

SEBI Circular – Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” – 26th June, 2025

SEBI vide its circular dated 26th June, 2025 in consultation with Industry Standards Forum (“ISF”) came out with the revised Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (“RPT Industry Standards”).

Accordingly, Section III-B of the Master Circular dated 11th November, 2024 shall stand modified and SEBI Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated 14th February, 2025 and Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/37 dated 21st March, 2025 has been superseded.

This Circular shall come into effect from 1st September, 2025.

Paragraph 4 under Part A of Section III-B shall stand substituted by the following paragraph:

“The listed entity shall provide the audit committee with the information as specified in the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions”, while placing any proposal for review and approval of an RPT.”

Paragraph 6 under Part B of Section III-B shall stand substituted by the following paragraph:

“The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions.”

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Executive Summary

- In accordance with Regulation 23(2), (3), and (4) of the SEBI (LODR) Regulations, 2015, any RPT must receive prior approval from the Audit Committee. In case the RPT is classified as material under Regulation 23(1), shareholder approval is also required.
- The primary objective of the RPT Industry Standards is to standardize and streamline the minimum information that listed entities must provide to the Audit Committee and shareholders for the review and approval of RPTs.
- The initial version was notified by SEBI via Circular dated 14th February, 2025, with an effective date of 1st April, 2025.
- Further, following stakeholder requests for more time and a simpler framework, SEBI extended the applicability of the initial Industry Standards to 1st July, 2025, and also directed ISF to review the structure. **Based on this, a revised version of the standards — now referred to as “RPT Industry Standards” — has been finalized in consultation with SEBI. These new standards replace the ones notified earlier.**

➤ **Structure of Revised RPT Industry Standards**

The revised RPT Industry Standards are structured into three distinct parts, each addressing different aspects of the RPT approval process:

- **Part A:** This Part of the Standards captures the minimum information of the proposed RPT and **is applicable to all RPTs**.
- **Part B:** This Part is **applicable only if a specific type of RPT is proposed to be undertaken** and is in addition to Part A. Seven types of RPTs have been specified.
- **Part C:** This Part is **applicable only if a specific type of RPT proposed to be undertaken is a Material RPT** as defined under Regulation 23(1) & (1A) of the LODR Regulations (“Material RPTs”); and is in addition to Part A and Part B (with respect to such RPT).

For example, an RPT involving loans would require disclosures under Part A and Part B – Para B(2). If it qualifies as a Material RPT, disclosures under Part C – Para C(1) are also needed.

Para 1 - Applicability of the RPT Industry Standards:

1. The RPT Industry Standards are applicable to **all RPTs** that are required to be placed before the **Audit Committee** of a listed entity for **review and approval**, in accordance with **Regulation 23(2) and 23(3)** of SEBI (LODR) Regulations, 2015.
2. The Standards shall be applicable to **Material RPTs** as defined under **Regulation 23(1) & 23(1A)** of the LODR Regulations. These transactions require **approval from both** the Audit Committee and the **shareholders**, and the RPT Industry Standards must be followed in both approval processes.
3. The RPT Industry Standards shall not be applicable to:
 - a) Transactions that are **exempted under Regulation 23(5)** of the LODR Regulations (e.g., transactions between listed entity and its wholly owned subsidiaries under certain conditions).
 - b) The **quarterly review** of RPTs by the Audit Committee under **Regulation 23(3)(d)**, which pertains to oversight rather than prior approval.
 - c) Any **individual or cumulative transaction(s)** during a financial year (including ratified transactions) **not exceeding ₹1 crore** with a related party are also excluded.
4. **The RPT Industry Standards will apply from the effective date as notified by SEBI. However, certain transitional relief is provided as follows:**
 - a) **Approvals Granted Before Effective Date (for future transactions):**
 - If Audit Committee or shareholder approvals have already been obtained prior to the effective date for RPTs to be executed on or after the effective date, then no fresh

approval is needed under the new Standards unless there is a material modification in the transaction presented after the effective date.

b) Omnibus Approvals Granted Before Effective Date:

- If omnibus approvals for RPTs for FY 2025–26 were granted before the effective date, no fresh approval under the RPT Industry Standards is necessary. However, if such RPTs undergo material modification after the effective date, compliance with the Standards is mandatory for the modified part.

c) Material RPT Approved by Audit Committee Before Effective Date:

- If a Material RPT has already been approved by the Audit Committee before the effective date, the Standards do not apply, even if the shareholder notice is sent on or after the effective date.

