

## **Policy on Firewall of CARE ESG Ratings Limited**

**DOCUMENT CHANGE CONTROL**

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1.0	Compliance Officer	April 18, 2024	Policy on Firewall between CARE ESG Ratings Limited and its group entities

**This document has been reviewed and approved by**

Name	Approved Date
Board of Directors	April 18, 2024
Owner- Compliance Function	April 18, 2024
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## 1. Introduction

CARE ESG Ratings Limited (The Company) is a ESG Rating Provider (ERP) registered with Securities and Exchange Board of India (SEBI) under SEBI (Credit Rating Agencies) Regulations, 1999.

The Company is a Wholly Owned Subsidiary of CARE Ratings Limited (Holding Company), a CRA registered with SEBI. Besides, the Company also has fellow subsidiaries (both rating and not rating entity) as part of CAREEDGE Group.

The Company is engaged in the business of providing Environment, Social and Governance (ESG) Ratings for the products that are marketed as opinions about an issuer or a security, regarding its ESG profile or characteristics or exposure to ESG risk, governance risk, social risk, climatic or environmental risks, or impact on society, climate and the environment, that are issued using a defined ranking system of rating categories, whether or not these are explicitly labelled as "ESG ratings".

The SEBI vide master circular dated July 12, 2023 on ESG Rating Providers, mandates ERPs to formulate a policy on separation or firewall practices between SEBI registered ERPs and their non-ERP entities. In line with the aforesaid Circular, the Company has put in place this policy detailing principles to be followed for ensuring separation & firewall at all times between ERP and Non-ERP Entities.

## 2. Applicability

This policy shall be applicable to all the employees and the Directors of the company and its group entities, unless specifically excluded.

## 3. Definitions

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

Particular	Definition
Company	"Company" means "CARE ESG Ratings Limited".
Board	"Board" means "Board of Directors of the Company"
Associate	"Associate" means "Entity incorporated in India under the provisions of the Companies Act, 2013, read with its applicable rules, as amended from time to time
Group entities	"Group entities" means entities forming part of CARE EDGE Group and includes CARE Ratings Limited (Holding Company) and all its subsidiaries including Step-down Subsidiaries.
Wholly Owned Subsidiaries	"Wholly Owned Subsidiaries" means wholly owned subsidiaries under the provisions of the Companies Act, 2013, read with its applicable rules as amended from time to time.
Subsidiaries	"Subsidiaries" means subsidiary incorporated under the provisions of the laws applicable in the Country in which such Subsidiary is incorporated or will be incorporated.
ESG Rating	means the rating products that are marketed as opinions about an issuer or a security, regarding its ESG profile or characteristics or exposure to ESG risk, governance risk, social risk, climatic or environmental risks, or impact on society, climate and the environment, that are issued using a defined ranking system of rating categories, whether or not these are explicitly labelled as "ESG ratings"

Employee	Includes all employees, Trainees, Employees on deputation, contractual employees and any other person as specified from time to time.
Director	Means a member of the Board of Directors
CARE / Holding Company	CARE Ratings Limited
CAAPL	CARE Analytics and Advisory Private Limited (formerly CARE Risk Solutions Private Limited)
CRAF	CARE Ratings (Africa) Private Limited
CRNL	CARE Ratings Nepal Limited
CRSAPL	CARE Ratings South Africa (Pty) Ltd.
RPT	Related Party Transaction
SLA	Service Level Agreement
NEE	Non-ERP Entities.
SEBI Circular	SEBI master circular on ESG Rating Providers dated July 12, 2023
SEBI Regulations	SEBI (Credit Rating Agencies) Regulations, 1999

**4. Design Principles for Firewall between the Company (ESG Ratings) vis-à-vis CARE and its other subsidiaries**

The Company shall adhere to the following design principles to ensure that there is a complete separation & firewall between the Company and CARE and its other subsidiaries (Ratings).

**A. Transactions with group entities –**

The transactions with group entities will be carried out at Arm’s length in accordance with the provisions of the Companies Act, 2013 as amended from time to time and any other applicable regulations. Appropriate cost allocation could be made between the Company and group entities wherever resources / infrastructure is taken, or services are taken and felt appropriate. A Service Level Agreement (SLA) may be entered between the Company and the respective entity clearly defining the services and the method for cost allocation.

**B. Physical separation between the Company and group entities –**

CARE ESG Ratings Limited & group entities shall have separate arrangements for its business operations with physical firewalls and access controls. The access to office space of CARE ESG Ratings Limited shall be provided only to the employees of CARE ESG Ratings Limited.

Further, only the shared employees mentioned in para 11 of the policy shall have access to group entities’ office space.

**C. Role of the Business Development Team –**

The Business Development team of CARE will act as the shared resources for the Company.

In cases where the client enquires about non-ESG rating services, the role of the Business Development team of the Company is limited only to referring the lead to the respective group entity and there shall not be further involvement with deal closures.

The referral process shall ensure that the client is fully aware that the Company and the group entities are separate & distinct from each other and no benefits / fees which shall be charged for such referrals.

With regards to Business Referral, the Company has in place a Resource Sharing Agreement with CARE specifying details of resource sharing, rights and responsibilities of each entity, commercial

arrangement, permissible business referrals practices and process to be followed including reimbursement to the Business Development team of CARE for sourcing the business for the Company. This is in line with the FAQ's issued by Securities and Exchange Board of India ("SEBI").

