
Balanced Framework for ESG Disclosures, Ratings and Investing by SEBI

March 2023

On March 29, 2023, Securities & Exchange Board of India (SEBI) Board has endorsed a regulatory structure for ESG disclosures, ratings, and investment to enhance transparency, accountability, and credibility in ESG investing. Amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI (Mutual Funds) Regulations, 1996 has facilitated a balanced approach to ESG. A brief note on the key regulatory update is given below:

On ESG Disclosure

- In order to enhance the reliability of ESG disclosures, the BRSR (Business Responsibility and Sustainability Report) Core shall be introduced, which contains a limited set of Key Performance Indicators (KPIs), for which listed entities shall need to obtain reasonable assurance.
- Top 150 listed entities (by market cap) to report BRSR Core in FY 2023-24 and gradually extended to the top 1000 listed entities by FY 2026-27.
- Listed entities with certain thresh-hold will be required to provide ESG disclosures and assurance for their value chain also.
- Requirements to be introduced on a comply-or-explain basis from FY 2024-25 for disclosures and FY 2025-26 for assurance for top 250 companies.

On ESG Ratings

- ESG Rating Providers (ERPs) to consider India / Emerging Market parameters in ESG Ratings.
- ERPs should offer a separate category of ESG Rating called 'Core ESG Rating' based on the assured parameters under BRSR Core to facilitate credibility.
- Regulatory framework for ERPs is through the introduction of new chapter in the SEBI credit rating regulations.
- Aim is to increase transparency, accuracy, and consistency in ESG ratings.

On ESG Investment

- At least 65% of AUM to be invested by ESG schemes in listed companies who have undertaken BRSR Core assurance.
- Compliance with the objectives of the ESG schemes to be assured by third party and certification to be obtained from Board of Asset Management Companies.
- Enhanced disclosures by schemes with respect to voting decisions on ESG factors.
- Fund managers to provide comments on how ESG strategy is applied on the fund/investments
- Introduction of new category for launch of multiple schemes on ESG related factors.

Amendment in LODR

SEBI approved amendments to the LODR Regulations for listed entities, including introducing a quantitative threshold for determining 'materiality', stricter timeline for disclosure of material events/information, and strengthening corporate governance at listed entities by empowering shareholders.

Refer to the SEBI press release:

file:///C:/Users/hp/Downloads/1680095285641.pdf

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