

Extension of applicability of Business Responsibility Reporting (BRRs) to top 1000 listed entities from present requirement to 500 listed entities, based on market capitalization

1. Objective

1.1. This memorandum seeks approval of the Board for amending SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”) with a view to increase the applicability of Business Responsibility Reporting (“**BRR**”) to top one thousand listed entities based on market capitalization from the present requirement of top five hundred listed entities.

2. Background

2.1. Ministry of Corporate Affairs, Government of India, had in July 2011 issued 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs) for companies to be adopted voluntarily. The key principles identified in the NVGs which are required to be reported by the companies include the areas such as environment, social, governance, stakeholder relationships, etc.

2.2. In line with the aforesaid guidelines, SEBI Board, in its meeting held on November 24, 2011, had approved introduction of Business Responsibility Reporting (BRR) for listed entities in India and had also approved that the same be implemented in a phased manner.

2.3. To this end, BRR has been implemented for listed entities by SEBI in two phases till date:

2.3.1. Phase 1: SEBI had, vide circular dated August 13, 2012, mandated Business Responsibility Reporting (BRR) requirement for top 100 listed entities in their annual reports. The same was subsequently subsumed under Regulation 34(2)(f) of the SEBI LODR Regulations.

2.3.2. Phase 2: The second phase included the extension of this requirement to top five hundred listed entities by market capitalization which came into effect from April 1, 2016.

2.4. Based on the above, the current requirement of BRR for listed entities stands as under:

2.4.1. The requirement is applicable to top 500 listed entities by market capitalisation under Regulation 34(2)(f) of SEBI LODR Regulations under which these entities are required to include the Business Responsibility Report (BRR) in their annual reports for every financial year.

2.4.2. The format for BRR has been specified by SEBI vide circular No CIR/CFD/CMD/10/2015 dated November 04, 2015.

2.4.3. Flexibility has been provided to those listed entities which submit sustainability reports to overseas regulatory agencies/ stakeholders based on internationally accepted reporting frameworks. Such listed entities have been permitted not to prepare a separate report and they can furnish the same report to their stakeholders along with a mapping of the principles contained in SEBI guidelines to the disclosures made in their sustainability reports.

3. Rationale for review

3.1. It has already been more than 6 years since the introduction of BRR in India. The listed entities are now largely familiar with the BRR disclosures and reporting requirements.

3.2. Demand for increased and improved disclosure about Environmental, Social and Governance (“**ESG**”) issues by listed entities is rising as more and more institutional investors, domestic and international, and analysts are incorporating these factors into their decision making.

3.3. The High Level Committee on CSR (HLC 2018) has also in its report recommended that SEBI may extend the BRR to top 1000 listed entities by market capitalization.

3.4. Therefore, based on the Board's decision in 2011 to implement BRR in a phased manner, it now appears to be the right time to extend the BRR to top 1000 listed entities by market capitalization.

4. **Proposed Amendments to SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015**

4.1 Regulation 34(2) (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 reads as under:

“(2) The annual report shall contain the following:

.....

(f) for the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time.”

4.2 It is proposed to amend the regulation by substituting the word "five hundred" with "one thousand".

4.3 In order to provide time to listed entities to adapt to the new regulatory requirement, it is proposed that the reporting for the entities under the revised regulations may commence from financial year FY 2019-20.

5. **Proposal to the Board**

5.1. The Board is requested to consider and approve the amendments to SEBI LODR Regulations as mentioned above. The Board is also requested to authorize the Chairman to take consequential and incidental steps, as may be required, to give effect to the decision.