

Managing Conflict of Interest

[In supersession of “Managing Conflict of Interest” dated [April 2017](#)]

CARE is a professionally managed organization and enjoys high level of independence in its operations.

As per SEBI guidelines issued in July 1999, credit rating agencies cannot rate a security issued by its promoter (defined as a person who holds 10% or more, of the shares of the agency). SEBI has, however, permitted surveillance of ratings done prior to issue of the said guidelines.

CARE has always maintained an arm’s length distance between promoters and management, thereby ensuring autonomy and independence. CARE has Rating Committees comprising senior executives of the Ratings division of CARE.

Independence at Rating Committee level

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.

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.

Independence at organisational level

At the organization level, CARE has independent teams handling business development activities and separate analyst teams handling the rating activities. The business development team has no say in the rating process or outcome of the rating. Further, CARE has in place a quality control team/sector specialists. Rating notes prepared in connection with initial rating

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assignments are reviewed by this team before being considered by the Rating Committees. This apart, rating notes in respect of surveillance of cases belonging to specific sectors are also reviewed by this team before being presented before the Rating Committees.

CARE does not provide any ancillary consultative or advisory services.

Independence of individuals

As explained earlier, the Analyst team handling the rating assignment is independent of the business development team and is not involved in any form of negotiation for rating fee.

Analyst compensation comprises a largely fixed component. In respect of the variable compensation, which is only a small portion of the pay structure, CARE has a well-defined set of parameters for performance evaluation and is not related to rating revenue.

Employee independence is ensured by the process established at CARE wherein the analyst conveys his views on the case through the Rating note and is free to air his/her views on the cases handled during the rating committee meetings.

Further, to ensure independence of its employees CARE does not permit soliciting of gifts or acceptance of gifts in return of favours/ preferential treatment of any kind. In this regard CARE has a “Gift Policy” which defines the circumstances under which its employees can accept and retain gifts. CARE’s Gift Policy also sets a cap on the value of gifts that can be accepted and retained by employees. For CARE’s Gift Policy please [click here](#).

[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.