Annexure to the Directors' Report

Management Discussion and Analysis Report

Ratings services

The domestic credit rating business received a boost from healthy bond issuances and steady bank credit growth in 2023.

Going ahead, the bond segment is likely to see some moderation in growth in 2024, mainly owing to higher bond yields in the first half of 2024.

Bank credit growth eased somewhat to mid-teens on an on-year basis in 2023, and will likely continue along this trajectory or moderate somewhat, especially if borrowers postpone their borrowing plans after taking the high rates and challenging global macroeconomic situation into account.

The government's increased investment initiatives are expected to continue driving infrastructure spending and revitalising the capital expenditure cycle within this sector, while revival of capex in other industries may continue to be gradual.

Overall, credit climate is expected to remain benign in 2024, with the credit ratio (ratio of number of rating upgrades to number of rating downgrades) remaining above 1 and relatively low leverage in corporate India. With expected slower global growth, we expect to see continued risks for the credit profiles of entities in export-oriented sectors.

Research, Analytics and Solutions

CRISIL MI&A

- **Research**

  Our services are witnessing increased demand in pivotal sectors. The Indian government's initiatives such as the Credit Guarantee Fund Scheme for MSMEs and PM Kisan in agriculture drive this surge. These sectors collectively constitute 49% of India's gross domestic product, becoming our prime focus in 2023 and continuing into 2024. Additionally, the growing interest in green hydrogen and electric vehicles, prompted by the 2030 targets, fuels increased service demand. Notably, there is significant interest in banking sector, thought leadership and franchise building following global shocks in early-2023, propelling the industry to reassess strategies. Hence, banking, financial services and insurance emerges as a focal point for the upcoming year, 2024.

- **Consulting**

  Increased infrastructure investment and local economic progress helped our Consulting division. Surge in government, multilateral and investor spending, especially in roads, renewable energy and urban infrastructure, is anticipated to persist in 2024. Furthermore, we anticipate further expansion into international markets, projecting substantial spending from both multilateral and bilateral agencies.

- **Risk Solutions, Data and Analytics**

  Our Risk Solutions business benefitted from Asset Classification and Provisioning (ACP) gaining momentum during the year. Our 2024 focus entails delivering end-to-end enterprise risk management frameworks. We aim to augment assessments for diverse entities, including lenders, corporates, MSMEs and NGOs. Our platforms aid financial institutions in holistic risk management and regulatory compliance.

  As we look ahead, our strategic focus on data analytics remains key. We are committed to leveraging advanced data analytics, including artificial intelligence (AI) and machine learning, to deliver targeted solutions. Our diverse suite of analytics offerings will continue to drive tailored strategies for customers, pricing decisions and engagement. Strengthening insights across sectors and enhancing decision-making capabilities will be our key focus areas.

International Business

The global macroeconomic situation remained complex in 2023. World growth was higher than expected and inflation, despite peaking, was above target for many central banks. The operating environment was characterised by the failure of a few regional banks in the US and the consolidation of a large European bank. We saw growth across our global businesses despite macro uncertainties and cost pressure on global clients. In 2024, the expected soft landing of the global economy could have a bearing on discretionary spends by global clients. We remain focused on customer centricity and delivering value to all our stakeholders through investments in technology, talent and new solutions.

- **CRISIL GR&RS**

  The Risk Solutions business saw increased client engagement in areas such as regulatory compliance and reporting, targeted review of internal models and stress testing initiatives, and lending solutions, leading to wins with existing and new clients.

  Traditional sell-side research faced cost-cutting pressures amid headwinds driven by factors such as a challenging deal environment, regional banking crises, inflationary pressures, recessionary concerns and ongoing budget pressure. On the buy side, strong traction was seen in research and operations, accompanied by a resurgence in demand from traditional Asset Managers across asset classes. There was sustained demand for ESG integration and monitoring services.

- **CRISIL GBA**

  In corporate and investment banking (CIB), there is a greater need for data to target opportunities and efficiencies in a normalising revenue environment with increasing costs. The Relationship Manager model is used to identify opportunities to support strategic initiatives at major clients. Securing budgets for new initiatives at major CIBs requires a deeper and well thought-through approach.

