

**INFOMERICS VALUATION AND RATING PVT LTD  
(INFOMERICS)**



**CODE OF CONDUCT 2016**

## **INTRODUCTION**

Infomerics Valuation and Rating Pvt Ltd (hereinafter referred to as “Infomerics”) believes in providing a high-quality, objective, independent, and rigorous analytical information to the market place. Infomerics Ratings help the issuers access a broader investor base and approach the money and capital markets. Infomerics strives for analytic excellence at all times, evaluates its rating criteria, methodologies and procedures on a regular basis, and modifies or enhances them as necessary to respond to the needs of the Indian credit market in order to achieve its commitment to provide an independent, professional and impartial opinions. The rating and surveillance processes that are adopted by Infomerics are transparent and credible and that also ensures that the integrity and independence of such processes are not compromised by conflicts of interest, abuse of confidential information, ethics or other undue influences.

Infomerics Ratings Code of Conduct is aligned with the Code of Conduct Fundamentals for Credit Rating Agencies (CRAs) issued by the Technical Committee of the International Organization of Securities Commissions ("IOSCO") to the extent it is within the applicable Statues in India. In order to ensure that all relevant stakeholders i.e. clients, public, employees are fully aware of it the Code is available on Infomerics public website [www.infomerics.com](http://www.infomerics.com).

Infomerics does not assume any responsibility or liability to any third party arising out of or relating to this Code by making this Code available to the public. Infomerics reserves the right to modify this Code, as and when required, either out of legal and regulatory requirements or otherwise.

The Infomerics Ratings Code of Conduct is designed to apply to any person employed by Infomerics in either a full time or part time capacity. All employees who are associated with the process of Infomerics Ratings are expected to comply with Infomerics Ratings Code of Conduct and all other Codes, Policies, Regulations and Guidelines issued by Regulatory Authorities, etc. Any exceptions to this Code or the related policies, procedures, and guidelines should be approved in writing by the CEO/Equivalent in charge of Infomerics or her/his designee at present designated as “Compliance Officer” of the Company who shall be responsible for the interpretation of this Code and the related policies, procedures, and guidelines.

The Credit Ratings assigned by Infomerics is a symbolic indicator of the opinion of a credit rating agency about the risk involved in a borrowing programme of an issuer with reference to the capability of the issuer to repay the debt as per terms of the issue. This is neither a general purpose evaluation of the company nor a recommendation to buy, hold or sell a debt instrument.

## **DEFINITIONS**

For purposes of this Code, the terms set forth below shall have the following meanings:

**“Affiliate”** shall mean an entity that directly or indirectly controls, is controlled by, or is under common control with another entity.

**“Analyst”** shall mean a CRA employee who performs analytical functions that are necessary for the issuing or monitoring of a credit rating or participates in determining credit ratings, including an employee involved in a credit rating committee.

**“Associate Company”** In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

**Explanation** – For the purpose of this clause, “Significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement:

**“Ancillary Business”** shall mean those products and services offered by Infomerics Valuation and Rating Private Limited (referred to as ‘Infomerics’) that are related to rating services, including, but not limited to, credit estimates, credit assessments, private credit analysis, recovery ratings, research, and other similar products and services, but which are not credit ratings.

**“Client”** shall mean any person whose securities are rated by a credit rating agency.

**“Credit rating” or “rating”** shall mean an assessment regarding the creditworthiness of an entity or obligation, expressed using an established and defined ranking system.

**“Credit rating action”** shall mean to determine an initial credit rating, an upgrade of an existing credit rating, a downgrade of an existing credit rating (including to a default category), an affirmation of an existing credit rating, or a withdrawal of a credit rating.

**“Credit rating agency” or “CRA”** shall mean an entity that is in the business of issuing credit ratings.

**“Credit rating methodology”** shall mean the procedure by which a CRA determines credit ratings, including the information that must be considered or analyzed to determine a credit rating and the analytical framework used to determine the credit rating, including, as applicable, the models, financial metrics, assumptions, criteria, or other quantitative or qualitative factors to be used to determine the credit rating.

