



SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141

November 15, 2018

To,

1. The listed entities
2. The recognised stock exchanges

**Subject: Disclosures regarding commodity risks by listed entities**

1. Regulation 34(3) read with clause 9(n) of Part C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") mandates listed entities to make disclosures regarding commodity price risk and hedging activities in the Corporate Governance Report section of the Annual Report of a listed entity.
2. In order to benefit the shareholders and to bring further clarity in disclosures to be made in the annual reports by listed entities, the Corporate Governance Committee formed under the Chairmanship of Shri Uday Kotak *inter alia*, in its report to SEBI dated October 5, 2017 recommended the following:
  - a. The listed entities should disclose their risk management activities during the year, including their commodity hedging positions in a more transparent, detailed and uniform manner for easy understanding and appreciation by the shareholders.
  - b. For the consistent implementation of the requirements of the SEBI LODR Regulations regarding disclosure of commodity risks and other hedging activities across listed companies, a detailed format along with the periodicity of the disclosures may be outlined by SEBI which would depict the commodity risks they face, how these are managed and also the policy for hedging commodity risk, etc. followed by the company for the purpose of disclosures in the annual report.
3. The aforesaid recommendation of the Committee was accepted by the SEBI Board in its meeting held on March 28, 2018 and it was decided to implement the same through a circular.



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**Securities and Exchange Board of India**

4. Accordingly, all listed entities shall make the disclosures in the format as placed at the **Annexure** as part of the Corporate Governance Report in the Annual Report under clause 9(n) of Part C of Schedule V.
5. This Circular is issued in exercise of the powers conferred under Regulation 101 of the SEBI LODR Regulations.
6. This Circular is available at [www.sebi.gov.in](http://www.sebi.gov.in) under the link "Legal→Circulars".
7. The recognized stock exchanges are advised to disseminate the contents of this Circular on their website.

**Pradeep Ramakrishnan**  
**Deputy General Manager**  
**Corporation Finance Department**  
**Compliance and Monitoring Division-1**  
+91-22-26449246  
[pradeepr@sebi.gov.in](mailto:pradeepr@sebi.gov.in)



**Annexure**

1. Risk management policy of the listed entity with respect to commodities including through hedging  
(Such policy shall take into account total exposure of the entity towards commodities, commodity risks faced by the entity, hedged exposures, etc. as specified below)
2. Exposure of the listed entity to commodity and commodity risks faced by the entity throughout the year:
  - a. Total exposure of the listed entity to commodities in INR
  - b. Exposure of the listed entity to various commodities:

Commodity Name	Exposure in INR towards the particular commodity	Exposure in Quantity terms towards the particular commodity	% of such exposure hedged through commodity derivatives				
			Domestic market		International market		Total
			OTC	Exchange	OTC	Exchange	

- c. Commodity risks faced by the listed entity during the year and how they have been managed.

**Note:**

- (i) The disclosure pertaining to exposure & commodity risks may apply only for those commodities where the exposure of the listed entity in the particular commodity is material.  
(Materiality in such cases shall be according to the materiality policy approved by the board of Directors of the listed entity in this context)
- (ii) If the listed entity has exposure in non-rupee terms, the Indian rupee equivalent after conversion shall be used for the aforesaid disclosures.
- (iii) The term 'exposure' shall mean gross exposure of the listed entity including exposure both on the asset and liability side.
- (iv) Where exact figures are not determinable, ballpark (estimated) figures may be provided.