



Report of the Directors on

# Corporate Governance

CRISIL has been practicing the principles of good corporate governance over the years. The Company has adopted best practices for corporate governance, disclosure standards and enhancing shareholder value while protecting the interests of other stakeholders, clients, suppliers and its employees.

The Directors present below the Company's policies and practices on corporate governance.

## Board of Directors

### Size and Composition of the Board:

The Board of Directors has 9 members. The Board comprises of three independent Directors. As per the Articles of Association of the Company, the Board can have up to 15 members. The Company has three alternate Directors. The Company does not have any nominee Director. The Chairman is a non whole-time independent Director. Mr. B.V. Bhargava, Mr. H.N. Sinor and Ms. Rama Bijapurkar are the Independent Directors on the Board of the Company.

### Membership Term:

As per the Articles of Association of the Company, at least two-third of the Board of Directors should be retiring Directors. One-third of these Directors are required to retire every year and if eligible, the retiring Directors qualify for re-appointment. The Board has adopted the following guidelines regarding the appointment and tenure of a non-whole time Director on the Board.

1. No Director should generally hold directorships in more than 10 Indian public limited companies.
2. Every Director is expected to attend at least 60% of the Board meetings held in a year. While re-appointing Directors on the

Board and Committees of the Board, the contribution and attendance record of the concerned Director should be considered.

3. Any Director, who has been on CRISIL's Board for more than 10 years, should not normally continue to hold office as a Director of CRISIL. The change of Directors on the Board of CRISIL, if carried, would be so accomplished that at no point of time, the average term of the members on the Board is reduced unreasonably.

Whole-time Directors are appointed by the shareholders for a maximum period of five years but can be re-appointed on completion of their term, if eligible.

### Criteria for Board Membership:

The members of the Board of Directors of the Company are eminent persons of proven competence and integrity. The Board comprises of individuals with personal characteristics and core competencies such as the recognition of the importance of the Board's tasks, integrity, sense of accountability and track record of achievements. Besides having financial literacy, experience, leadership qualities and the ability to think strategically, the Directors have a significant degree of commitment to the Company and devote adequate time for the meetings, preparation and attendance. Board members possess the education, expertise, skills and experience in various sectors and industries required to manage and guide the Company.

None of the Directors is a relative of a whole-time Director or of an Independent Director and is expected not to serve any independent or executive position in any Company that is a direct competitor. None of the non whole-time Directors of the Company have any pecuniary relationships or transactions with the Company. Whole-time Directors are excluded from serving on the Board of any other entity unless the

said entity is an entity whose interests are germane to the business of the Company.

#### Succession Policy:

The Board constantly evaluates the contribution of its members and recommends to shareholders their re-appointment periodically as per the statute. The current law in India mandates the retirement of one-third of the retiring board members every year and qualifies the retiring Board members for re-appointment. Whole-time Directors are appointed by the shareholders for a maximum period of five years at one time but are eligible for re-appointment upon completion of their term. Non whole-time Directors do not have any term but retire by rotation as per the law.

The Board has adopted a retirement policy for its members. Under this policy, any Director, who has been on CRISIL's Board for more than 10

years, should not normally continue to hold the office as a Director of CRISIL subject to balancing the need for continuity. The maximum age of retirement of whole-time Directors is 58 years, which is the age of superannuation for the employees of the Company.

#### Memberships of other Boards:

Independent Directors are not expected to serve on the Boards of competing Companies. No Director of the Company is a member of more than ten committees or act as Chairman of more than five committees across all Indian public limited companies in which he/she is a Director. Furthermore, every Director informs the Company about the committee positions he/she occupies in other companies and notifies the changes as and when they take place. The details of other directorships held by the Company's Directors in public limited companies and their shareholdings are given below:

