

# CRISIL ESG Ratings and Analytics Limited

## Code of conduct

Details	
Primary Owner	Compliance
Applies to	CRISIL ESG Ratings and Analytics Limited (CRISIL ESG Ratings)
Version	V.01.2024
Effective Date	August 12, 2024
Review cycle of document	Annual

## Section 1 - Introduction

CRISIL ESG Ratings & Analytics Limited (CRISIL ESG Ratings/ Company) is registered with the Securities and Exchange Board of India as a Category I ESG Rating Provider (ERP) vide registration no. IN/ERP/Category -I/0001.

This Code of Conduct (the "Code") has been formulated in line with the provisions of Regulation 28J of Ch IV A of SEBI (Credit Ratings Agencies) Regulations, 1999, clause 20.6 of the SEBI Master circular for ESG Ratings Provider and circulars issued thereunder, that requires all ERPs to develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities.

The Code lays down standards of appropriate conduct for its employees and officers in the carrying out of their duties within CRISIL ESG ratings and as a part of the industry. This code provides for the maintenance of professional excellence and standards, integrity, confidentiality, objectivity, avoidance of conflict of interests, disclosure of shareholdings and interests, etc. This code also provides for procedures and guidelines in relation to the Company and conduct of the officers and employees serving in the rating process.

This code has also been aligned with the recommendations for ESG ratings products providers as specified in IOSCO report FR09/21 dated November 2021 (the "IOSCO Code"), by the International Organization of Securities Commissions ("IOSCO") and Good Practices for ESG ratings providers specified in IOSCO call for action dated November 2022.

As required under SEBI Master Circular on ERPs, CRISIL ESG Rating's compliance status on each of the recommendations of the IOSCO Code is provided below.

This Code is available for public viewing at our [website](#).

However, by making this Code available to the public, CRISIL ESG Ratings does not assume any responsibility or liability to any third party arising out of or relating to this Code. This Code 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 Code's provisions, either directly or indirectly. CRISIL ESG Ratings in its sole discretion may revise this Code to reflect changes in market, legal and regulatory circumstances and changes to CRISIL ESG Rating's controls, policies and procedures.

CRISIL ESG Ratings expects all employees<sup>1</sup> to comply with this Code and the related policies, procedures, guidelines and applicable regulations. Any exceptions to this Code or the related policies, procedures, and guidelines should be approved in writing by the Chief Ratings Officer / Equivalent in charge of CRISIL ESG Ratings or her/his designee who shall be responsible for the interpretation of this Code and the related policies, procedures, and guidelines. Each year all CRISIL ESG Ratings employees shall be required to read the Code and affirm their compliance with the Code and all related CRISIL ESG Ratings policies and guidelines by signing an Affirmation Statement.

Failure to comply with this Code and the related policies, procedures, and guidelines could be sufficient reason for disciplinary action, including discharge and possible legal sanctions.

## Section 2 – Recommendations and good practices

### 1. Documented procedure to help ensure the issuance of high quality ESG Ratings and data products

CRISIL ESG Ratings has adopted and implemented written procedures methodology available on website designed to help ensure the issuance of high quality ESG ratings and data products, based on publicly disclosed data sources and other public information sources as available, using transparent and defined methodologies.

CRISIL ESG Ratings has:

- adopted and implemented written policies and procedures designed to help ensure that the ESG ratings and data products they issue are based on a thorough analysis of all relevant information available to them.
- adopted, implemented, and provided transparency around methodologies for their ESG ratings and data products that are rigorous, systematic, applied continuously while maintaining a balance with respect to proprietary or confidential aspects of the methodologies.
- CRISIL ESG shall review its Rating methodologies on a regular basis and disclose any changes therein on its website.

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<sup>1</sup> Includes off roll personnel and Independent ESG Appeal Committee Members (IACM)

- provided transparency, where reasonably possible, around the sources of data used in determining their ESG ratings and data products, including the use of any industry averages, estimations, or other methodologies when actual data is not available. This includes transparency around whether the data used is up to date, and the time period that data is relevant to as well as whether the data is publicly sourced or proprietary in nature, including through approximations.
- sufficient resources to carry out high-quality ESG-related assessments, including sufficient personnel and technological capabilities, to seek out information they need in order to make an assessment, analyze all the information relevant to their decision-making processes, and provide quality assurance.
- maintained internal records to support their ESG ratings and data products;
- Ensured that the personnel involved in the deliberation of ESG ratings and data products are professional, competent, and of high integrity.
- Offered ESG ratings and data products to clients in a machine-readable format
- monitor on an ongoing basis, and regularly update, their ESG ratings and data products, except where specifically disclosed that the rating is a point in time rating.

## **2. Written policies for conflict management**

CRISIL ESG Ratings has adopted and implemented written policies and procedures designed to help ensure their decisions are independent, free from political or economic interference, and appropriately address potential conflicts of interest that may arise from, among other things, CRISIL ESG Rating's organizational structure, business or financial activities, or the financial interests of the CRISIL ESG ratings and its officers and employees.