  In commercial and consumer banking (CCB), there is a growing interest among regional US & Asia banks, as they look to accelerate growth in a challenging business environment.

  In investment management (IM), AMs continue to focus on ESG and other strategic imperatives.

  In market structure and technology (MST), there is continued traction at conferences/seminars for thought leadership across various topics.

  Looking at the longer-term outlook, the importance of proprietary data assets is expected to rise. Embedded models are anticipated to aid in exploring wider budgets as a firm's offerings broaden over time.

Analysis of consolidated financial performance and result of operations

Consolidated financial statements include financial statements of CRISIL Limited combined with its wholly owned subsidiaries (the Group). Subsidiaries are entities controlled by the Company.

Financial statements of the Group and its subsidiaries have been combined on a line-by-line basis by adding the book values of like items assets, liabilities, income and expense, after duly eliminating intra-group balances and transactions.

Consolidated financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time. Financial statements have been prepared under historical cost convention on an accrual basis except for certain financial instruments, which are measured at fair value at the end of each reporting period. Management accepts responsibility for the integrity and objectivity of financial statements as well as for various estimates and judgment used therein.

The consolidated financial performance and result of operations are relevant for understanding CRISIL's performance.

A. Financial performance

1. Property, plant and equipment, right of use assets and other intangible assets

The Group's investments in property, plant, and equipment represent the cost of buildings, leasehold improvements, computers, office equipment, furniture, fixtures, and vehicles. Property, plant, and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

The Group's right of use assets consists of office premises. The right of use assets is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability.

The Group's other intangible assets represents software, customer relationship, technology, database, tradename, platform and brand are stated at cost of acquisition or construction less accumulated amortisation and impairment losses, if any. The estimated useful lives of intangible assets and the amortisation period are reviewed at the end of each financial year.

During the year, the Group capitalised ₹ 65.01 crore to its gross block. Capitalised assets includes office equipment, computers, software, furniture, fixtures, vehicles and leasehold improvements.

The Group expects to fund its investments in fixed assets and infrastructure from internal accruals and liquid assets.

At the end of the year, the Group's investments in property, plant, equipment, right of use assets and other intangible assets were as follows:

(₹ crore)

Details	As at December 31,	
	2023	2022
Carrying value		
Gross block	725.51	818.28
Less: Accumulated depreciation	511.67	579.13
Net block	213.84	239.15

2. **Goodwill on consolidation**

Goodwill on consolidation represents excess of purchase consideration over the net asset value of acquired subsidiaries on the date of such acquisition. Goodwill is tested for impairment annually or more frequently, if there are indications of impairment. For goodwill impairment testing, the carrying amount of the cash generating unit (CGU) included allocated goodwill is compared with its recoverable amount by the Group.

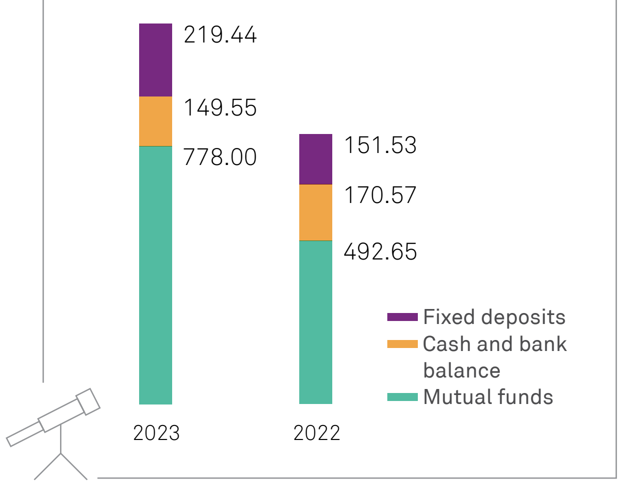
3. **Financial assets**

A. **Investments and treasury:** The Group's investments and treasury comprises of equity investments, investments in debt mutual funds, fixed deposits and cash and bank balances.

a. **Equity investments:** All equity investments (quoted and unquoted) are measured at fair value through other comprehensive income (FVTOCI).

b. **Current investments and treasury:** The Group's investments in debt mutual funds are classified as fair value through profit or loss (FVTPL). The Group's treasury was ₹ 1,146.99 crore as at December 31, 2023, as against ₹ 814.75 crore in the previous year. Increase in treasury is in line with strong business performance.

