the concept of Business Responsibility and Sustainability Report (“BRSR”) Core vide the LODR Amendment Regulations, mandating assurance and focusing on ESG disclosures by listed entities.

| Change | Explanation | | | | | | | | | | | | |
|---|--|----------------|--|-----------|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|--------------------------|--|---|
| <p>BRSR Core and Updated BRSR</p> | <ul style="list-style-type: none"> ▪ BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (“KPI”) under 9 ESG attributes that are to be reasonably assured to the stakeholders of a listed entity. ▪ In order to facilitate the verification process, the BRSR Core specifies the data and approach for reporting and assurance. It is however clarified that the approach specified is only a base methodology. Any changes or industry specific adjustments / estimations shall be disclosed. ▪ Applicability: <ul style="list-style-type: none"> – Disclosures as per the updated BRSR format (available here) to be made by the top 1000 listed entities (by market capitalization) from FY 2023 – 2024, as part of their Annual Reports. – Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core (format available here), as per the glide path specified in the following table: <table border="1" data-bbox="518 884 1334 1167"> <thead> <tr> <th>Financial Year</th> <th>Applicability of BRSR Core to top listed entities (by market capitalization)</th> </tr> </thead> <tbody> <tr> <td>2023 – 24</td> <td>Top 150 listed entities</td> </tr> <tr> <td>2024 – 25</td> <td>Top 250 listed entities</td> </tr> <tr> <td>2025 – 26</td> <td>Top 500 listed entities</td> </tr> <tr> <td>2026 – 27</td> <td>Top 1000 listed entities</td> </tr> </tbody> </table> <div data-bbox="432 1236 1353 1451" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table border="1"> <thead> <tr> <th style="background-color: #003366; color: white;">  ELP Comments </th> </tr> </thead> <tbody> <tr> <td style="background-color: #e6f2ff;"> <i>Assurance of critical KPIs at the BRSR Core stage will increase the reliability of ESG disclosures while at the same time reduce the cost of compliance which would have been incurred towards assurance of the entire BRSR.</i> </td> </tr> </tbody> </table> </div> | Financial Year | Applicability of BRSR Core to top listed entities (by market capitalization) | 2023 – 24 | Top 150 listed entities | 2024 – 25 | Top 250 listed entities | 2025 – 26 | Top 500 listed entities | 2026 – 27 | Top 1000 listed entities |  ELP Comments | <i>Assurance of critical KPIs at the BRSR Core stage will increase the reliability of ESG disclosures while at the same time reduce the cost of compliance which would have been incurred towards assurance of the entire BRSR.</i> |
| Financial Year | Applicability of BRSR Core to top listed entities (by market capitalization) | | | | | | | | | | | | |
| 2023 – 24 | Top 150 listed entities | | | | | | | | | | | | |
| 2024 – 25 | Top 250 listed entities | | | | | | | | | | | | |
| 2025 – 26 | Top 500 listed entities | | | | | | | | | | | | |
| 2026 – 27 | Top 1000 listed entities | | | | | | | | | | | | |
|  ELP Comments | | | | | | | | | | | | | |
| <i>Assurance of critical KPIs at the BRSR Core stage will increase the reliability of ESG disclosures while at the same time reduce the cost of compliance which would have been incurred towards assurance of the entire BRSR.</i> | | | | | | | | | | | | | |
| <p>ESG Disclosures for value chain of the listed entity</p> | <ul style="list-style-type: none"> ▪ Disclosures for value chain to be made by the listed company as per BRSR Core, as part of its annual report. For this purpose, value chain shall comprise of the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively. ▪ Listed entities to report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner. Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis; scope of reporting and any assumptions or estimates, if any, shall be clearly disclosed. ▪ Applicability: <ul style="list-style-type: none"> – ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25. – The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26. | | | | | | | | | | | | |

| Change | Explanation |
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| | <div style="background-color: #1a3d54; color: white; padding: 5px; display: flex; align-items: center;"> ELP Comments </div> <p><i>The requirement for listed entities to make disclosures in respect of their value chain will provide a more holistic picture of the listed entity’s operations and impact on its stakeholders.</i></p> |
| <p>Eligibility Criteria of the Assurance Provider</p> | <ul style="list-style-type: none"> ▪ Board of the listed entity to ensure that the assurance provider of the BRSR Core has the necessary expertise for undertaking reasonable assurance. ▪ Listed entity to ensure that there is no conflict of interest with the assurance provider appointed, for assuring the BRSR Core. For instance, it shall be ensured that the assurance provider or any of its associates do not sell its products or provide any non-audit / non-assurance related service including consulting services, to the listed entity or its group entities. <div style="background-color: #1a3d54; color: white; padding: 5px; display: flex; align-items: center;"> ELP Comments </div> <p><i>The eligibility criteria and requirement for independence provided herein shall ensure objectivity and transparency in the assurance process.</i></p> |

The above particulars have been issued by SEBI vide circular dated July 12, 2023 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com or write to our authors:

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