Name of the Director	Memberships on other Boards	Committee Memberships
B.V. Bhargava	Excel Crop Care Limited	Chairman, Audit Committee and Remuneration Committee
	Grasim Industries Limited	Chairman, Audit Committee and Member, Finance Committee
	Grasim Bhiwani Textiles Limited	Chairman, Audit Committee
	ICICI Lombard General Insurance Co. Limited	-
	J. K. Lakshmi Cement Limited	Chairman, Audit Committee
	L&T Infrastructure Finance Company Limited	Chairman, Investment and Credit Committee
	National Commodity & Derivatives Exchange Limited	Member, Audit Committee and Nomination Committee
	Raymond Limited	Member, Audit Committee and Remuneration Committee
	SI Group – India Limited	Member, Audit Committee and Shareholders Grievance Committee
	Supreme Industries Limited	Member, Remuneration Committee
H.N. Sinor	3i Infotech Limited	Chairman, Board Governance Committee and Member, Nomination Committee
	3i Infotech Holdings Pvt. Limited, Mauritius	-
	Gujarat Alkalies and Chemicals Limited	Chairman, Audit Committee
	ICICI Venture Funds Management Co. Limited	Chairman, Supervisory Board & Audit Committee for fund I & II
	ICICI Lombard General Insurance Co Limited	Member, Board Governance Committee & Audit Committee
	National Commodity & Derivatives Exchange Limited	Chairman, Board Governance & Remuneration Committee, Member, Nomination Committee
	National Collateral Management Services Limited	Chairman, Board Governance & Remuneration Committee and
	Tata Investment Corporation Limited	Member, Audit Committee, Chairman, Asset Liability Management Committee
	Tata Motors Finance Limited	-
	Tata Capital Limited	-
	Themis Medicare Limited	Chairman, Audit Committee, Member, Remuneration Committee

Name of the Director	Memberships on other Boards	Committee Memberships
Rama Bijapurkar	Ambit Holdings Pvt. Limited	Member, Compensation Committee
	AXIS Bank Limited	Member, Remuneration and Nomination Committee
	CRISIL Risk and Infrastructure Solutions Limited	-
	Entertainment Network (India) Limited	-
	Godrej Consumer Products Limited	Member, Audit Committee and Compensation Committee and Chairperson, Nomination Committee and Human Resources Committee
	Infosys Technologies Limited	Member, Audit Committee and Chairperson, Investor Grievance Committee
	Mahindra Holidays & Resorts India Limited	Member, Audit Committee
	Subhiksha Trading Services Limited	-
	ICICI Prudential Life Insurance Company Limited	-
	Thomas Schiller	CRISIL Risk and Infrastructure Solutions Limited
Deven Sharma	-	-
Vickie Tillman	-	-
David Pearce	-	-
R. Ravimohan	CRISIL Credit Information Services Limited	-
	CRISIL Risk and Infrastructure Solutions Limited	-
	Gas Strategies Group Limited, U.K	-
	India Index Services & Products Limited	-
	Irevna Limited (UK)	-
	Irevna LLC (US)	-
	National Commodity & Derivatives Exchange Limited Whistling Woods Intl. Foundation	-
Richard Gallagher (Alternate Director)	-	-
Michael Petit (Alternate Director)	-	-
Ravinder Singhanian (Alternate Director)	Assets Care Enterprise Limited Unitech Limited	- -
Roopa Kudva	CRISIL Credit Information Services Limited	-
	Irevna Limited (UK)	-
	Irevna LLC (US)	-
	India Index Services & Products Limited	-

## Details of Shareholdings of Directors as on December 31, 2007

Name of the Director	No. of shares held
B.V. Bhargava	-
H.N. Sinor	-
Rama Bijapurkar	-
Deven Sharma	-
Vickie Tillman	-
Thomas Schiller	-
David Pearce	-
R. Ravimohan	30000
Richard Gallagher, Alternate Director	-
Ravinder Singhanian, Alternate Director	-
Michael Petit, Alternate Director	-
Roopa Kudva, Managing Director & CEO	42000

## Responsibilities:

The Board looks at strategic planning and policy formulation. The Board meets at least once in every three months to review the Company's operations and the maximum time gap between any two meetings is not more than four months. During the year ended December 31, 2007, the Board met five times on 27.02.2007, 27.04.2007, 06.07.2007, 27.07.2007 and 26.10.2007. Most Board meetings were well-attended as shown below. The agenda of Board meeting is sent to all the Directors well in advance and contains all the relevant information. The Company has an Executive Committee comprising of the Managing Director and a team of senior management personnel with proper

demarcation of responsibilities and authority. The Managing Director is responsible for corporate strategy, planning, external contacts and Board matters. The senior management personnel heading respective divisions are responsible for all day-to-day operation related issues, profitability, productivity, recruitment and employee retention for their divisions. Mr. Hemant Joshi looks after the infrastructure advisory and risks solutions business which has been transferred to a wholly owned subsidiary during the year. Mr. Raman Uberoi looks after domestic ratings business, Mr. Arun Panicker looks after research business and Mr. G.V. Mani looks after the offshoring business.