Consolidated treasury position (₹ crore)



c. The Group maintains adequate amount of liquidity/treasury to meet strategic and growth objectives. It has ensured a balance between earning adequate returns on liquidity/treasury assets and the need to cover financial and business risks. Cash and bank balance includes Indian and overseas bank accounts. The Group's treasury policy calls for investing surplus in combination of fixed deposits with scheduled banks and debt mutual funds.

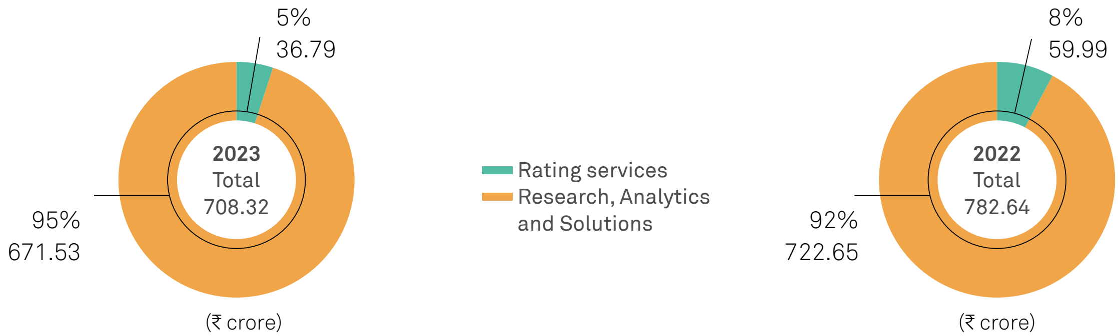
B. Loans

Loan represent loan given to employees totaling ₹ 3.88 crore as at December 31, 2023, as against ₹ 3.23 crore in the previous year.

C. Trade receivables

Trade receivables (including unbilled receivables) at gross level were ₹ 708.32 crore as at December 31, 2023, compared with ₹ 782.64 crore in the previous year. Trade receivables constitute 23% of revenue compared with 28% of revenue during the previous year.

Break up of trade receivables relating to the segment:



The Group believes that the outstanding trade receivables are recoverable and it has adequate provision for doubtful trade receivables. Provision for doubtful trade receivables balance was ₹ 18.81 crore as at December 31, 2023, as against ₹ 23.81 crore in the previous year. Provision for doubtful trade receivables was 1% as a percentage of revenue for the year ended December 31, 2023 and December 31, 2022.

D. Other financial assets

Other financial assets comprises of security deposits, accrued interest, long term fixed deposit and fair value of forward contracts. Other financial assets amounted to ₹ 50.12 crore as at December 31, 2023, as against ₹ 43.72 crore in the previous year.

4. Deferred tax assets

Deferred tax assets and liability comprises of deferred taxes on property, plant, equipment, right of use assets, leave encashment, accrued compensation to employees, gratuity, fair valuation of quoted/unquoted investments, gains / losses on forward contract, business combination, provision for doubtful trade receivables, and deferred initial rating fees. The Group's net deferred tax assets totaled ₹ 85.73 crore as at December 31, 2023, as against ₹ 79.39 crore in the previous year. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

5. Income Tax assets and liabilities

The net advance income tax asset was ₹ 164.77 crore as at December 31, 2023, compared with ₹ 151.80 crore in the previous year. Tax liabilities was ₹ 3.89 crore as at December 31, 2023, compared with ₹ 11.99 crore in the previous year.

6. Other assets

Other assets mainly comprises of advances to vendors, accrued revenue, prepaid expenses and tax credit receivable. Other assets amounted to ₹ 228.98 crore as at December 31, 2023, as against ₹ 156.61 crore in the previous year.

7. Equity share capital

The Company's authorised capital is ₹ 19.50 crore, comprising 195,000,000 equity shares of ₹ 1 each. During the year, the Company issued and allotted 49,561 equity shares to eligible employees on exercise of options granted under Employee Stock Option Scheme (ESOS) 2014. Consequently, the Company issued, subscribed and paid-up capital increased from 73,064,044 to 73,113,605 equity shares of ₹ 1 each.