**“Credit rating process”** means all the steps taken with respect to a credit rating action including, but not limited to, the CRA’s selection and assignment of analysts to work on the matter, application of the credit rating methodology, decision-making activities (e.g. the operation of a rating committee), interaction with the rated entity or issuer and as applicable, dissemination of the credit rating publicly or to subscribers.

**“Employee”** shall mean any individual who is involved in the credit rating process for Infomerics on a full-time, part-time, or temporary basis, including any individual working as a contractor, provided that such contractor is involved in the credit rating process.

**“Entity”** shall mean a government; political subdivision, agency, or a company, corporation, partnership, trust, estate or association.

**"IOSCO"** shall mean an association of organizations that regulate the world's securities and future markets.

**"IOSCO Code"** shall mean set of objectives (collectively the Principles) designed to promote the protection of investors; ensuring that markets are fair, efficient and transparent; and the reduction of systemic risk.

**“Issue”** shall mean the securities, facilities or equivalent of the Issuer to whom a credit rating is assigned by Infomerics

**“Issuer”** shall mean the entity whose securities, facilities or equivalent are assigned a credit rating by Infomerics .On occasions the Issuer itself may be assigned a credit rating by Infomerics.

**"Non-Ratings Business"** shall mean all segments and operating groups of Infomerics as well as segments and operating groups of Infomerics Valuation and Rating Private Limited's subsidiaries, other than Infomerics.

**"Securities"** has the meaning assigned to it in clause (h) of section 2 of the Indian Securities Contracts (Regulation) Act, 1956.

**“Obligation”** shall mean a trading instrument, credit commitment, loan or other similar product or transaction that has inherent credit risk.

**“Obligor”** shall mean an entity that is legally or contractually obliged to make payments on a rated obligation.

## **THE CODE OF CONDUCT FUNDAMENTALS**

Infomerics should endeavour to issue credit ratings that help reduce the asymmetry of information that exists between borrowers and issuers of debt securities, on one side and lenders and the investors of debt securities on the other. Rating analyses of low quality or produced through a process of questionable integrity are either of little use to or misleading for market participants. Stale Credit ratings that fail to reflect changes to an Issuer's financial condition or prospects may mislead market participants. Likewise, conflicts of interest or other undue factors – internal and external – that might, or even appear to, impinge upon the independence of a rating decision can seriously undermine Infomerics's credibility.

Infomerics also have responsibilities to the investing public and to issuers themselves, including a responsibility to protect the confidentiality of some types of information issuers share with Infomerics.

Infomerics ratings are only an opinion on the relative ranking of credit risk, and they do not reflect other investment risks arising out of changes in market conditions, viz. interest rates or liquidity. Hence, even the debt obligations rated in the highest category carry a certain degree of credit risk, although such risk would be the lowest when compared with the credit risks associated with obligations rated in the lower rating categories. The ratings assigned by Infomerics should not be treated as recommendation to buy, sell or hold the debt instruments or to renew, disburse or recall the concerned bank facilities.

The rating is a symbolic indicator of infomerics's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. The ratings do not take into account many aspects which influence an investment or lending decision. They do not, for example, evaluate the reasonableness of the issue price, possibilities for capital gains or take into account the liquidity in the secondary market. Ratings also do not take into account the risk of prepayment by the issuer. Ratings neither take into account investors' risk appetite nor the suitability of a particular instrument to a particular class of investors. The ratings are not always constant and are subject to change. While analysing Infomerics takes due care to incorporate the factors that impact the issuers' prospective credit quality, there may be situations in which the actual developments would significantly differ from the expectations. Such changes in turn may warrant an upward or downward revision in the ratings previously assigned. The ratings assigned by Infomerics, therefore, are subjected to regular surveillance and the live ratings are available in Infomerics website ([www.infomerics.com](http://www.infomerics.com)).