Director	No. of Board meetings held	No. of Board meetings attended	Last Annual General Meeting attendance
B.V. Bhargava	5	5	Yes
M.G. Bhide*	5	5	Yes
H.N. Sinor**	5	NA	NA
Rama Bijapurkar	5	3	No
Thomas Schiller	5	4	Yes
Deven Sharma	5	3	No
Vickie Tillman	5	4	Yes
David Pearce	5	3	Yes
Ravinder Singhanian***	5	3	Yes
R. Ravimohan	5	5	Yes
Roopa Kudva****	5	1	NA

\* ceased to be a Director with effect from 26.10.2007

\*\*\* ceased to be a Director with effect from 27.07.2007

\*\* appointed as a Director with effect from 26.10.2007

\*\*\*\* appointed as MD &amp; CEO with effect from 27.07.2007

There were no personal transactions by the Directors involving a conflict of interest with the Company. The Company has a Code of Ethics and Personal Trading Policy for Directors and employees. The Code of Ethics contains policies on confidentiality, gifts and favours and false and misleading information or disclosures. The Personal Trading Policy contains regulations, policies, procedures and restrictions relating to personal investments by the Directors and employees. The policy also prohibits trading in securities of any company on the basis of unpublished price-sensitive information.

#### Remuneration Policy

##### 1) Remuneration to non whole-time Directors:

Non whole-time Directors are paid sitting fees for each meeting of the Board or its Committee attended by them and are also eligible for commission. The commission payable to each of the non whole-time Director is limited to a fixed sum per year as determined by the Board and is revised from time to time, depending on individual contribution, the Company's performance and the prevailing norms. The members of the Company at the meeting held on April 27, 2007 had authorized payment of commission to the non whole-time Directors upto 3% of the net profits of the Company determined in accordance with the provisions of the section 198, 349 and 350 of the Companies Act, 1956 subject to the approval of the Central Government. The Company has received the approval of the Central Government to pay remuneration not exceeding 3% of the net profits to the non whole-time Directors for a period of five years with effect from April 01, 2003.

##### 2) Whole-time Directors and other employees of the Company:

The remuneration and reward structure for the whole-time Directors and employees comprises two broad components – short-term remuneration and long-term rewards. The Compensation Committee, comprising of two independent

Directors, determines the remuneration of the whole-time directors and determines guidelines for remuneration payable to the employees. These guidelines are as under:

##### a) Short-Term Remuneration:

Short-term remuneration refers to the annual compensation payable to whole-time directors and employees of the Company. This comprises two parts, the fixed component and the performance-linked variable component. Total remuneration is set at levels to attract, motivate and retain high calibre and high potential personnel within a competitive global market. Total remuneration level is reset annually based on a comparison with the relevant peer group in the Indian market. An independent consultant, who does no other consulting work for CRISIL, executes the assignment. Every employee signs a performance contract, which clearly articulates the key performance measures for that particular defined role. The variable pay is directly linked to the performance on individual components of the performance contract. An employee's variable pay is, therefore, directly dependent on key performance measures that represent the best interests of the shareholders. The remuneration levels and the performance contracts are finalised under the overall supervision, guidance and approval of the Compensation Committee.

##### b) Long-Term Remuneration and Rewards:

Long-term remuneration and rewards primarily comprise of stock options, which are granted to eligible employees based on their contribution to the company over the years, relative position in the organisation, length of service etc. The employee stock option scheme is administered and supervised by Compensation Committee. Non whole-time Directors are not eligible for participating in the stock option scheme.

## Sitting Fees and Commission paid to non whole-time Directors

(In Rs.)

