

CODE OF CONDUCT

**CARE ESG Ratings Limited
(previously known as CARE Advisory Research and Training
Limited)**



DEFINITIONS

The terms/abbreviations which are used in this Code shall have the following meanings/descriptions:

"CARE ESG" means CARE ESG Ratings Limited (previously known as CARE Advisory Research and Training Limited), a Public Limited Company incorporated under the Companies Act, 2013 and an ESG Rating Provider ("ERP") registered with Securities and Exchange Board of India.

"CRA" means Credit Rating Agency.

"IOSCO" means International Organization of Securities Commissions

"ESG ratings/data products provider" means an entity whose activities involve the provision of ESG data products and/or ESG ratings/scores.

"ESG data product" is a product provided, or marketed as providing either a specific Environmental, Social, or Governance focus or a holistic ESG focus, or a combined focus on a combination of E, S or G factors, in respect of one or more entities, financial instruments, products or companies' ESG profile, characteristics, or exposure to ESG, climate-related or other environmental risks or impact on society and the environment. For the purposes of this definition, it is irrelevant whether or not the product is explicitly labelled as an "ESG data product".

"ESG rating/score" is a product that is provided, or marketed as providing an opinion, score or other ranking issued using an established and defined ranking system, regarding the Environmental, Social and or Governance characteristics or risks in relation to one or more entities', financial instruments', or products or one or more companies' ESG profile, characteristics, or exposure to ESG, climate related or other environmental risks or impact on society and the environment. For the purposes of this definition, it is irrelevant whether or not the relevant product is explicitly labelled as an "ESG rating or ESG score".

INTRODUCTION

An ESG Rating Provider is expected to observe highest standards of integrity and fairness in all its dealings. CARE ESG Ratings Limited is committed in continuously reviewing and monitoring its policies and procedures in the light of contemporary developments. CARE ESG is already required to comply with the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 and Master Circular for ESG Rating Providers dated July 12, 2023 issued by SEBI as amended from time to time.

CARE ESG has aligned its code of conduct with "International Organization of Security Commission Report on Environmental, Social and Governance (ESG) Ratings and Data Products Providers" ("IOSCO Report") issued in November 2021.

This code is available to public on website of CARE ESG. However, by making this code available to the public, CARE ESG 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. CARE ESG, in its sole discretion, may revise this code to reflect changes in market, legal and regulatory circumstances and changes to CARE ESG's control, policies and procedures.

CARE ESG expects all employees to comply with this code and the related policies and procedures. Any exceptions to this code or the related policies and procedures should be approved in writing by the Compliance Officer of CARE ESG who shall be responsible for interpretation of this code and the related policies and procedures. Failure to comply with this code and the related policies and procedures could be sufficient reason for disciplinary action.

This code would be in addition to the internal Code of Conduct as per SEBI (Prohibition of Insider Trading) Regulations, 2015.

This code has been prepared based on the 6 principles set out in IOSCO Report.

1. Good Governance

CARE ESG has established a clear organizational structure with well-defined, transparent and consistent roles and responsibilities for personnel involved in the determination, publication, or oversight, as appropriate, of an ESG rating or of an ESG data product.

2. Systems and Controls

- a) CARE ESG has drafted written policies and procedures ensuring issuance of high quality ESG Ratings and data products.
- b) CARE ESG has drafted written policies and procedures taking into account the nature, scale and complexity of the ESG Ratings and the ESG Ratings will be based on a thorough analysis of all the relevant disclosed data/information available with them.
- c) CARE ESG has considered adopting, implementing and providing 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.
- d) CARE ESG will be publishing on regular basis an evaluation of the methodologies of ESG Ratings against the outputs which they have been used to produce.
- e) CARE ESG will regularly review the changes made to the methodologies as well as potential impact of changes to ESG Ratings and data products.
- f) CARE ESG will provide transparency around the sources of data used in determining the ESG Ratings and data products.

