

Functioning of CARE's Rating Committees

[In supersession of "Functioning of CARE's Rating Committees" dated [April 2017](#)]

Background

CARE is committed to maintaining high standards of professional quality and integrity. All rating/grading decisions are taken by a 'Committee' and not by individuals. In line with this, CARE's Board of Directors has constituted 'Rating Committees' comprising senior executives from the company's Rating division.

Agenda papers for the Rating Committee Meetings are sent in advance. Minutes are maintained for each case discussed during the Rating Committee Meeting.

It may be noted that **CARE avoids conducting rating committees by circulation** as far as possible. However, in the event of an urgent need to take a rating action and in the absence of scheduled meeting of the Rating Committee, the rating may be decided by circulating the note to the Rating Committee Members.

I. Eligibility for becoming Rating Committee Member

Members of CARE's rating committee should possess a high degree of analytical prowess, with an ability to discern key credit risk factors across industries and businesses so as to arrive at independent unbiased opinion. CARE's rating committee members should be from the analytical division with at least five years of experience in credit analysis.

CARE may also choose to include independent experts (with relevant expertise) as part of its Rating Committee for rating of specialized products/instruments as may be required.

II. Composition of Rating Committees

CARE's Rating Committees shall have minimum 3 members.

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III. Minimum quorum required for Rating Committees

The quorum for the Rating Committees is stipulated as one-third of the members or 3, whichever is higher.

IV. Duties of Rating Committee Members

The main duties of the Rating Committee members are given below:

- (a) To assign/review ratings/gradings for cases placed before it from time to time in line with applicable criteria.
- (b) To ensure an unbiased and free discussion on key factors involved in assessing the credit risk.
- (c) To satisfy themselves that all factors relevant in arriving at a rating decision are adequately captured in the discussions and a considered opinion is arrived at.
- (d) To provide direction and guidance for finalizing the criteria used in the analysis, and methodology for various rating/grading products, in light of the experience gained and changes in the rating environment.
- (e) To review performance of ratings from time to time and provide feedback from time to time to the analytical teams on improvement in quality of analysis.
- (f) To review migration in ratings on an annual basis.
- (g) The rating committee members shall ensure strict adherence to CARE's internal policies on dealing with conflict of interest, confidentiality, gifts and other applicable policies.

Managing conflict of interest in the rating committee

Rating Committee Members of CARE do not participate in any kind of marketing/business development, including fee negotiation with issuers. Neither do CARE's employees and their dependents hold shares of the issuer they rate. Further, MD&CEO of CARE is not a part of the Rating Committee.

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To avoid conflict of interest and ensure professional conduct, CARE has put in place a comprehensive “Code of Conduct for Directors and Employees of CARE”. Annual compliance statements are also obtained from them.

System of voting and recording of dissent notes

The Rating Committee tries to arrive at a consensus while assigning/reviewing the rating. However, this does not preclude any member from voicing his/her dissent. Any member who wishes to dissent, does so in writing to the Chairman of the Rating Committee along with the reason for the dissent. The Chairman takes the same on record. Dissent notes are also documented in the Minutes of the meeting. In the absence of a consensus, majority vote prevails.

[Last updated on June 21, 2017]

Disclaimer

CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable.

CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.