8. Other equity

Other equity was ₹ 2,181.95 crore as at December 31, 2023, as against ₹ 1,784.67 crore in the corresponding period of the previous year. Other equity comprises of reserves & surplus and other comprehensive income (OCI).

9. Financial liabilities

A. Trade payables

Trade payables as at December 31, 2023, were ₹ 142.56 crore as against ₹ 142.00 crore in the previous year. Trade payables includes amount payable to vendors for the supply of goods and services.

B. Other financial liabilities

Other financial liabilities as at December 31, 2023, were ₹ 409.81 crore as against ₹ 370.32 crore in the previous year. Other financial liabilities includes dues to employees, unclaimed dividend and fair value of forward contracts.

10. Provisions and other liabilities

Provisions represent funds put aside by the Group to cover anticipated obligation in the future as a result of past event.

A. Provision for employee benefits

The overall liability was ₹141.49 crore as at December 31, 2023, compared with ₹ 115.93 crore in the previous year.

B. Other liabilities

Other non-financial liabilities mainly includes unearned revenue and statutory liabilities. Unearned revenue represents fee received in advance for which services have not been rendered. Other liabilities were ₹ 380.19 crore as against ₹ 315.32 crore in the previous year.

B. Results of operations

Summary of the consolidated operating performance:

(₹ crore)

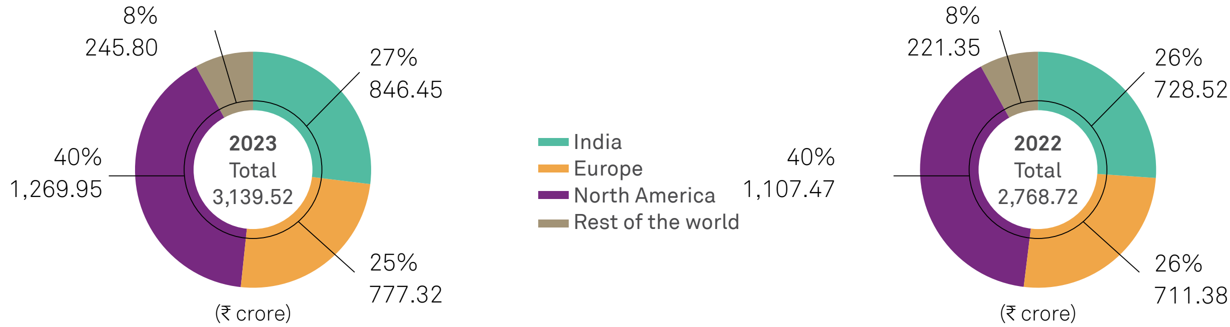
Particulars	Year-ended December 31,			
	2023	% of revenue	2022	% of revenue
Income				
Revenue from operations	3,139.52	97	2,768.72	96
Other income	93.64	3	122.47	4
Total income	**3.233.16**	**100**	**2,891.19**	**100**
Expenses				
Employee benefits expense	1,747.77	54	1,552.98	54
Finance costs	3.66	0	6.40	0
Depreciation and amortisation expenses	103.78	3	103.31	4
Other expenses	510.25	16	486.10	16
Total expenses	**2,365.46**	**73**	**2,148.79**	**74**
Profit before tax	**867.70**	**27**	**742.40**	**26**

Profit before tax for the year ended December 31, 2023, includes a one-off gain of ₹ 29.4 crore due to sharp devaluation of the Argentinian peso in Q4'23. A rise in the US dollar against the Rupee and the British Pound had increased profitability (Profit before tax) for FY 2022 by ₹ 30.1 crore on account of revaluation of a subsidiary loan.

Segmental Revenue Analysis:

Segmental Profits:

Segmental revenue by Geography:



After strong growth in the corporate bond market during the first half of 2023, issuances declined in the second half as yields rose. Bank credit growth was steady, supported by both retail and services. CRISIL Ratings maintained its leadership in corporate bond ratings given investor preference for best-in-class ratings.

