

How Crisil ESG Ratings & Analytics Limited ('Crisil ESG Ratings') manages conflict of interest

Crisil ESG Ratings, a wholly owned subsidiary of Crisil Ratings Limited (Crisil Ratings) is registered with SEBI as a Category I ESG Rating Provider (ERP). The ESG scoring/rating activities which were hitherto undertaken in Crisil Limited stand transferred to Crisil ESG Ratings w.e.f. May 03, 2024, pursuant to receipt of ERP registration certificate from SEBI.

While conflicts of interest can never be fully eliminated, Crisil ESG Ratings firmly believes that they need to, and can be managed effectively. This document outlines the nature of the conflicts that Crisil ESG Ratings faces and its treatment of them.

Crisil ESG Ratings follows a subscriber pay model where, the ESG ratings are based on information available in public domain including the sustainability disclosures made by the issuers and the ratings are not explicitly solicited by the issuer.

Crisil ESG Ratings believes that the key to managing conflicts lies in adequate disclosure, effective codes of conduct and strong firewall mechanisms. The measures taken by Crisil ESG Ratings in each of these areas are outlined below:

Transparency and disclosure

Crisil ESG Ratings believes that transparency and adequate disclosure about its businesses, practices and rating criteria enable the market to assess a ESG Rating Provider's integrity. To this end, Crisil ESG Ratings makes the following disclosures:

- **Non-ratings activities:** Crisil ESG Ratings does not intend to carry out any activities other than assignment of ESG ratings, bespoke ESG rating reports and any other activity as permitted under the SEBI regulations.
- **Measures to avoid conflict of interest:** In case Crisil ESG Ratings and the issuer being rated have any common independent directors, such independent directors do not participate in the ESG Rating Committee Meeting / ESG rating process and Crisil ESG Ratings also makes a disclosure to this effect in the rating announcement / report. If an Employee determines that an actual or potential conflict exists that would make such Employee ineligible to participate in the process for determining a ESG rating, the Employee must promptly report the same to the Compliance Officer.
- **"Subscribers Pays" model:** Crisil ESG Ratings publicly discloses the fact that it derives its revenues from the subscribers that subscribe to the ESG ratings.
- **Multi-layer process:** Each rating assigned by Crisil ESG Ratings has to pass through multiple iterations in the analytical process and is then brought up before a ESG rating committee comprising eminent and experienced professionals. This ensures that there is always a second opinion and individual biases or shortcomings, if any, do not colour its rating opinions.
- **Rating criteria and Methodology:** Crisil ESG Ratings disseminates its rating criteria and methodology through its website, publications and investor discussions. The ESG Rating criteria and methodology includes category-wise weightages of ESG factors in ESG ratings, as well as the weightage of high-level themes or key issues in each of the three factors. Crisil ESG Ratings will disclose the changes in its methodology and consequential changes in any ESG ratings assigned by it on its website. All ESG ratings are only based on publicly available information.
- **Rationale for each rating:** All ESG ratings assigned by Crisil ESG Ratings are publicly available and the detailed rating reports are available to the Subscribers. Crisil ESG Ratings analysts are also accessible for discussions on the rationale of any ESG rating.

- **Separate business development and analytical teams:** Crisil ESG Ratings has a separate team for business development and analytical functions. This ensures that business pressures do not in any manner influence the teams involved in developing rating criteria and in assigning the rating. Crisil ESG Ratings further ensures that the members of the analytical team do not participate in any kind of marketing and business development. ESG Rating mandates are not solicited by promising or assuring specific ESG ratings for any issuer.

Code of Ethics

- **Crisil Code of Ethics:** Crisil's Code of Ethics policy (that applies to Crisil and its subsidiaries including Crisil ESG Ratings) embeds core values of integrity, excellence, accountability. The policy also contains guidelines around conflict-of-interest situations and ways to mitigate the same.
- A conflict of interest exists when an Employee's personal interest interferes in any way with the interests of the Company. Employees are responsible for avoiding activities or relationships that might affect their objectivity in making decisions as a Crisil ESG Rating's employee. Employees are expected to never permit their personal interests to conflict or appear to conflict with the interest of Crisil ESG Ratings.
- In addition to this, the Code of Ethics of Crisil has also prescribed guidelines on outside business activities that may lead to conflict-of-interest situations and best practices to follow.

Firewalls

- **Separate Legal Entity:** ESG Ratings business is carried out by a separate legal entity i.e. Crisil ESG Ratings which only undertakes activities that are approved by SEBI for ESG Rating Providers.
- **Physical and logical separation between Crisil ESG Ratings and other Crisil group companies:** Crisil ESG Ratings has a dedicated area for its business operations with logical, physical firewalls and access controls that segregate its business operations from all the other businesses of Crisil.
- **Firewalls to regulate information transfer:** The Firewalls Policy of Crisil ESG Ratings contains measures to ensure that Crisil ESG Ratings and other businesses of Crisil and its other subsidiaries do not have access to each other's non-public information, if any. The Policy provides comprehensive guidance to Crisil ESG Ratings employees on sharing of information with group entities.

This conflict of interest document is available without charge to the public on Crisil ESG Ratings [website](#).

However, by making this document available to the public, Crisil ESG Ratings does not assume any responsibility or liability to any third party arising out of or relating to the contents of this document. This document shall not form a part of any contract with any third party and no third party shall have any right (contractual or otherwise) to enforce any of this document's provisions, either directly or indirectly. Crisil ESG Ratings in its sole discretion may revise the contents of this document to reflect changes in market, legal and regulatory circumstances and changes to its controls, policies and procedures

Review History

Version No	Date of review	Effective date
V.01.2024	August 12, 2024	August 12, 2024

About Crisil ESG Ratings & Analytics Ltd

Crisil ESG Ratings & Analytics Limited. (Crisil ESG Ratings) is a Securities and Exchange Board of India (SEBI)-registered 'Category 1' ESG rating provider. It is a wholly owned subsidiary of Crisil Ratings Limited ('Crisil Ratings', a SEBI-registered credit rating agency). Crisil Ratings Limited is a wholly owned subsidiary of Crisil Limited, an S&P Global company).

Crisil Limited had launched its ESG scoring business in June 2021 with the objective of providing services to clients using a robust India-specific framework on the environmental (E), social (S) and governance (G) aspects. Pursuant to the receipt of the ERP registration, Crisil Limited has transferred its ESG scoring business to Crisil ESG Ratings with effect from May 03, 2024.

Crisil ESG Ratings serves institutional and retail investors, asset managers, lenders and corporates (including issuers) using its proprietary ESG rating methodology to assess companies across sectors.

For more information visit CrisilESG.com

About Crisil Ratings Limited (A subsidiary of Crisil Limited, a company of S&P Global)

Crisil Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 35,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs). Crisil Ratings Limited ("Crisil Ratings") is a wholly-owned subsidiary of Crisil Limited ("Crisil"). Crisil Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit CrisilRatings.com.

About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence.

Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

Headquartered in India, Crisil is majority owned by S&P Global.

Founded in 1987 as India's first credit rating agency, our expertise today extends across businesses: Crisil Ratings, Crisil Intelligence, Crisil Coalition Greenwich and Crisil Integral IQ.

Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East, setting the standards by which industries are measured.

For more information, visit www.Crisil.com

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