Para 2 - Words and expressions used in the RPT Industry Standards

The RPT Industry Standards clarify that all words and expressions used shall carry the same meaning as defined under the SEBI LODR Regulations. If any term is not defined in the LODR Regulations, its meaning shall be derived from other applicable laws such as the SEBI Act, 1992, Companies Act, 2013, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, and their respective rules and regulations.

Para 3 - Guidelines for placing information to the Audit Committee

1. The management must present:

- a) RPT details to the Audit Committee strictly in the prescribed format of the RPT Industry Standards. If any field is not applicable, it should be marked as 'NA' along with a justification, unless the reason is self-evident.
- b) A certificate must be provided from the CEO/MD/WTD/Manager and CFO confirming that the proposed RPT is in the interest of the listed entity.
- c) If any valuation or external report exists, a copy must be submitted.
- d) If audited financials of the related party are not available for the last financial year, then certified financial extracts drawn from the books should be provided.
- e) Disclosure must also be made if the related party follows a different financial year.
- f) Where multiple types of transactions are proposed (e.g., sale vs purchase, or loan vs guarantee), each transaction must be presented separately, as they are to be assessed independently.

2. The Audit Committee may comment on the information and must record its rationale in the minutes if it does not approve the RPT.
3. The Audit Committee has the authority to seek any additional information from management that it finds necessary or reasonable to evaluate the RPT comprehensively.

Para 4 - Minimum Information to be provided to the Audit Committee for approval (including ratification) of RPTs

PART A

Minimum information of the proposed RPT, applicable to all RPTs

Note: This part requires disclosure in sub-para(s) (A1 to A5) under the following headings in case of all Related Party Transaction(s):

- A(1): Basic details of the related party
- A(2): Relationship and ownership of the related party
- A(3): Details of previous transactions with the related party
- A(4): Amount of the proposed transaction(s)
- A(5): Basic details of the proposed transaction

PART B

Information to be provided *only* if a specific type of RPT as mentioned below is proposed to be undertaken and is in addition to Part A,

- B(1): Sale, purchase or supply of goods or services or any other similar business transaction and trade advances
- B(2): Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary
- B(3): Investment made by the listed entity or its subsidiary
- B(4): Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee) , surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary.
- B(5): Borrowings by the listed entity or its subsidiary
- B(6): Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate.

B(7): Transactions relating to payment of royalty

PART C

Information to be provided only if a specific type of RPT mentioned below proposed to be undertaken is a *material RPT* and is in addition to Part A and B

Note: This part requires disclosure under sub-para C1 to C6, as may be applicable, in addition to disclosures in Part A and Part B, only in case of material RPTs relating to:

C(1): Transactions relating to any loans and advances (other than trade advance) or inter-corporate deposits given by the listed entity or its subsidiary.

C(2): Investment made by the listed entity or its subsidiary.

C(3): Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary.

C(4): Borrowings by the listed entity or its subsidiary.

C(5): Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate.

C(6): Transactions relating to payment of royalty.

Para 5 - Minimum Information to be provided to the shareholders for approval of Material RPTs:

- The explanatory statement in the shareholder notice must include minimum essential information to enable shareholders to assess whether the terms of the material RPT are fair and in the interest of the listed entity.
- In addition to disclosures required under the Companies Act, 2013, the notice must include the following information prescribed below:
 - The information presented to the Audit Committee, in the prescribed format, to the extent relevant and applicable.
 - Justification of why the transaction is in the interest of the company, and explain the basis for pricing, along with material terms and conditions of the RPT.
 - Disclose that the Audit Committee has reviewed certificates issued by the CEO/MD/WTD/Manager and CFO, confirming that the transaction is in the company's interest.

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- Disclosure that the material RPT or any material modification thereto, has been approved by the Audit Committee and the Board of Directors and recommended to the shareholders.
- The notice should provide a web-link and QR code so that shareholders can access any valuation or external report considered by the Audit Committee while evaluating the transaction.
- The Audit Committee and Board may redact commercial secrets or sensitive information that may impact the company's competitive position, provided they confirm that the redacted version still contains sufficient details for informed shareholder decision-making.
- Any other material information relevant to the transaction.

Link: <https://www.sebi.gov.in/legal/circulars/jun-2025/industry-standards-on-minimum-information-to-be-provided-to-the-audit-committee-and-shareholders-for-approval-of-related-party-transactions-94809.html>