The Global Analytical Center (GAC) increased support to S&P Global Ratings across surveillance and in new areas in 2023.

Global Research & Risk Solutions (GR&RS) saw traction in research and lending solutions. Global Benchmarking Analytics (GBA) saw momentum in corporate and investment banking (CIB), driven by the emphasis on client engagement and product innovation.

Market Intelligence & Analytics (MI&A) witnesses momentum in credit, risk and consulting offerings.

Peter Lee Associates Pty. Limited (Peter Lee) was acquired in March 2023 and Bridge To India Energy Private Limited was acquired in September 2023. The current year consolidated financials reflect the business performance of Peter Lee and Bridge To India from the date of the acquisitions.

Other income (net)

Other income was ₹ 93.64 crore as at December 31, 2023, compared with ₹ 122.47 crore in the previous year. Major components of other income are interest income, foreign exchange gain, profit/fair valuation of current investments and dividend.

Expense analysis

Expenses in the year totaled ₹ 2,365.46 crore as against ₹ 2,148.79 crore in the previous year. Employee benefits expense were mainly driven by merit increase, increase in headcount for billable roles.

The composition of total expenses is given below:

(₹ crore)

Particulars	Year ended December 31,	
	2023	**2022**
Employee benefits expense	1,747.77	1,552.98
Finance costs	3.66	6.40
Depreciation and amortisation expenses	103.78	103.31
Other expenses	510.25	486.10
Total expenses	**2,365.46**	**2,148.79**

Key Ratios

Metrix	**2023**	**2022**	**2021**	**2020**	**2019**
Debtor turnover ratio (in times)	4	4	5	6	5
Current ratio (in times)	2	2	2	2	2
Return on net worth *	33%	33%	32%	29%	30%
Employee benefits expense/ Total income	54%	54%	54%	52%	49%
Operating profit margin (EBITDA/ Total income)	30%	29%	29%	29%	29%
Net profit margin	20%	20%	20%	17%	19%
Operating Revenue per employee (₹ lakh)	67.81	64.67	60.28	54.54	46.86
Operating expense per employee (₹ lakh)	48.77	47.63	44.28	40.49	34.52
Operating profit per employee (₹ lakh)*	19.04	17.04	16.00	14.05	12.34

**Excludes impact of exceptional items*

Analysis of CRISIL's standalone financial performance and result of operations

A. Financial performance

1. Property, plant and equipment, Right of use assets and other intangible assets

The Company's investments in property, plant, and equipment represent cost of buildings, leasehold improvements, computers, software, office equipment, furniture, fixtures, and vehicles. Property, plant, equipment are measured at cost less accumulated depreciation and impairment losses, if any.

During the year, the Company capitalised ₹ 34.16 crore to its gross block. Property, plant, and equipment capitalised during the year includes office equipment, computers, software, and leasehold improvements.

The Company's right of use assets consists of office premises. The right of use assets is measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability.

The Company's other intangible assets represents software, customer relationship and platform are stated at cost of acquisition or construction less accumulated amortisation and impairment losses, if any. The estimated useful lives of intangible assets and the amortisation period are reviewed at the end of each financial year.

Depreciation as a percentage of total income was 3% in the current year. The Company expects to fund its investments in fixed assets and infrastructure from internal accruals and liquid assets.

At the end of the year, the Company's investments in net property, plant and equipment, right of use assets and other intangible assets were ₹ 83.21 crore as against ₹ 116.29 crore in the previous year.

2. Financial assets

A. Investments and treasury:

The Company's investments and treasury comprises of equity investments, investments in debt mutual funds, fixed deposits and cash and bank balances.

a. Equity investments

All equity investments (quoted and unquoted, other than investment in subsidiaries) are measured at Fair Value through other comprehensive income (FVTOCI).