## **QUALITY AND INTEGRITY OF THE RATING PROCESS**

### **A. Quality of the Credit Rating Process**

- 1.1. Infomerics has established, maintained, documented, and enforced a credit rating methodology for each class of entity or obligation for which it issues credit ratings. Each credit rating methodology is rigorous, capable of being applied consistently, and, where possible, results in credit ratings that can be subjected to some form of objective validation based on historical experience.
- 1.2. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls to ensure that the credit ratings it disseminates are based on a thorough analysis of all information known and believed to be relevant and are consistent with the applicable credit rating methodology that is in effect.
- 1.3. Infomerics has adopted reasonable measures designed to ensure that it has the appropriate knowledge and expertise, and that the information it uses in credit ratings is of sufficient quality and obtained from reliable sources to support a high quality credit rating.
- 1.4. Infomerics avoids issuing credit ratings for entities or obligations for which it does not have appropriate information, knowledge, and/or expertise.
- 1.5. Infomerics ensures that the credit rating methodology is applied in a manner that is consistent across all entities or obligations for which that methodology is used.
- 1.6. Infomerics has defined the meaning of each category in its rating scales and applies those categories consistently across all classes of rated entities and obligations to which a given rating scale applies.
- 1.7. Credit ratings are assigned by Infomerics as an entity and not by an analyst or other employee.
- 1.8. Infomerics assigns analysts who, individually or collectively have appropriate knowledge and experience for assessing the credit worthiness of the type of entity or obligation being rated.
- 1.9. Infomerics maintains internal records that are accurate and sufficiently detailed and comprehensive to reconstruct the credit rating process for a given credit rating action. These codes are maintained as per requirements of Securities and Exchange Board of India (SEBI) regulations. Infomerics has also established, maintained, documented, and enforced policies, procedures, and controls designed to ensure that its employees comply with such internal record maintenance, retention, and disposition requirements.
- 1.10. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls designed to avoid issuing credit ratings, analyses, or reports that contain misrepresentation or are otherwise misleading as to the general credit worthiness of a rated entity or obligation.
- 1.11. Infomerics ensures that it has and devotes sufficient resources to carry out and maintain high quality credit ratings. When deciding whether to rate or continue rating an obligation or issuer, it shall assess whether it is able to devote sufficient personnel with sufficient skill sets to make a proper rating assessment, and whether its personnel likely will have access to sufficient information needed in order to make such an assessment.

- 1.12. Infomerics has established and maintained a review function made up of one or more senior managers with appropriate experience to review the feasibility of providing a credit rating for a type of entity or obligation that is materially different from the entities or obligations it currently rates.
- 1.13. Infomerics has formed a separate team which is responsible for conducting a rigorous, formal, and periodic review, on a regular basis pursuant to an established time frame, of all aspects of its credit rating methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. Where feasible and appropriate for the size and scope of its credit rating services, this function shall be independent of the business lines that are principally responsible for rating various classes of issuers and obligations. Infomerics shall assess whether existing methodologies and models for determining credit ratings of structured products are appropriate when the risk characteristics of the assets underlying a structured product change materially.
- 1.14. Infomerics has procedures in place for selecting the analysts, who will participate in determining a credit rating, which ensures the balance between continuity and avoidance of bias in the credit rating process.
- 1.15. Infomerics ensures that sufficient employees and financial resources are allocated to monitoring and updating all its credit ratings, it monitors the credit rating on an ongoing basis by:
- a. reviewing the credit worthiness of the rated entity or obligation regularly;
  - b. initiating a review of the status of the credit rating upon becoming aware of any information that might reasonably be expected to result in a credit rating action (including withdrawal of a credit rating), consistent with the applicable credit rating methodology;
  - c. reviewing the impact of and applying a change in the credit rating methodologies, models or key rating assumptions on the relevant credit ratings within a reasonable period of time;
  - d. updating on a timely basis the credit rating, as appropriate, based on the results of such review.
- 1.16. If Infomerics uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, it will ensure that each team has the requisite level of expertise and resources to perform their respective functions in a timely manner.
- 1.17. Infomerics has established, maintained, documented, and enforced policies and procedures that clearly set forth guidelines for disseminating credit ratings that are the result or subject of credit rating actions and the related reports, and for when a credit rating will be withdrawn.

