

## **Corporate Governance Rating – Methodology**

### **Background**

Corporate Governance Rating (CGR) is an opinion on relative standing of an entity with regard to adoption of corporate governance practices. It provides information to stakeholders about the level of corporate governance practices of the entity. It enables corporate entities to obtain an independent and credible assessment of the quality and extent of their corporate governance. The rating process would also determine the relative standing of the entity vis-à-vis the best practices followed in the domestic as well as international arena. Companies can also use these ratings as reference and set benchmarks for further improvements. Investors and other stakeholders get benefited as they are able to differentiate companies based on degree of corporate governance.

**Corporate Governance Rating (CGR)** is an opinion on the relative position of an organisation in respect of adoption of corporate governance practices. It indicates to the stakeholders about the level of corporate governance practices prevailing in the organisation.

### **Benefits**

Corporate Governance Rating enables corporate entities to obtain an independent and credible assessment of the quality and extent of their corporate governance. The rating process also determines the relative position of the entity vis-à-vis the best practices followed. Organisations can also use these ratings as reference and set bench marks for further improvements. Investors and other stakeholders benefit as they are able to differentiate companies with varying degree of corporate governance.

### **Limitations**

CGR is not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity. CGR should not be construed as implying any direct correlation with the rating of debt instruments of the organisation.

While compliance with the provisions of Clause 49 of the Listing agreement is an important factor for assessing an entity for CGR, Infomerics goes beyond this and evaluate the organisation's compliance 'in spirit' with the Listing agreement as well.

### **Methodology**

The CGR process of Infomerics involves perusal of various documents like agenda papers and minutes of Board and Board committees, Annual return and other documents filed by the

bank with ROC, SEBI, stock exchanges (domestic and international) and all other regulatory bodies, prospectus (if applicable), offer documents, minutes of the Annual General Meeting and Extraordinary general meeting. It also involves meeting with top management including CEO, independent directors & whole-time director(s), bankers, Statutory Auditors, Internal Auditors and so on.

#### Key Parameters

- Board composition & functioning;
- Ownership structure;
- Quality of Management Information System;
- Shareholders' profile;
- Disclosure & transparency;
- Financial prudence; and,
- Statutory and regulatory compliance.

Good Corporate governance also helps ensuring that corporations take into consideration the interests of a wide range of constituencies, as well as of the communities within which they operate. Good corporate governance aims at value creation for its stake holders.

#### Rating Scale & Definition

**IVR CGR 1:** The organisation with this rating represents **highest comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**IVR CGR 2:** The organisation with this rating represents **high comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**IVR CGR 3:** The organisation with this rating represents **adequate comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**IVR CGR 4 :** The organisation with this rating represents **moderate comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**IVR CGR 5 :** The organisation with this rating represents **inadequate comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**IVR CGR 6 :** The organisation with this rating represents **poor comfort** to the stakeholders on the degree of corporate governance. This rating is however not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

**Infomerics may apply '+' (plus) or '-' (minus) signs for ratings assigned 'IVR CGR 2'to 'IVR CGR 6' to indicate their relative standing within the category.**