

## REGULATORY UPDATE

SEBI introduces significant changes in disclosures and reporting to Stock Exchanges



## **SEBI introduces significant changes in disclosures and reporting to Stock Exchanges under LODR Regulations**

The Stock Exchange Board of India, vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 dated 14th June, 2023, and its follow-on Circulars dated 12th July, 2023, and 13th July, 2023, has introduced significant developments on disclosures by Listed Companies, including, Mandatory disclosure of agreements impacting listed entity management or control, or imposing restrictions/liabilities, to stock exchange(s), Introduction of materiality threshold for event/information disclosures to stock exchange(s), Introduction of revised format for Business Responsibility and Sustainability Report (BRSR) and Expanded Key Performance Indicators for ESG Reporting, Approval requirement for special rights granted to shareholders through special resolution and other reporting requirements.

## Key highlights of the changes in the said

### Regulations are as follows:

#### **1. Introduction of new materiality threshold for disclosures to Stock Exchanges:**

SEBI has introduced thresholds for determining the materiality of events/information that require mandatory disclosures to the stock exchange w.e.f. 15<sup>th</sup> July, 2023. Any ongoing event/information classified as material event/information under the new threshold to be disclosed to the stock exchange within 30 days from the date of the commencement of these amendments. This move aims to enhance transparency and ensure timely dissemination of crucial information to investors and stakeholders.

**2. Requirement to disclose certain Agreements impacting the Management or Control of the Listed entity or impose any Restriction or Liability on the listed entity:**

SEBI has made it mandatory for all agreements involving promoters, promoter group entities, related parties, directors, KMPs, employees of the listed entity, or its holding, subsidiary, and associate companies, either solely or jointly, that directly or indirectly impact the management or control of the listed entity or impose any restriction or liability on the listed entity, to be disclosed to the stock exchange(s).

For agreements in force as of 15th July, 2023, the concerned party(s) must disclose those to the Listed entity by 31st July 2023, and the Listed entity to further disclose those to the stock exchange(s) by 14th August 2023.

For agreements entered into after 15th July, 2023, the party(s) involved must disclose the agreement to the listed entity within 2 working days, and the listed entity shall disclose it to the stock exchange(s) within 12 hours (if the listed entity is a party to the agreement) or 24 hours (if the listed entity is not a party to the agreement). This step aims to enhance transparency and provide investors with critical information on the stipulated agreements.

### **3. SEBI Introduces Key Performance Indicators for ESG attributes:**

The Business Responsibility and Sustainability Report (BRSR) should now include Key Performance Indicators (KPIs) for 9 ESG attributes, incorporating new KPIs for added assurance (Audit).

Starting from FY 2023-24, the top 1000 listed entities (by market capitalization) are mandated to disclose the BRSR covering KPIs for ESG attributes as part of their Annual Reports as per the format prescribed.

Listed entities to mandatorily undertake reasonable assurance (Audit) of the BRSR Core, as per the glide path specified in the following table:

<b>Financial Year</b>	<b>Applicability of BRSR Core to top listed entities (by market capitalization)</b>
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

#### **4. Shareholder Special Rights in Listed Entities: SEBI's New Approval Requirement**

SEBI mandates that any special right granted to shareholders of a listed entity must receive approval through a special resolution in a general meeting every

five years, starting from the date of grant. Existing special rights as of the regulation's commencement i.e. 15<sup>th</sup> July, 2023, must secure shareholder approval within five years. However, financial institutions registered with or regulated by RBI under normal lending arrangements, and debenture trustees registered with SEBI under subscription agreements for debentures, are exempt from this requirement if they become shareholders due to such lending or subscription agreements.

## **5. Revisions in timelines for reporting to Stock Exchanges**

SEBI has reduced various timelines to report material information/event to the Stock Exchanges as stipulated in the said Regulations.

For details, please refer [SEBI \(Listing Obligations and Disclosure Requirements\) \(Second Amendment\) Regulations, 2023](#) dated 14<sup>th</sup> June, 2023, SEBI Circular no. [SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122](#) dated 12<sup>th</sup> July, 2023 and [SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123](#) dated 13<sup>th</sup> July, 2023.



**DISCLAIMER: -**

*The summary information herein is based on SEBI Notification No. SEBI/LAD-NRO/GN/2023/131 dated 14th June, 2023, SEBI Circular no. [SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122](#) dated 12th July, 2023 and [SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123](#) dated 13th July, 2023. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*