To,

All entities that have listed their specified securities
All the Recognized Stock Exchanges

Madam / sir,

Subject: Clarification on applicability of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions

1. Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (‘LODR Regulations’) was amended vide notification dated November 9, 2021, inter-alia, enhancing the scope of related party, related party transactions (RPTs) and the materiality threshold for seeking shareholder approval.

2. Based on the representations received from listed entities and industry bodies, it has been decided to provide the following clarifications and guidance for smooth implementation of the amended Regulation 23 of the LODR Regulations:

(i) For an RPT that has been approved by the audit committee and shareholders prior to April 1, 2022, there shall be no requirement to seek fresh approval from the shareholders.

(ii) Regulation 23(8) of the LODR Regulations specifies that all existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

In accordance with the said regulation, an RPT that has been approved by the audit committee prior to April 1, 2022 which continues beyond such date and becomes material as per the revised materiality threshold shall be placed before the shareholders in the first General Meeting held after April 1, 2022.

(iii) It is reiterated that an RPT for which the audit committee has granted omnibus approval, shall continue to be placed before the shareholders if it is material in terms of Regulation 23(1) of the LODR Regulations.
3. Transparency, accountability and shareholder empowerment are the bedrock of robust corporate governance. Listed entities, therefore, shall ensure to comply with the spirit of the law and endeavor to provide relevant and detailed information to enable and empower shareholders for taking an informed decision.

The explanatory statement contained in the notice sent to the shareholders for seeking approval for an RPT shall provide relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed RPT are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into between two unrelated parties.

The information so provided shall include but not be limited to the information specified in circular dated November 22, 2021 so as to enable to the shareholders to take an informed decision.

4. This Circular shall come into force with effect from April 1, 2022. The Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities that have issued specified securities and also disseminate on their websites.

5. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 101 of the LODR Regulations.

6. This Circular is available at www.sebi.gov.in under the link “Legal ➔ Circulars”.

Yours faithfully,

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