Policy for Determining Materiality for Disclosures

Under Regulation 30 of Listing Regulations

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Policy for Determining Materiality for Disclosures under Regulation 30 of Listing Regulations

1.0 OBJECTIVE

SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Regulations”) requires every Listed Entity to disclose events or information (collectively called Events) which, in the opinion of the Board of Directors of the Company, are material.

Regulation 30 of the SEBI Regulations prescribes norms for such disclosure of material information pertaining to the Listed Entity as under:

a) Events specified in Para A of Part A of Schedule III of the SEBI Regulations are required to be disclosed irrespective of application of any quantitative or qualitative materiality thresholds as these are “deemed” to be material. The applicable events (also referred to as “deemed disclosures”), so specified presently, are given in Annexure 1.

b) Events specified in Para B of Part A of Schedule III of the SEBI Regulations are required to be disclosed to the stock exchanges if they are considered as material by the Company. The applicable events, so specified presently, are given in Annexure 2.

c) Events to which neither Para A nor B of Schedule III applies, should be disclosed if such Events are considered as material by the Company.

This Policy has been framed by the Board of Directors of CRISIL Limited (hereinafter referred to in this Policy as “CRISIL” or “the Company” or “the Listed Entity”) with the objective of determining materiality of Events under 1(b) and (c) above, in terms of Regulation 30(4(ii)) of the SEBI Regulations and other incidental matters. The Policy applies in respect of disclosure of material event occurring within CRISIL as well as its subsidiaries.

2.0. AUTHORISED PERSONS

The Chief Financial Officer of CRISIL will be the custodian of the disclosure process. In the event of absence of the Chief Financial Officer on account of vacancy, leave, temporary inaccessibility for any reason, his powers and functions, for the compliance of this Policy, shall be undertaken by the Compliance Officer of CRISIL (Both Chief Financial Officer and Compliance Officer are hereinafter individually referred to “Authorised Officer”).
Policy for determining materiality for disclosures

The Authorised Officer shall have the powers and responsibilities as specified in this Clause:

1. To take a view on the materiality of an event which may qualify for disclosure and resolve any computation and interpretation issues whilst making the materiality assessment.
2. To determine the appropriate time at which the disclosures are to be made to the stock exchanges, based on an assessment of actual time of occurrence of an event to be reported.
3. To review and finalise the details to be disclosed, in consultation with CRISIL MD & CEO.
4. To make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations.
5. To consider such other events that may require disclosure to be made to the stock exchanges which are not explicitly defined in the SEBI Regulations and determine the materiality, appropriate time and contents of disclosure for such matters.
6. To formulate operational guidelines for deployment of this Policy.

3.0. DISCLOSURE PROCESS

1. Any Event purported to be reported under Regulation 30 of SEBI Regulations (reproduced in Annexure 1 and 2 for ease of reference) shall be informed to the Authorised Person on an immediate basis upon occurrence, with adequate supporting data/information to facilitate a prompt and appropriate disclosure. Any other Event, even if not covered under the SEBI Regulations but is potentially of price sensitive nature or non-disclosure of which would result in discontinuity or alteration of publicly available information or is likely to result in a significant market reaction if disclosed at a later date, must also be informed, for further evaluation to the Authorised Person.
2. The Authorised Person will be responsible for ascertaining whether an Event is to be reported on the basis of nature of information, applicability of deeming provisions, relevant impact in terms of discontinuity of market information and materiality. The Secretarial, Finance and Compliance Teams shall assist the Authorised Person in such assessment.
3. After evaluation, the Authorised Person shall issue a suitable disclosure notification to the Stock Exchanges, in consultation with the CRISIL MD & CEO. The Secretarial Team shall assist Authorised Person in such issuance.
4. CRISIL shall use the electronic facilities provided by the Stock exchanges for dissemination in the first instance. Information may subsequently also be disclosed via other media, including the press, website and direct email.
5. Statutory timeframes for disclosure shall be adhered with. Delay, if any, should be sufficiently explained along with the disclosure.
6. Regular updates, where relevant, shall be made with relevant explanations.

4.0 MATERIALITY ASSESSMENT

Materiality of an Event must be determined on a case to case basis depending on specific facts and circumstances relating to it. Such determination shall be done on both qualitative and quantitative grounds. The primary approach however shall be qualitative. The criteria given hereunder shall be used as a guide or reference for determining materiality and arriving at the overall decision on whether to report the Event by the Chief Financial Officer. These criteria shall apply to Events specified in Para B of Part A of Schedule III of the SEBI Regulations only (reproduced in Annexure 2 for ease of reference).

Qualitative Criteria - CRISIL shall apply the qualitative criteria for materiality assessment as defined under SEBI Regulation as below:

1. The omission of an Event, which is likely to result in discontinuity or alteration of already available information publicly; or
2. The omission of an Event, which is likely to result in significant market reaction if the said omission came to light at a later date;
3. In case where the criteria specified in sub-clauses (1) and (2) of Qualitative Approach and all clauses of Quantitative Approach are not applicable, an Event may be treated as being material if in the opinion of the Authorised Person, it is considered material.