- g) CARE ESG will monitor on an ongoing basis and regularly update, ESG Ratings and data products except where specifically disclosed that the rating is a point in time rating;
- h) CARE ESG will maintain internal records to support their ESG Ratings and data products.
- i) CARE ESG shall ensure to have 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, analyse all the information relevant to their decision making process and provide quality assurance.
- j) CARE ESG has ensured that the personnel involved in deliberation or oversight of ESG ratings and data products are professional, competent and of high integrity.
- k) CARE ESG has ensured that the ESG Ratings offerings to clients are in a machine readable format.

3. Conflicts of Interest

- a) CARE ESG 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 analyses ESG ratings and data products providers make or the judgment and analyses of the individuals they employ who have an influence on their ESG ratings or data products decisions;
- b) CARE ESG shall take steps to help ensure that any existing or potential business relationship between them (or their affiliates) and any entity or any other party for which they provide ESG ratings or data products would not affect the integrity of the ESG ratings and data products being offered to those entities or other parties.
- c) CARE ESG has put in place measures to ensure that staff members refrain from any securities or derivatives trading presenting inherent conflicts of interest with the ESG ratings and data products.
- d) CARE ESG has put in place 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.
- e) CARE ESG shall not compensate or evaluate staff on the basis of the amount of revenue that an ESG rating and data products provider 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.
- f) CARE ESG shall disclose the nature of the compensation arrangement or any other business or financial relationships that exist with an entity for which ESG ratings and data products provides ESG rating or data products.

4. Transparency

- a) CARE ESG shall make a public disclosure and transparency a priority for their ESG ratings and data products offerings subject to commercial sensitivity considerations.
- b) CARE ESG shall clearly describe their ESG ratings and data products to enable the users to understand the ESG ratings or ESG data product`s intended purpose including its measurement objective.
- c) CARE ESG shall publish sufficient information about the procedures and methodologies underlying their ESG ratings to enable the users to understand how their outputs were determined.
- d) CARE ESG shall consider publishing information regarding methodologies which may include but not limited to:
 - the measurement objective of the ESG Ratings;
 - the criteria used to assess the entity or company;
 - the KPI`s 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 including the use of industry averages, estimations or other methodologies when actual data is not available as well as information on how the absence of information was treated;
 - the time horizon of the assessment;
 - the meaning of each assessment category and
 - a regular evaluation of their methodologies against the outputs which they have been used to produce.
- e) CARE ESG shall publish information that is relevant to understand their methodologies subject to any proprietary or confidentiality considerations.

5. Confidentiality

- a) CARE ESG shall adopt and implement written policies and procedures and mechanisms related to their ESG ratings and data products designed to address and protect the non-public nature of information shared with them by entities under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.
- b) CARE ESG shall adopt and implement written policies and procedures designed to address the use of non-public information only for purposes related to their ESG ratings and data products or otherwise in accordance with their confidentiality arrangements with the entity.
- c) CARE ESG shall include information on data confidentiality management and on the protection of non-public information to the extent terms of engagement are published.

6. Engagement

- a) CARE ESG shall communicate sufficiently in advance by when they expect to request this information regarding their ESG ratings and data products.
- b) CARE ESG shall include in their requests, pre-inputted information either from publicly available sources or from covered entity`s previous submissions, where possible for the covered entities review or confirmation.
- c) CARE ESG shall provide a clear and consistent contact point with whom the covered entity can interact to address any queries relating to assessment.
- d) CARE ESG shall where feasible and appropriate inform covered entities that they are in process of being assessed; and (ii) of the principal categories of data on which an ESG rating is based before the publication of the ESG rating.
- e) CARE ESG shall allow the covered entity to draw attention to any factual errors or omissions in the ESG rating or ESG data product, including the data and information underlying the ESG rating or ESG data product and
- f) CARE ESG shall publish terms of engagement describing how the ESG ratings and data product providers will typically engage with their covered entities, including when information is likely to be requested and the opportunities available (if any) to the covered entity for review.