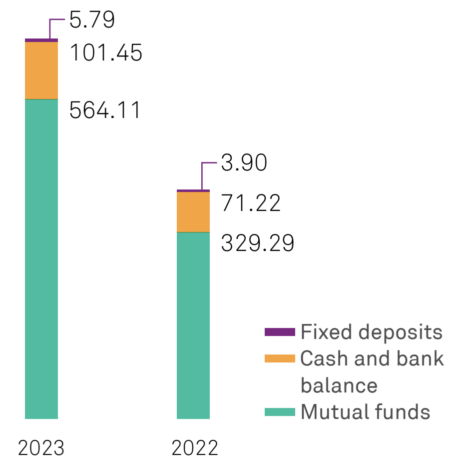
Investments in wholly owned subsidiaries are measured at cost. As at December 31, 2023, the cost of investment in subsidiaries stood at ₹ 153.07 crore as against ₹ 145.86 crore in the previous year.

b. Current investments and treasury

The Company's investments in debt mutual funds are classified as Fair Value through Profit and Loss (FVTPL). The Company's treasury totaled ₹ 671.35 crore as at December 31, 2023, as against ₹ 404.41 crore in the previous year.

Cash and cash equivalents constitute 15% of the treasury as at December 31, 2023, as against 18% in the previous year.

Standalone treasury position (₹ crore)



The Company's treasury policy calls for investing surplus in a combination of fixed deposits with scheduled banks and debt mutual funds. The Company's treasury position is healthy.

B. Loans

Loan represent loan given to employees. As at December 31, 2023, the outstanding amount totaled ₹ 3.55 crore compared with ₹ 2.81 crore in the previous year.

C. Trade receivables

Trade receivables at the gross levels were ₹ 383.67 crore as at December 31, 2023, compared with ₹ 382.44 crore in the previous year. Trade receivables constitute 24% of revenue compared with 26% in the previous year.

The Company believes that the outstanding trade receivables are recoverable and it has adequate provision for bad debt. Provision for doubtful trade receivables balance was ₹ 7.85 crore as at December 31, 2023, as against ₹ 16.93 crore in the previous year. Provision for doubtful trade receivables was 1% as a percentage of revenue for the year ended December 31, 2023 and December 31, 2022.

D. Other financial assets

Other financial assets comprises of advances recoverable in cash/kind, long term fixed deposit, accrued interest and fair value of forward contracts. Other financial assets as at December 31, 2023, amounted to ₹ 52.91 crore compared with ₹ 44.11 crore in the previous year.

3. Deferred tax assets and advance taxes

Deferred tax assets and liability comprises of deferred taxes on property, plant and equipment, right of use assets, leave encashment, accrued compensation to employees, gratuity, fair valuation of quoted/unquoted investments, gain/ losses on forward contract, provision for doubtful trade receivables, and unearned revenue. The Company's net deferred tax assets were valued at ₹ 57.15 crore as at December 31, 2023, as against ₹ 54.54 crore in the previous year. Deferred tax assets are recognised only to the extent that there is reasonable certainty sufficient future taxable income will be available against which such deferred tax assets can be realised.

4. Income Tax Assets

The net advance income tax asset was ₹ 123.18 crore as at December 31, 2023, compared with ₹ 104.89 crore in the previous year.

5. Other assets

Other assets mainly comprises of prepaid expenses and tax credit receivable.

6. Equity share capital

The Company's authorised capital is ₹ 19.50 crore, comprising 195,000,000 equity shares of ₹ 1 per share. During the year, the Company issued and allotted 49,561 equity shares to eligible employees on exercise of options granted under ESOS 2014. Consequently, the issued, subscribed and paid-up capital of the Company increased from 73,064,044 equity shares of ₹ 1 each to 73,113,605 equity shares of ₹ 1 each.

7. Other equity

Other equity comprises of reserves, surplus and OCI. It was ₹ 1,482.51 crore as at December 31, 2023, as against ₹ 1,063.07 crore in the corresponding previous period.

8. Financial liabilities

A. Trade payables

Trade payables amounted to ₹ 123.73 crore as at December 31, 2023, as against ₹ 111.43 crore in the previous year. Trade payables includes the amount payable to vendors for supply of goods and services.

B. Other financial liabilities

Other financial liabilities, which includes unclaimed dividend, fair value of forward contracts, dues to employees and sundry deposit payable, were ₹ 189.62 crore as at December 31, 2023, as against ₹ 177.01 crore in the preceding year.

9. Provisions

Provisions comprise for employee benefits. The overall liability was ₹ 114.52 crore as at December 31, 2023, as against ₹ 91.70 crore at the end of the previous year.