Name of the Director	Sitting Fees	Commission	Total
B.V. Bhargava	380,000	1,440,000	1,820,000
M.G. Bhide*	200,000	1,200,000	1,400,000
H.N. Sinor**	NA	NA	NA
Rama Bijapurkar	100,000	1,320,000	1,420,000
Deven Sharma	60,000	720,000	780,000
Vickie Tillman	100,000	720,000	820,000
Thomas Schiller	180,000	720,000	900,000
David Pearce	120,000	720,000	840,000
Ravinder Singhania***	60,000	360,000	420,000
R. Ravimohan****	60,000	720,000	780,000
Total	1,260,000	7,920,000	9,180,000

\* ceased to be a Director with effect from 26.10.2007

\*\* appointed as a Director with effect from 26.10.2007

\*\*\* ceased to be a Director with effect from 27.07.2007

\*\*\*\* appointed as a Director with effect from 27.07.2007

## Remuneration Paid to whole-time Directors for the year ended December 31, 2007

(Rs. in Lakhs)

Name	R. Ravimohan*	Roopa Kudva
Salary	35.86	64.55
Perquisites	13.72	3.36
Commission	24.50	40.00
Provident Fund Contribution	2.69	2.55
Appointment valid till	NA	July 27, 2012
Notice period	NA	3 months
Options granted during the year	Nil	Nil

\*R. Ravimohan was the Managing Director and CEO of the Company till July 27, 2007.

## Dividend Policy:

CRISIL believes in maintaining a fair balance between cash retention and dividend distribution. Cash retention is required to finance acquisitions and future growth and also as a means to meet any unforeseen contingency. CRISIL is also conscious of maintaining stability in its dividend payout over the years. CRISIL's current dividend policy is to distribute dividend in excess of its assessment of cash requirements over the next two years.

The Board of Directors is of the view that retention of approx. Rs. 90 crores is desirable for the year ended December 31, 2007. This

is based on the Management's estimate of cash requirements for continuing operations as well as for any potential requirement to finance future growth. This leaves the Company with a distributable cash of about Rs. 21 crores which is recommended for distribution which translates into a dividend rate of 250%.

## Board Committees

The Board has constituted committees consisting of whole-time and non whole-time Directors to focus on the critical functions of the Company.

#### Rating Committee:

The Rating Committee comprises of one non whole-time Director - Mr. B.V. Bhargava (Chairman) and one whole-time Director Ms. Roopa Kudva and other senior personnel of the Ratings Division. The Committee takes decisions on new ratings and existing rating reviews, approves new products, criteria and parameters. The Committee meets regularly.

#### Audit Committee:

Audit Committee comprises of three non-executive Directors who are well-versed with corporate laws. Mr. M.G. Bhide was the Chairman and Member of the Audit Committee till October 26, 2007. Mr. H.N.

Sinor was appointed member on the audit committee with effect from October 26, 2007 and Chairman with effect from February 18, 2008. Mr. B.V. Bhargava and Mr. David Pearce are the other members of the audit committee. The Chairman of the Audit Committee remains present at the Annual General Meeting. The external and internal auditors of the Company are invited to attend the Audit Committee meetings to brief members. The Company Secretary is the secretary of the committee. The Audit Committee met five times during the year on 06.02.2007, 27.02.2007, 27.04.2007, 27.07.2007 and 26.10.2007. Mr. David Pearce attended the meeting held on 06.02.2007 through teleconference.

Director	No. of committee meetings held	No. of committee meetings attended
M.G. Bhide*	5	5
H.N. Sinor**	5	NA
B.V. Bhargava	5	5
David Pearce	5	3

\* ceased to be a member with effect from 26.10.2007

\*\* appointed as member with effect from 26.10.2007

The terms of reference for the Audit Committee are as follows-

1. Overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements.
2. Recommendation of the appointment and removal of statutory auditors and fixation of their remuneration and approving their payment for any other services rendered by them.
3. Reviewing of the quarterly and annual financial statements before submission to the Board.
4. Reviewing the adequacy of the internal control systems
5. Reviewing the adequacy of the internal audit functions, discussing any significant findings and follow thereon.
6. Discussing on the nature and scope of audit with the statutory auditors.
7. Reviewing the financial and risk management policies
8. Examination of reasons for substantial defaults, if any, in payment

to stakeholders

9. Providing direction to the internal audit functions and monitors the quality of internal and statutory audit.
10. Review the functioning of the Whistle Blower mechanism

The composition, procedures, role, powers and the terms of reference of the Audit Committee are as stipulated in section 292A of the Companies Act, 1956 and clause 49 of the listing agreement.