## **B. Integrity of the Credit Rating Process**

- 1.18. Infomerics and its employees shall deal fairly and honestly with the issuers, investors, other market participants, and the public.
- 1.19. Infomerics's employees shall be held to the highest standards of integrity and ethical behaviour and Infomerics has policies and procedures in place that are

- designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 1.20. Infomerics and its employees shall not, either implicitly or explicitly, give any assurance or guarantee of a particular rating prior to a rating assessment. This does not preclude Infomerics from developing prospective assessments used in structured finance and similar transactions.
- 1.21. Infomerics and its employees shall not make promises or threats about potential credit rating actions to influence rated entities, issuers or users of its credit ratings to pay for credit ratings or other services.
- 1.22. Infomerics and its employees shall not make proposals or recommendations regarding the activities of rated entities or obligors that could impact a credit rating of the rated entity or obligation.
- 1.23. Infomerics is compliant to all the Acts/Regulations/Circulars prescribed by SEBI for rating agencies.
- a. Infomerics has established a compliance function responsible for monitoring and reviewing the compliance of Infomerics and its employees with the provisions of the Code and with applicable laws and regulations.
  - b. The compliance function is also responsible for reviewing the adequacy of the policies, procedures, and controls designed to ensure compliance with the Code and applicable laws and regulations.
  - c. Infomerics has assigned a Senior General Manager to serve as the compliance officer in charge of the compliance function. The compliance officer's reporting lines and compensation are independent of the Infomerics's credit rating operations.
- 1.24. An employee shall, upon becoming aware that another employee of Infomerics is or has engaged in conduct that is illegal, unethical, or contrary to this code of conduct, report such information immediately to the compliance officer or another officer of Infomerics, as appropriate, so that proper action may be taken. Upon receiving such a report from an employee, Infomerics shall take appropriate action and prohibit any retaliation against any employees who, in good faith, make such reports.
- 1.25. At all times activities carried out by affiliates, associated companies, management and its employees should be such that integrity of credit rating process is maintained

## **INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST**

### **A. General**

- 2.1. Infomerics shall not delay or refrain from taking a credit rating action, if appropriate, based on the potential effect (economic, political, or otherwise) of the action on Infomerics, an issuer, an investor, or other market participant.
- 2.2. Infomerics and its employees shall use care and professional judgment to maintain both the substance and appearance of independence and objectivity.
- 2.3. The determination of a credit rating shall be influenced only by factors relevant to credit assessment.
- 2.4. The credit rating Infomerics assigns to an issuer or security shall not be affected by the existence of or potential business relationship between Infomerics (or any Non Ratings Business of Infomerics) and the issuer (or its affiliates) or any other party.
- 2.5. Infomerics has separated, operationally (with the exception of certain shared services like Finance, Information Technology, Legal, Human Resources, etc.) and legally, its credit rating business and credit rating analysts, from its advisory and risk consulting business. Infomerics shall ensure that ancillary business operations which do not necessarily present conflicts of interest with the rating business have in place procedures and mechanisms designed to minimize the likelihood that conflicts of interest will arise. Infomerics has established a firewall policy governing firewalls and operations between Infomerics's Rating business and Non-Ratings Businesses to effectively manage conflicts of interest.

### **B. CRA Policies, Procedures, Controls and Disclosures**

- 2.6. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the credit rating methodologies, credit rating actions, or analyses of Infomerics or the judgment and analyses of its employees.
- 2.7. Infomerics discloses actual and potential conflicts of interest in a complete, timely, clear, concise, specific, and prominent manner. When the actual or potential conflict of interest is unique or specific to a credit rating action with respect to a particular rated entity, issuer or a market participant, such conflict of interest is disclosed in the same form and through the same means as the relevant credit rating action.
- 2.8. Infomerics discloses the general nature of its compensation arrangements with rated entities.
  - a. As required by SEBI, Infomerics shall disclose on its website unrelated compensation as a percentage of total annual compensation received from rated entity.
  - b. As required by SEBI, Infomerics shall disclose on its website if it receives 10 percent or more of its annual revenue from a single client.
- 2.9. Infomerics shall encourage structured finance issuers and originators of structured finance products to publicly disclose all relevant information regarding these products

so that investors and other credit rating agencies can conduct their own analyses independently of Infomerics's ratings.

- 2.10. Infomerics or its employee shall not hold or transact in securities presenting a conflict of interest with its credit rating activities.
- 2.11. In instances where rated entities (e.g. Governments) have, or are simultaneously pursuing, oversight functions related to the Infomerics, the employees responsible for interacting with the officials of the rated entity (e.g., government regulators) regarding supervisory matters are separate from the employees that participate in taking credit rating actions or developing or modifying credit rating methodologies that apply to such rated entity or obligor.