10. Other liabilities

Other liabilities mainly represent payables on account of withholding tax, Goods and Service tax, other duties, and unearned revenue. Unearned revenue represents fee received in advance or advance billing for which services have not been rendered.

B. Results of operations

Summary of the standalone operating performance:

(₹ crore)

Particulars	Year ended December 31,			
	2023	% of revenue	2022	% of revenue
Income				
Revenue from operations	1,628.36	77	1,444.12	84
Other income	493.26	23	272.83	16
Total income	**2121.62**	**100**	**1,716.95**	**100**
Expenses				
Employee benefits expense	802.40	38	713.39	42
Finance costs	3.28	0	5.61	0
Depreciation and amortisation expenses	66.92	3	67.85	4
Other expenses	485.64	23	488.24	28
Total expenses	**1,358.24**	**64**	**1,275.09**	**74**
Profit before tax	**763.38**	**36**	**441.86**	**26**

Revenue analysis

Other income (net)

Other income increased to ₹ 493.26 crore from ₹ 272.83 crore in the previous year. This was mainly due to dividend on investments.

Expense analysis

Expenses for the year ended December 31, 2023 totaled ₹ 1,358.24 crore as against ₹ 1,275.09 crore in previous year.

Risk management

CRISIL has a robust risk management framework, with governance and oversight from CRISIL's Board of Directors.

CRISIL's Risk Management Policy outlines the key accountabilities and responsibilities for managing risks at CRISIL. We have a balanced approach to risk management, mitigating risks to an acceptable level to protect our reputation and brand, while supporting the achievement of operational and strategic goals and objectives.

Risk assessments are conducted periodically, and the Company has a mechanism to identify, assess, mitigate and monitor various risks to key business objectives. CRISIL's Internal Risk Management Committee, comprising senior members of the leadership team, provides governance and oversight to the process. CRISIL has a dedicated President – Risk and Compliance, who drives the risk management agenda.

Risk Assessment is a combination of bottom-up and strategic views of key risks facing the business across all segments and functions, arrived at in consultation with the relevant leaders and tempered by an independent assessment. Key risks are reviewed periodically and assigned a probability of occurrence and potential impact (financial and non-financial). Mitigation plans are designed, discussed, implemented and monitored on a periodic basis.

The key business risks and our mitigation strategies are highlighted below:

1. Business Risks

The challenging macroeconomic environment and volatile geopolitical situation can impact or elongate the decision-making process of our clients, posing challenges to the international business in 2024. We continuously monitor the economic impact of geopolitical and macroeconomic challenges and take appropriate actions, such as aligning sales efforts to reflect evolving client prioritisation and market preferences. Enhancing our presence in white spaces and venturing into new geographies are our preferred routes for diversifying our revenue mix.

To mitigate the risk arising from revenue dependence on any one business, CRISIL has diversified into new products and services, offered across business segments. To address the risk of dependence on a few large clients, CRISIL has actively widened its client base and diversified the industry segments that it serves.

2. Foreign Exchange Risk

CRISIL earns a significant amount of revenue in foreign currency. Hence, rupee appreciation or depreciation may have a material impact on revenue and profitability. The Company follows a well-defined foreign exchange management policy and process, designed to minimise the impact of volatility in foreign exchange fluctuations on earnings.

The Company evaluates exchange rate exposure arising from global business and operations, and enters into foreign exchange hedging contracts to mitigate exchange rate risk. CRISIL's foreign exchange management programme covers a large portion of projected future revenue over a 12-month period, and is restricted to standard forward contracts and options. Appropriate internal controls are in place for monitoring the use of these instruments.

3. Technological Disruption Risk – Generative Artificial Intelligence (Generative AI)

The present era is one of unprecedented technological development. The emergence of large language models (LLMs), in particular, brings several knowledge work categories, presently manual in nature, potentially within the scope of generative artificial intelligence (AI). We are assessing the potential for LLM adoption in our various business segments.

As of now, given the intellectual property-driven nature of our flagship businesses, and the relatively slow pace of adoption amongst clients, we believe the effects over the medium term will be gradual. This allows us to implement mitigants where feasible, and explore new business opportunities that LLMs can create. As part of our LLM strategy, we have also identified potential areas for evaluation.