CRISIL ESG Ratings has and will continue to identify, avoid, or appropriately manage, mitigate and disclose potential conflicts of interest that may compromise the independence and objectivity of its operations.

- CRISIL ESG Ratings:
  - has adopted written internal policies and procedures and mechanisms designed to (1) identify, and (2) eliminate, or manage, mitigate and disclose, as appropriate, any actual or potential conflicts of interest related to their ESG ratings or data products that may influence the opinions and analysis CRISIL ESG Ratings makes or the judgment and analysis of the individuals it employs, who have an influence on its ESG ratings or data product decisions.
  - has disclosed such conflict avoidance and management measures.
  - has taken steps to help ensure the ESG ratings and data products would not be affected by the existence of or potential for a business relationship between CRISIL ESG Ratings (or their affiliates) and any entity or any other party for which it provides ESG ratings or data products.
  - has put in place measures to help ensure their staff members refrain from any securities or derivatives trading presenting inherent conflicts of interest with the ESG ratings and data products.
  - has structured reporting lines for their staff and their compensation arrangements to eliminate or appropriately manage actual and potential conflicts of interest related to their ESG ratings and data products.
  - where consistent with confidentiality, contractual and other business, legal and regulatory requirements, disclosed the nature of the compensation arrangement or any other business or financial relationships that exist with an entity for which CRISIL ESG Ratings provides ESG ratings or data products.
  - will not compensate or evaluate staff on the basis of the amount of revenue that an it derives from an entity that staff provides ESG ratings and data products for, or with which staff regularly interacts regarding such ESG ratings and data products.

## **3. Public disclosure and transparency**

CRISIL ESG Ratings makes adequate levels of public disclosure and transparency a priority for their ESG ratings and data products, including their methodologies and processes to enable the users of the product to understand what the product is and how it is produced, including any potential conflicts of interest and while maintaining a balance with respect to proprietary or confidential information, data, and methodologies.

- CRISIL ESG Ratings:
  - makes public disclosure and transparency a priority for their ESG ratings and data product offerings, subject to commercial sensitivity considerations.
  - clearly labels their ESG ratings and data products to enable the user to understand the ESG rating's or ESG data product's intended purpose including its measurement objective.
  - publicly discloses the data and information sources they rely on in offering ESG ratings and data products, including the use of industry averages, estimations, or other methodologies when actual data is not available, as prescribed under the applicable SEBI regulations.
  - publishes sufficient information about the procedures and methodologies underlying their ESG ratings and data products to enable the users of these products to understand how their outputs were determined.
- Information regarding methodologies that CRISIL ESG Ratings considers while publishing includes, but is not limited to:
  - the measurement objective of the ESG rating or data product;
  - the criteria used to assess the entity or company;
  - the KPIs used to assess the entity against each criterion
  - the relative weighting of these criteria to that assessment;
  - the scope of business activities and group entities included in the assessment;
  - the principal sources of qualitative and quantitative information used in the assessment as well as information on how the absence of information was treated;
  - the time horizon of the assessment; and
  - the meaning of each assessment category (where applicable).

#### **4. Handling non-public information**

CRISIL ESG Ratings agrees with IOSCO's recommendation and good practice that an ERP should design policies to address and protect all non-public information received if any, from or communicated by any entity related to ESG Ratings. However, CRISIL ESG Ratings follows a Subscriber pay model where it does not have any contractual arrangement with the companies (issuer) rated by it, and the ratings are completely based on information available in public domain including the sustainability disclosures made by the issuers.

CRISIL ESG has adopted and implemented written policies and procedures such as its confidentiality policy and Appeal policy to address, protect and non-usage of any non-public information, if received from or communicated to them by any entity, or its agents, in a manner appropriate in the circumstances. **As part of its business model, CRISIL ESG Ratings does not receive any information that is non-public in nature.**

#### **5. Information collection**

CRISIL ESG Ratings shall improve its information gathering processes for entities covered in a manner that leads to more efficient information procurement for both itself and these entities.

CRISIL ESG Ratings will:

- communicate sufficiently in advance about publicly available information that it expects to consider regarding its ESG ratings
- request, if required, for clarification on pre-inputted information from publicly available sources, from the covered entities.
- publish how and when CRISIL ESG Ratings will typically engage with the covered entities, including the opportunities available to the covered entity for appeal.

CRISIL ESG Ratings agrees with IOSCO's recommendation and good practice that an ERP shall improve information gathering processes about entities covered. However, CRISIL ESG Ratings follows a Subscriber pay model where it does not have any contractual arrangement with the companies (issuer) rated by it and its ESG

ratings are completely based on information available in public domain including the sustainability disclosures made by the issuers.

## **6. Issue handling**

- CRISIL ESG Ratings:
  - provides a clear and consistent contact point with whom the covered entity can interact to address any queries relating to the assessment provided by CRISIL ESG Ratings.
  - informs covered entities of the principal grounds on which an ESG rating or ESG data product is based before the publication of the ESG rating or data product.
  - allows the covered entity time to draw attention to any factual errors in the product, including the data and information underlying the product by sharing the draft rating rationale with the covered/rated entity prior to its publication.