### **C. CRA Employee Independence**

- 2.12. Reporting lines for Infomerics employees and their compensation arrangements are structured to eliminate or effectively manage actual and potential conflicts of interest.
- a. Infomerics employees who participate in or who might otherwise have an effect on a credit rating action with respect to an entity or obligation are not compensated or evaluated on the basis of the amount of revenue that Infomerics derives from that entity or obligor.
  - b. Infomerics conducts formal and periodic reviews of its compensation policies, procedures, and practices for its employees who participate in or who might otherwise have an effect on a credit rating action to ensure that these policies, procedures, and practices have not been compromised and do not compromise the objectivity of the credit rating process.
- 2.13. Infomerics's employees who participate in or who might otherwise have an effect on a credit rating action shall not initiate or participate in discussions with rated entities regarding fees or payments charged to such rated entity.
- 2.14. Infomerics employees shall not participate in or otherwise influence credit rating action with respect to an entity or obligation if the employee, an immediate family member of the employee, or an entity managed by the employee (e.g., a trust):
- a. Holds or transacts in a security issued by the rated entity or obligor;
  - b. Holds or transacts in a security (other than a diversified collective investment scheme like mutual fund) that itself owns an interest in the rated entity or obligor, or is a derivative based on a security issued by the rated entity or obligor;
  - c. Holds or transacts in a security issued by an affiliate of the rated entity or obligor, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or Infomerics;
  - d. Holds or transacts in a security issued by a lead underwriter or arranger of the rated obligation, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or Infomerics;
  - e. Is currently employed by, or had a recent employment or other significant business relationship with the rated entity or obligor or a lead underwriter or arranger of the rated obligation that may cause or may be perceived as causing a conflict of interest;
  - f. Is a director of the rated entity or issuer or

- g. Has, or had, another relationship with or interest in the rated entity or issuer (or any of their affiliates) that may cause or may be perceived as causing a conflict of interest.
- 2.15. Infomerics analysts shall not hold or transact in a trading instrument issued by a rated entity or obligor in the analysts' area of primary analytical responsibility, except as permitted under Infomerics's internal securities trading policy.
- 2.16. Infomerics employees are prohibited from soliciting money, gifts, or favours from any one with whom it does business and are prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value.
- 2.17. Infomerics employees who become involved in a personal relationship that creates an actual or potential conflict of interest shall be required to disclose the relationship to the compliance officer or another officer of Infomerics, as appropriate.
- 2.18. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls for reviewing without unnecessary delay the past work of an analyst who leaves the employment of Infomerics and joins an entity that the employee participated in rating, an obligor whose obligation the employee participated in rating or a financial firm with which the employee had significant dealings as part of his or her duties at Infomerics, or any of their affiliates.

## **RESPONSIBILITIES TO THE INVESTING PUBLIC AND ISSUERS**

### **A. Transparency and Timeliness of Credit Ratings Disclosure**

- 3.1. Infomerics assists investors and other users of credit ratings in developing a greater understanding of credit ratings by disclosing in plain language, among other things, the nature and limitations of credit ratings and the risks of unduly relying on them to make investment or other financial decisions. In addition Infomerics and its employee shall not state that SEBI endorses its credit ratings or use their registration status to advertise the quality of its credit ratings.
- 3.2. Infomerics has disclosed sufficient information about its credit rating process and its credit rating methodologies, so that investors and other users of credit ratings can understand how a credit rating was determined.
- 3.3. Infomerics discloses any material modification, in a non-selective manner, to a credit rating methodology prior to the modification taking effect unless doing so would negatively impact the integrity of a credit rating by unduly delaying the taking of a credit rating action.
- 3.4. Infomerics does not assign unsolicited credit ratings, i.e. ratings that are arrived at without the participation of issuers in the rating process. For each rating assigned, Infomerics has a specific mandate from the issuer wherein the latter agrees to several terms and conditions including participation in the conduct of the rating exercise and provision of necessary information.
- 3.5. Infomerics has disclosed its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.
- 3.6. Infomerics has disclosed clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 3.7. Infomerics has differentiated credit ratings of structured finance obligations from credit ratings of other types of entities or obligations, through a different credit rating identifier.
- 3.8. Infomerics shall be transparent with investors, rated entities about how the relevant entity or obligation is rated.
- 3.9. Where feasible and appropriate, Infomerics informs the issuer about the critical information and principal considerations upon which a credit rating will be based prior to disseminating a credit rating that is the result or subject of the credit rating action and afford such issuer an adequate opportunity to clarify any factual errors, factual omissions, or factual misperceptions that would have a material effect on the credit rating. Infomerics duly evaluates any response from such issuer. Where in particular circumstances Infomerics has not informed such issuer prior to disseminating a credit rating action, it informs such issues as soon as practical thereafter and, generally, explains why it did not inform such rated issuer prior to disseminating the credit rating action.
- 3.10. Infomerics publicly discloses a credit rating that is the result or subject of the credit rating action as soon as practicable.
- 3.11. Infomerics publicly discloses a credit rating that is the result or subject of the credit rating action on a non-selective basis.

