

# SEBI circular on Industry Standard for RPT Disclosures

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## Summary

SEBI's recent circular on Industry Standards for "Minimum Information to be Provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transactions" marks a significant advancement in corporate governance and transparency. Effective from 1 April 2025, these standards align with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ensuring transparent and fair approval processes for related party transactions (RPTs) across listed entities.

A noteworthy aspect of this development is the collaborative framework behind these standards. The Industry Standards Forum (ISF), comprising representatives from ASSOCHAM, CII, and FICCI, under the guidance of stock exchanges and in consultation with SEBI, has formulated these standards. This joint effort symbolises a paradigm shift toward more robust corporate governance, reflecting industry-wide consensus and regulatory foresight.

## Key aspects of the Standards include but are not limited to the following:

- **Applicability:** These standards apply to material RPTs and transactions exceeding specific financial thresholds, ensuring consistency and transparency in their approval process.
- **Information requirements:** Detailed formats have been prescribed for disclosing RPT details to the Audit Committee and shareholders. This includes financial data, relationship specifics, and justifications to ensure informed decision-making.
- **Review process:** Audit committees are mandated to review certifications from CEOs, CFOs, and promoter directors, ensuring that transactions are not prejudicial to public shareholders. This enhances accountability and safeguards minority shareholders' interests.
- **Disclosure standards:** The standards differentiate between comprehensive, limited, and minimum disclosures based on transaction types and thresholds, enabling a nuanced approach to transparency without overburdening routine transactions.
- **External validation:** To ensure objectivity and fairness, valuation reports or external assessments are required for certain transactions, adding an additional layer of validation and integrity to the approval process.

## Our comments

While these standards provide a uniform framework, the nature and complexity of RPTs can vary significantly across industries, from manufacturing to financial services. Each sector has its unique transactional dynamics, risk profiles, and regulatory nuances, influencing the information required for RPT reviews. To address this variance, SEBI's approach allows for industry-specific adaptations while maintaining core transparency and disclosure principles. Collaborative efforts among industry bodies, regulators, and corporates will be crucial to refining these standards for sector-specific applicability without diluting governance objectives.

This move also emphasises the growing importance of governance in India's evolving corporate landscape. As RPTs can pose potential conflicts of interest, standardising the information flow ensures accountability and promotes ethical business practices.

SEBI's initiative sets a precedent for regulatory bodies worldwide by balancing compliance requirements with industry inputs, paving the way for enhanced corporate governance and stakeholder trust. As companies gear up for this change, the role of governance professionals will be crucial in navigating this transition effectively.

This SEBI initiative is not just about compliance—it's about reinforcing trust in the corporate ecosystem.

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GTBharat@in.gt.com

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