

PREFACE TO THIRD EDITION

In contemporary business practice, transactions of commercial and financial nature between entities are inevitable. Companies frequently operate through subsidiaries, joint ventures, and affiliated enterprises, creating networks of relationships that extend beyond direct transactions. These ties can influence financial outcomes and the overall position of an organization, even in situations where no exchange of goods or services takes place.

When related parties engage in transactions, the terms may differ from those applied to independent third parties. Preferential pricing, unique conditions, or arrangements that would not occur in an arm's length scenario can arise simply because of the existing relationship. Moreover, the presence of control or significant influence can shape strategic and operational decisions, subtly altering how an entity interacts with other stakeholders.

For this reason, disclosure of related party relationships is not merely a compliance requirement but a cornerstone of transparency. Even in the absence of actual transactions, acknowledging such connections ensures that stakeholders have a clear view of potential influences on the company's decisions and performance.

Recent amendments in the regulatory scenario have further strengthened the role of independent directors and audit committees, emphasizing the importance of impartiality in approving and monitoring such transactions. These transformations highlighting the growing prominence of RPTs in the governance framework and the need for professionals to remain updated with the latest provisions and practices have led to the development of the **Guidance Note on Related Party Transactions (Revised Edition, 2026)**.

The Guidance Note seeks to provide a comprehensive understanding of the updated legal provisions, compliance requirements, and practical procedures associated with RPTs. It aims to serve as a valuable resource for corporates, professionals, and stakeholders in navigating the complexities of related party dealings with integrity and transparency.

I place on record my sincere appreciation for the dedicated efforts of the members of the Secretarial Standards Board ('SSB') under the

leadership of CS Nagendra D Rao, Chairman, SSB, ICSI as well as the sub-group constituted for the purpose comprising CS Sudhakar Saraswatula, CS Savithri Parekh, CS Pradeep Ramakrishnan, CS Sanjeev Grover, CS Makarand Joshi, CS B Shanmugasundaram, CS Pankaj Tandon & CS Prajot Tungare. It is their collective wisdom and commitment that have shaped this publication.

I commend the dedicated efforts put in by CS Iqra Jabeen Ansari, Executive (Academics), CS Sukhmeet Suri, Executive (Academics), CS Khusbu Mohanty, Deputy Director, ICSI, CS Anamika Chaudhary, Joint Director, ICSI, CS Deepa Khatri, Joint Director, ICSI in bringing out this Guidance Note under the able guidance of CS Lakshmi Arun, Director, Directorate of Governance & Professional Development, ICSI and leadership of CS Asish Mohan, Secretary, ICSI.

Improvement is a continuous journey, and this Guidance Note is no exception. I warmly invite suggestions and comments from readers to further enrich and refine future editions.

I would urge corporates and my professional colleagues to actively adopt and promote compliance with the applicable laws on RPTs and in doing so utilise the guidance in this publication to the fullest. In doing so, they will not only ensure compliance but also strengthen the fabric of corporate governance in India.

Place: Pune

CS Pawan G Chandak

Date: June 13, 2026

President

The Institute of Company Secretaries of India