- 3.12. Infomerics discloses with a credit rating that is the result or subject of a credit rating action a reference to whether the rated issuer participated in the credit rating process.
- 3.13. Infomerics clearly indicates the attributes and limitations of each credit rating, and the extent to which Infomerics verifies information provided to it by the rated issuer.
- 3.14. Infomerics indicates in the disclosure in its credit rating report of a credit rating that is the result or the subject of a credit rating action when the credit rating was last updated or revised. Infomerics's credit rating disclosure also mentions the rating methodology/criteria that was used in determining the credit rating and where it can be accessed without charge to the public.
- 3.15. When rating a structured finance product, Infomerics publicly discloses sufficient information about its loss and cash-flow analysis with the credit rating, so that investors in the product, other users of credit ratings, and/or subscribers can understand the basis for the credit rating. Infomerics also publicly discloses information about the degree to which it analyzes how sensitive a credit rating of a structured finance obligation is to changes in the assumptions underlying the applicable credit rating methodology.
- 3.16. When issuing or revising a credit rating, Infomerics explains in its announcement and/or report the key assumptions and data underlying the credit rating, including financial statement adjustments that deviate materially from those contained in the published financial statements of the relevant rated entity or obligor.
- 3.17. If Infomerics discontinues monitoring a credit rating for a rated entity or issuer it either withdraws the credit rating or discloses such discontinuation to the public as soon as practicable. A publication by Infomerics of a credit rating that is no longer being monitored in its credit rating report indicates the date the credit rating was last up dated or reviewed, the reason the credit rating is no longer monitored, and the fact that the credit rating is no longer being updated.
- 3.18. To promote transparency and to enable investors and other users of credit ratings to compare the performance of different CRAs, Infomerics discloses sufficient information about the historical transition and default rates of its credit rating categories with respect to the classes of entities and obligations it rates. This information is verifiable, quantifiable historical information, organized over a period of time, and where possible, standardized in such a way to assist investors and other users of credit ratings in comparing different CRAs. If the nature of the rated entity or obligation or other circumstances make such historical transition or default rates inappropriate, statistically invalid, or otherwise likely to mislead investors or other users of credit ratings, Infomerics shall disclose why this is the case.

## **B. The Treatment of Confidential Information**

- 3.19. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls to protect confidential and/or material non- public information, including confidential information received from a rated entity or issuer and non-public information about a credit rating action.
  - a. The policies, procedures, and controls prohibit Infomerics and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to its credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in

connection with the credit rating activities, unless disclosure is required by applicable law or regulation.

- b. The policies, procedures, and controls require Infomerics and its employees to take reasonable steps to protect confidential and/or material non-public information from fraud, theft, misuse, or in advertent disclosure.
  - c. With respect to confidential information received from a rated entity, or issuer, the policies, procedures, and controls prohibit Infomerics and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding that it will keep the information confidential, unless disclosure is required by applicable law or regulation.
  - d. With respect to a pending credit rating action, the policies, procedures, and controls prohibit Infomerics and its employees from selectively disclosing information about the pending credit rating action, except to the rated entity, issuer or their designated agents, or as required by applicable law or regulation.
- 3.20. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls designed to prevent violations of applicable laws and regulations governing the treatment and use of confidential and/or material non-public information.
- 3.21. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls that prohibit employees that possess confidential and/or material non-public information concerning a security, from engaging in a transaction in the security, or using the information to advise or otherwise advantage another person in transacting in the security.