Quantitative Criteria- CRISIL shall apply the following quantitative criteria for materiality assessment. The following will be the materiality criteria:

1. An Event specified in Annexure 2 would be considered material if the impact of the Event, if measured in
   • total income terms, exceeds 5% of the consolidated income of CRISIL
   • profit after tax terms, exceeds 10% of the consolidated profit of CRISIL
   • net worth terms, exceeds 20% of the net worth of CRISIL
of the above thresholds, the parameter which is directly and materially impacted by an event or information will be considered for materiality assessment.

2. Only such impact which is direct (not derivative), reasonably perceivable (not remote), quantifiable and having a short term horizon of less than two years shall be considered.

3. The above threshold shall be determined on the basis of audited consolidated financial statements of CRISIL’s last audited financial year.

5.0 AVAILABILITY OF DISCLOSURES

All disclosures made under Regulation 30 of SEBI Regulation shall be available on the CRISIL website for a period of 5 years and will thereafter be archived.

6.0 POLICY REVIEW

This Policy is framed based on the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as on September 2, 2015. In case of any subsequent changes in the provisions of the SEBI Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with the SEBI Regulations or any other law, the provisions of the SEBI Regulations or such law would prevail over the Policy. The provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Board or once in three years whichever is earlier

The list of Events in Annexure 1, as it stands today may be updated, from time to time, by authorised persons, to reflect any changes to the SEBI Regulations and the updated version be issued and published as necessary, without any requirement for approval from the Audit Committee or the Board of Directors.
Annexure 1

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/merger/demergerdemergerdemergerdemergerdemergerdemergerdemergerdemerger/restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the listed entity or any other restructuring.

Explanation.- For the purpose of this sub-para, the word 'acquisition' shall mean,-

(i) acquiring control, whether directly or indirectly; or,
(ii) acquiring or agreeing to acquire shares or voting rights in, a company, whether directly or indirectly, such that -
   (a) the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company, or;
   (b) there has been a change in holding from the last disclosure made under sub-clause (a) of clause (ii) of the Explanation to this sub-para and such change exceeds two per cent of the total shareholding or voting rights in the said company.

2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.

3. Revision in Rating(s).

4. Outcome of Meetings of the board of directors: The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider the following:

a) dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;

b) any cancellation of dividend with reasons thereof;

c) the decision on buyback of securities;

d) the decision with respect to fund raising proposed to be undertaken

e) increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
f) reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;

g) short particulars of any other alterations of capital, including calls;

h) financial results;

i) decision on voluntary delisting by the listed entity from stock exchange(s).

“Provided that in case of board meetings being held for more than one day, the financial results shall be disclosed within thirty minutes of end of the meeting for the day on which it has been considered”

5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.

6. Fraud/defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter.

7. Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer.

8. Appointment or discontinuation of share transfer agent.

9. Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions including the following details:
   i. Decisions to initiate resolution of loans/borrowings;
   ii. Signing of Inter-Creditors Agreement (ICA) by lenders;
   iii. Finalization of Resolution Plan;
   iv. Implementation of Resolution Plan
   v. Salient features, not involving commercial secrets, of the resolution/restructuring plan as decided by lenders.”

10. One time settlement with a bank.

11. Reference to BIFR and winding-up petition filed by any party / creditors.
12. Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity.

13. Proceedings of Annual and extraordinary general meetings of the listed entity.

14. Amendments to memorandum and articles of association of listed entity, in brief.

15.a) Schedule of Analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors.

   Explanation: For the purpose of this clause ‘meet’ shall mean group meetings or group conference calls conducted physically or through digital means.

b) Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner:

   i. the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier;

   ii. the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls

16. In case of resignation of the auditor of the listed entity, detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the listed entities to the stock exchanges as soon as possible but not later than twenty four hours of receipt of such reasons from the auditor.

17. Resignation of independent director including reasons for resignation: In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the listed entities:

   i. Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the listed entities to the stock exchanges.

   ii. The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided.
iii. The confirmation as provided by the independent director above shall also be disclosed by
the listed entities to the stock exchanges along with the detailed reasons as specified in sub-
clause (i) above.

18. Events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate
debtor under the Insolvency Code in Para A of Part A of Schedule III of the SEBI Listing
Regulations.

19. In case of forensic audit, (by whatever name called), the following disclosures shall be made to
the stock exchanges:
   a) The fact of initiation of forensic audit along with name of entity initiating the audit and reasons
      for the same, if available;
   b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement
      agencies) on receipt by the company along with comments of the management, if any.

   Explanation:
   For the purpose of disclosure, forensic audit initiated by the management, lenders, or
   regulatory/enforcement agencies would:

   i. cover only those audits which are initiated with the objective of detecting any
      misstatement in financials or misappropriation/siphoning or diversion of funds
   ii. not cover matters like product control practices, manufacturing practices, recruitment
      practices and supply chain process including procurement and matters that would not
      require any revision to the financial statements already issued by listed entity
Annexure 2

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.

2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal).

3. Capacity addition or product launch.

4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.

5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.

6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.

7. Effect(s) arising out of change in the regulatory framework applicable to the listed entity

8. Litigation(s) / dispute(s) / regulatory action(s) with impact.

9. Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity.

10. Options to purchase securities including any ESOP/ESPS Scheme.

11. Giving of guarantees or indemnity or becoming a surety for any third party.

12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.
13. Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.
About CRISIL Limited

CRISIL is an agile and innovative, global analytics company driven by its mission of making markets function better.

We are India’s foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers. CRISIL’s businesses operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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