#### Investment Committee:

The Investment Committee comprises of three non-executive Directors - Mr. B.V. Bhargava (Chairman), Mr. Thomas Schiller, Ms. Vickie Tillman and one executive Director, Ms. Roopa Kudva. Ms. Roopa Kudva was appointed as a member of the Investment Committee with effect from October 26, 2007. The Investment Committee lays down policy guidelines and procedures for investing the Company's funds and reviews this activity at regular intervals. The Investment Committee met once during the year on 26.10.2007

Director	No. of committee meetings held	No. of committee meetings attended
B.V. Bhargava	1	1
Thomas Schiller	1	1
Vickie Tillman*	1	1
R. Ravimohan**	1	1
Roopa Kudva***	1	NA

\* attended by the alternate director

\*\*ceased to be a member with effect from October 26, 2007

\*\*\*appointed as a member with effect from October 26, 2007

#### Investors Grievance Committee:

The Investors Grievance Committee comprises of two non-executive Directors, Mr. B.V. Bhargava (Chairman), Mr. Thomas Schiller and one executive Director, Ms. Roopa Kudva. Ms. Roopa Kudva was appointed as a member of the Investor Grievance Committee with effect from

October 26, 2007. The committee periodically reviews the status of investor grievances and redressal of the same. The Committee met four times during the year on 27.02.2007, 27.04.2007, 27.07.2007 and 26.10.2007.

Director	No. of committee meetings held	No. of committee meetings attended
B.V. Bhargava	4	4
Thomas Schiller	4	4
R. Ravimohan*	4	4
Roopa Kudva**	4	NA

\* ceased to be a member with effect from October 26, 2007

\*\* appointed as a member with effect from October 26, 2007

#### Compensation Committee:

The Compensation Committee comprises of five non-executive Directors, Mr. B.V. Bhargava (Chairman), Ms. Rama Bijapurkar, Mr. Thomas Schiller, Mr. Deven Sharma, and Mr. R. Ravimohan. Mr. R. Ravimohan was appointed as a member of the Compensation Committee with effect from October 26, 2007. The Chairman of the Compensation Committee was present at the Annual General Meeting held on April 27, 2007. The Committee ensures that a proper system of compensation exists to provide performance-based incentives to all employees of the Company. The Committee considers and approves

salary, commission and other emoluments payable to the whole-time Directors and employees of the Company. The annual compensation of the whole-time Directors is determined by the Compensation Committee within the limits set by the shareholders at the general meeting. It also recommends to the Board, the remuneration payable to non whole-time Directors within the limits laid down by the shareholders at the general meeting and in accordance with other applicable laws. The Committee met twice during the year on 15.02.2007 and 15.03.2007.

Director	No. of committee meetings held	No. of committee meetings attended
B.V. Bhargava	2	2
Rama Bijapurkar	2	2
Thomas Schiller	2	-
Deven Sharma	2	-
R. Ravimohan*	2	NA

\* appointed as a member with effect from October 26, 2007

### Allotment Committee:

The Allotment Committee has been formed to complete the formalities prescribed under the Companies Act, 1956 and to authorise officials of the Company to file forms and returns with regulatory authorities. The Allotment Committee comprises of two non-executive Directors, Mr. B.V. Bhargava, as its Chairman,

Ms. Rama Bijapurkar and one executive Director, Ms. Roopa Kudva. Ms. Roopa Kudva was appointed as a member of the Allotment Committee with effect from October 26, 2007. The Committee allots shares to the Directors/employees who have exercised options under the Employee Stock Option Scheme. The Committee met twice during the year on 30.03.2007 and 13.09.2007.