## **GOVERNANCE, RISK MANAGEMENT AND EMPLOYEE TRAINING**

- 4.1. Infomerics's board shall have ultimate responsibility for ensuring that Infomerics establishes, maintains, documents, and enforces a code of conduct that gives full effect to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies and any deviations from the code will be explained.
- 4.2. Infomerics has established process to manage risk and such activity is over seen by one or more senior managers with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk. This activity is independent of the internal audit activity and also entails making periodic reports to the board and senior management to assist them in assessing the adequacy of the policies, procedures, and controls. Infomerics has established, maintained, documented, and enforced to manage risk, including the policies, procedures, and controls specified in the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies.
- 4.3. Infomerics has established, maintained, documented, and enforced policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals. The subject matter covered by the training shall be relevant to the employee's responsibilities and shall cover, as applicable, this code of conduct, the credit rating processes, the laws governing the credit rating activities, the policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in securities and the policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls also include measures designed to verify that employees undergo required training.
- 4.4. Infomerics implements and enforces its code of conduct by requiring all its employees to read the Code and affirm their compliance with the Code and all related Infomerics policies and guidelines by signing an Affirmation Statement periodically.

## **DISCLOSURE AND COMMUNICATION WITH MARKET PARTICIPANTS**

- 5.1. Infomerics disclosures, including those specified in the provisions of this Code, shall be complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 5.2. Infomerics has established and maintained a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function has established, maintained, documented, and enforces policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls also specifies the circumstances under which a complaint must be reported to senior management and/or the board.
- 5.3. Infomerics publishes in a prominent position on its public website, [www.infomerics.com](http://www.infomerics.com), web page links to:
  - (a) the Code,
  - (b) a description of the methodologies that Infomerics uses, and
  - (c) information about Infomerics Ratings historic performance data and
  - (d) any other disclosures specified in the provisions of the IOSCO Code as applicable. Any changes to any of the mentioned documents is immediately updated

## CODE OF CONDUCT CONTAINED IN SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

### Regulations

- 6.1 Infomerics abides by the Code of Conduct contained in the **Third Schedule of the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, as amended (“SEBI Code”)**. Infomerics supports and actively works towards fulfilment of the objectives of the SEBI Code as notified from time to time.

## **DEVIATIONS WITH IOSCO CODE OF CONDUCT FUNDAMENTALS FOR CREDIT RATING AGENCIES**

- 7.1 Infomerics fully supports the essential purpose of the IOSCO Code, which is to promote investor protection by safeguarding the integrity of the rating process. Infomerics Code of Conduct is aligned with the Code of Conduct Fundamentals for Credit Rating Agencies issued by the Technical Committee of the International Organization of Securities Commissions but there are two clauses of Infomerics Code of Conduct wherein there is a deviation with the provisions of IOSCO Code, detailed as under:

### **Operational and Legal Separation**

- 7.2 Infomerics operates in multiple locations as a division of Infomerics Valuation and Rating Private Limited. Infomerics Valuation and Rating Private Limited provides shared services to all of its segments, units or divisions, including legal, information technology, human resources and finance functions. Infomerics has established and documented a policy to ensure that the rating and surveillance processes are not compromised by conflicts of interest, abuse of confidential information or any other improper influence. *(See Section 2.5 of the IOSCO Code)*

### **Disclosure by issuers**

- 7.3 As per clause 2.9 of IOSCO Code, a CRA should disclose in its credit rating announcement whether the issuer of a structured finance product has informed the CRA that it is publicly disclosing all relevant information about the issuer being rated or if the information remains non-public. Infomerics agrees with IOSCO's guiding principle that it should be transparent in providing as much information to the public as feasible regarding the issues and issuers that it rates. However, this requirement by IOSCO is not consistent with the laws and regulations that place the legal requirement to disclose relevant information to the public on the issuer, and not on credit rating agencies.