## **Section 3 – Code of Conduct as provided under the Seventh Schedule of the SEBI (Credit Rating Agencies) Regulations, 1999**

- CRISIL ESG Ratings shall make all efforts to protect the interests of the investors.
- CRISIL ESG Ratings, in the conduct of its business, shall observe high standards of integrity, dignity and fairness in the conduct of its business.
- CRISIL ESG Ratings shall fulfil its obligations in a prompt, ethical and professional manner.
- CRISIL ESG Ratings shall, at all times, exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the ESG rating process.
- CRISIL ESG Ratings shall maintain records to support its decisions.
- CRISIL ESG Ratings shall adopt and implement ESG rating processes that reflect consistent rating standards.
- CRISIL ESG Ratings shall not indulge in any unfair competition, nor shall it induce or induct the clients of any other ESG rating provider on assurance of higher or lower ESG rating.
- CRISIL ESG Ratings shall keep track of all important changes relating to the issuers or securities it rates and shall develop efficient and responsive systems to yield timely and accurate ratings.
- CRISIL ESG Ratings shall also monitor closely all relevant factors that might affect the environmental, social or governance characteristics of the rated issuers or their securities.
- CRISIL ESG Ratings shall, wherever necessary, disclose to the client, all possible sources of conflict of duties and interests, which could impair its ability to make fair, objective and unbiased ratings.
- CRISIL ESG Ratings shall ensure that no conflict of interest exists between any member participating in the rating analysis, and that of the person who is being rated or whose securities are being rated.
- CRISIL ESG Ratings shall not make any exaggerated statement, whether oral or written, to the client either about its qualification or its capability to render any services or its achievements with regard to the services rendered to other clients.
- CRISIL ESG Ratings shall not make any untrue statement, suppress any material fact or make any misrepresentation in any documents, reports, papers or information furnished to the Board, stock exchange or public at large.
- CRISIL ESG Ratings shall promptly inform the Board about any action, legal proceedings etc., initiated against it alleging any material breach or non-compliance by it, of any of the laws, rules, regulations to which it is subject, and of directions of the Board or of any other regulatory body.

- CRISIL ESG Ratings shall maintain an appropriate level of knowledge and competence and abide by the provisions of the Act, regulations and circulars, which may be applicable and relevant to the activities carried on by CRISIL ESG Ratings.
- CRISIL ESG Ratings shall ensure that there is no misuse of any privileged information including prior knowledge of ESG rating decisions or changes.
- CRISIL ESG Ratings or any of its employees shall not render, directly or indirectly any investment advice about any security being rated or about any rated person or the person whose securities are rated in publicly accessible media.
- CRISIL ESG Ratings shall ensure that any change in registration status or any material change in financials or in case of any penal action taken by the Board which may adversely affect the interests of clients or investors is promptly informed to the clients and any business remaining outstanding is transferred to another registered person in accordance with any instructions of the affected clients or investors.
- CRISIL ESG Ratings shall maintain an arm's length relationship between its ESG rating activity and any other activity.
- CRISIL ESG Ratings shall provide adequately empower its compliance officer to enable him or her to effectively discharge his duties.
- CRISIL ESG Ratings shall ensure that the senior management, particularly decision makers, have access to all relevant information about its business on a timely basis.
- CRISIL ESG Ratings shall ensure that good corporate policies and corporate governance are adopted and followed.
- CRISIL ESG Ratings shall not, generally and particularly, in respect of issuers or securities rated by it, be party to or instrumental for—
  - creation of false market;
  - price rigging or manipulation; or
  - (c) dissemination of any unpublished price sensitive information in respect of securities which are listed and proposed to be listed in any stock exchange, unless required, as part of rationale for the rating accorded.”

This Code of Conduct does not incorporate relevant terms of IOSCO Recommendations No.1 (For Regulators), 7 (For financial market participants) and 10 (For entities subject to assessment by ESG Ratings Providers) of IOSCO Code, as the same are not applicable to ESG Ratings Provider.

## **Review History**

<b>Version No</b>	<b>Date of review</b>	<b>Effective date</b>
<b>V.01.2024</b>	<b>August 12, 2024</b>	<b>August 12, 2024</b>

### **About CRISIL ESG Ratings & Analytics Limited (a wholly owned subsidiary of CRISIL Ratings Limited)**

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 [www.crisilesg.com](http://www.crisilesg.com)

### **About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, it has set the standards in the credit rating business. CRISIL Ratings has rated over 33,000 large and mid-scale corporates and financial institutions and has also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings is registered in India as a credit rating agency with the SEBI.

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

### **About CRISIL Limited**

CRISIL Limited ("CRISIL") is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

CRISIL, along with its subsidiaries, is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the United States (US), the United Kingdom (UK), Argentina, Poland, China, Colombia, Hong Kong, Singapore, Australia, Switzerland, Japan and the UAE.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

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### **CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com)