The space is dynamic and evolving, and we are monitoring developments.

4. People Risk

As a knowledge organisation, key people-related risks for CRISIL include higher-than-optimal attrition, mismatches in the talent pipeline and a lack of ready candidates for internal succession.

<u>Talent acquisition and development:</u> We have stepped up our hiring programmes through a mix of hiring talent from campuses, infusing lateral talent from the wider market and fostering internal mobility. We offer ample opportunities to employees for skill-building and reskilling to ensure a future-ready talent pool that can serve the evolving needs of customers. Leadership talent is nurtured through our focused development programme for future leaders, which grooms successors for critical roles within the organisation, ensuring our investment in our key talent yields an ongoing long-term return.

<u>Talent retention:</u> CRISIL is known for its safe and inclusive working environment, where employees from different backgrounds, and with varied skillsets, feel motivated and valued. Our Diversity, Equity, and Inclusion (DEI) philosophy has established a vibrant workplace that enriches employee experience. We benchmark our compensation on an ongoing basis to ensure our employees are fairly paid, in line with market trends. We rigorously measure employee engagement, and act upon opportunities to enhance it. These measures have helped contain employee attrition in a highly dynamic market.

<u>Employee welfare:</u> Our holistic approach to employee well-being balances physical, emotional and financial aspects. Our wellness policies and benefits are continuously benchmarked with market best practices. CRISIL follows responsible business practices, protects human rights and has high standards of corporate governance to give employees a work environment in which they can grow and thrive.

5. Legal, Regulatory, and Policy Risks

CRISIL operates in a number of geographies and policy jurisdictions. Any failure to comply with the applicable policies, laws, and regulations could adversely impact growth and profitability, and increase exposure to civil and/or criminal actions. This could lead to damages, fines and regulatory sanctions against CRISIL, with possible consequences for corporate reputation. Consequently, we have robust mechanisms in place to maximise compliance.

<u>Compliance:</u> CRISIL is committed to complying with the laws and regulations of the countries in which it operates. The relevant business teams set detailed standards and ensure all employees are aware of and comply with the relevant regulations and laws. Our Legal and Compliance teams monitor and review our practices to provide reasonable assurance that we remain aware of and are in line with all relevant laws and legal obligations.

<u>Tax:</u> Our tax principles provide overarching governance in tax matters, and our experts set out controls to assess and monitor tax risk for direct and indirect taxes. We

monitor proposed changes in taxation legislation and ensure these are considered when we formulate business plans.

Monitoring: We monitor regulatory developments closely and engage with regulators, as appropriate, contributing our expertise to help shape regulations that can be implemented effectively. We also work with industry and trade associations in making recommendations on newer and evolving regulations in a timely manner.

6. Information and Cybersecurity Risks

Cyberattack incidents globally continue to increase in number and sophistication, especially in the current hybrid working environment. In addition to the impact on business operations, a data breach could result in reputational damage, legal claims and financial liabilities. Unauthorised sharing of client confidential data or CRISIL proprietary information by staff is another important risk related to data security.

To manage and mitigate such risks, the Company has a dedicated Chief Information Security Officer (CISO) driving the information and cybersecurity agenda. The CISO and the Information Security team acts as a second line of defence, strengthening the information and cybersecurity position by defining the appropriate perimeter security controls, detecting and evaluating areas of vulnerabilities, and implementing data loss prevention (DLP) tools. There is a focused exercise to build robust security process, policies and posture for the cloud since our technology transformation process increasingly leverages cloud infrastructure, applications and tools. The Company continues to evaluate and invest in additional mitigation plans through automated prevention and detection tools and infrastructure for enhanced monitoring.

In addition, during the year, an enhanced level of awareness was imparted to all employees to remain vigilant against pertinent themes of information security and cybersecurity. This was done by way of digital learning courses, external speaker sessions, emailers and case studies. Audits are conducted regularly to identify areas of vulnerability and initiate actions that mitigate the operational risks. ISO 27001 certification of key processes is conducted to ensure compliance with policies related to information technology and the management system.