Director	No. of committee meetings held	No. of committee meetings attended
B.V. Bhargava	2	2
Rama Bijapurkar	2	-
R. Ravimohan*	2	2
Roopa Kudva**	2	NA

\* ceased to be a member with effect from October 26, 2007

\*\* appointed as a member with effect from October 26, 2007

### Shareholders

#### Means of Communication

1. Half Yearly Newsletter: The Company sends a half-yearly newsletter giving details of the Company's financial performance including a summary of significant events in the last six months to the shareholders.
2. Quarter and Annual financial results are published in the leading national and regional newspaper and displayed on the Company's website.
3. Quarter and Annual Results, Shareholding Pattern and Annual Report are posted on SEBI's EDIFAR website.
4. News Release, Press Releases and presentation made to investors and analysts are displayed on the Company's website.
5. Annual Report is circulated to all the members and also available on Company's website.

The Management Discussion and Analysis Report form a part of the Annual Report.

In case of appointment or re-appointment of a Director, members are provided a brief resume of the Director, the nature of his/her expertise in specific functional areas, the names of the Companies in which he/she holds directorship and membership of Committees of the Board.

#### Grievance Redressal

The Board has formed an Investor Grievance Committee to review and redress the complaints received from shareholders. The Committee meets periodically to consider the status of the investor grievances received and redressed along with the ageing schedules of pending complaints. The Board has authorised Mr. Rajesh Patel, Director-Finance & Compliance and Mr. Shrikant Dev, Company Secretary, to approve the transfer and transmission of shares.

A secretarial audit is conducted by an independent practising company secretary on quarterly basis to confirm reconciliation of the issued and listed capital, dematerialized capital and status of the register of members.

The Auditors' Certificate of Corporate Governance is annexed with the Directors' Report and will be sent to the stock exchange at the time of filing the annual returns of the Company.

#### General Body Meetings:

The location, time and venue of the last three Annual General Meetings were as under:

Nature of Meeting	Date and Time	Venue
Eighteenth Annual General Meeting	July 21, 2005 at 3.30 p.m.	Convention Hall, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Mumbai - 400 021.
Nineteenth Annual General Meeting	April 12, 2006 at 3.30 p.m.	Convention Hall, Yashwantrao Chavan Pratishthan, Gen. Jagannath Bhosale Marg, Mumbai - 400 021.
Twentieth Annual General Meeting	April 27, 2007 at 3.30 p.m.	Babasaheb Dahanukar Hall, Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, Fort. Mumbai - 400001.

Special Resolutions passed at the last three general body meetings were as under:

At the Eighteenth Annual General Meeting held on July 21, 2005

- Nil

At the Nineteenth Annual General Meeting held on April 12, 2006

- Nil

At the Twentieth Annual General Meeting held on April 27, 2007

- Payment of remuneration by way of commission not exceeding three percent per annum of the net profits to be paid to all Non Whole-time Directors for a period of five years from January 1, 2008

#### Postal Ballot System:

As per Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 the consent of the shareholders was obtained to transfer the Advisory Business of the Company to its wholly owned subsidiary company CRISIL Risk and Infrastructure Solutions Limited (earlier known as CRISIL MarketWire Limited). Dr. K.R. Chandratre, Practicing Company Secretary was appointed as a Scrutinizer, who conducted the postal ballot voting process. The results of the postal ballot were announced by the Chairman at the 20th Annual General Meeting and were posted on the website. The votes casted in favour of the resolution were 99.99% of the valid votes.

No Special resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting

#### Disclosures

During the year, there were no material related-party transactions i.e. transactions of the Company of a material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large. Other related-party transactions are mentioned in the notes to the accounts.

There was no non-compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to the capital markets during the last three years.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. The Company has also complied with the non-mandatory requirements relating to publication of half yearly results, having unqualified financial statements, having a Whistle Blower Policy and also has a mechanism for evaluating non-executive Board members.

#### CRISIL- Code of Conduct for Directors and Senior Management

The Board of Directors of CRISIL has adopted the Code of Conduct for Directors and Senior Management and the same is available on the website of the Company.

#### Whistle Blower Policy:

The Company has a Whistle Blower Policy for the period under review. All the employees of the Company are free to report violations of laws, rules, regulations or unethical conduct to Audit Committee under this policy. There has been no instance of any employees acting under this policy.