**D. Sharing of Applications & Infrastructures –**

CARE ESG Ratings Limited will take applications and technology infrastructure on a sharing basis from its Holding Company, with logical segregation.

**E. Sharing of Employees –**

The employees of the Company and of the group entities will be physically segregated. However, the Company may obtain resource (people) support in certain functions including but not limited to Business Development in line with para 11 of the policy for subject matter expertise and cost rationalization. The day-to-day functioning of the group entities will be independent of the Company.

The HR team of the Company shall maintain the note on the extent of sharing of resources and list of individual team members shared between the Company and group entities, updated on a quarterly basis and be made available for review by Internal Audit.

**F. Rating Analytics Division of ESG Rating Entity -**

The Company shall have a dedicated team for Analytical division and no sharing of resources shall be allowed for these divisions with the group entities or any other function of the Company, except those mentioned in para 11 of the policy.

**G. Executive Committee & Board Meetings –**

The Company's ESG rating committee members shall be from the analytical division and external independent industry experts. No member of the Board of the Company is permitted to participate in any ESG rating matter or participate in any ESG rating committee meeting. The Company shall ensure that no confidential information about the ERP, or information that could be of interest to the director, is shared with a Director on the Board of the Company.

**H. Website –**

The Company's website shall be separate from that of group entities, wherein the CARE Ratings Limited (Holding Company) website shall contain hyperlinks to each website of the group entities.

**I. Technology and Data security controls –**

The Company may share applications and technology infrastructure with group entities only if below conditions are met:

- CARE Ratings Limited shall have Network Access controls implemented to ensure that ESG Rating system access is restricted to employees of CARE ESG Ratings Limited authorized to work on ESG ratings system. CARE Ratings Limited shall have separate Active Directory for group entities to ensure User segregation.
- CARE Ratings Limited shall have documented Access Management controls implemented to ensure that access to shared application and technology infrastructure is restricted.
- CARE Ratings Limited IT team and application/infrastructure owner shall perform half-yearly review of active users and their access rights to ensure employees from group entities do not have access to CARE ESG Ratings Limited information.
- CARE Ratings Limited IT team shall perform a half-yearly review of system administrators to ensure administrators system usage is in line with job role and access to rating data and information of CARE ESG Ratings Limited is restricted.

- CARE Ratings Limited shall ensure that the asset management process includes controls to ensure that any systems or media allocated to group entities does not have CARE ESG Ratings Limited data. If the systems /media are having CARE ESG Ratings Limited data, then it should be wiped off securely.
- The Company shall have data leakage prevention controls to ensure ESG Ratings data is not shared advertently or inadvertently with non-ERP entities.

**J. Marketing Collaterals –**

The marketing collaterals and communication materials of the Company and group entities will be separate. The Company will not actively promote / pitch / market the products offered by the group entities. Further, such collaterals / materials will always contain the logo of respective entity only and if required of CareEdge group.

**K. Usage of Logo & Trademark –**

- The Company's logo shall be used on the properties (office space, marketing collateral and communication materials) of CARE ESG Ratings Limited. Similarly, group entities shall use respective logos on their owned property / collateral.
- ESG Rating materials and publications shall have the Company's logo only. It should not have CARE Edge group or group entities logo.
- The email signature of employees will only have the logo of the respective entity and not of CareEdge group.
- The logo of CareEdge group will be used after evaluating the compliance to this policy. Further, wherever the CareEdge group logo is used (whether internal or external collaterals) it will also have the logo of the entity to whom the property / collateral belongs or disclaimer about the owner of the collateral.

**L. Awareness –**

The Company will from time to time create awareness amongst the employees with respect to the sharing of information or resources, if any, between the Company and the other group entities. Such awareness will be imparted through various means.

**5. Guidance to the Employees**

The Company shall provide guidance to Directors, ESG Rating Committee Members and Employees of the Company on the Do's and Don'ts with respect to the policy and the SEBI Circular such as:

- Employees shall abide by the Code of Conduct contained in the Seventh Schedule of the SEBI Regulations.
- Employees to ensure that they shall not disclose to group entities any non-public information, whether confidential or not, which they are in possession of in the conduct of the Company's business.
- Employees working as shared resources with group entities shall highlight any potential conflict of interest to the respective senior management in the conduct of business of the Company or its group entities.
- Employees of group entities shall not disclose to any analyst and to any employee working in the business development team of the Company any information on the nature of any NEE engagement, including the fee paid to the group entity.
- Employees of the group entities shall not request any confidential information relating to a Client from any employee of the Company.

- Employees of the Company and of the group entities working on the same project or through collaboration such as group seminars, conference, CSR Activities etc. shall ensure to maintain confidentiality of the information shared between them.

## 6. Disclosures

The Company shall make necessary disclosures as required under the law from time to time.

## 7. Internal operational manuals

The requirements and principles as enumerated in this policy will be incorporated in the internal operational manuals or governing document.

## 8. Monitoring

The compliance to the policy, SEBI circular and requirements of separation / firewall with the group entities shall be monitored during the yearly internal audit of the Company, mandated under Clause 22 of the SEBI Circular, issued thereunder.

Self-declaration from each CXOs / Head of the Department on Compliance to this Policy will be submitted to the compliance department on half-yearly basis.

## 9. Accountability

The Company will report to the relevant committee of the Board / Board any act of commission & omission resulting in the breach of laid down principles as enumerated in this policy and shall take appropriate actions. All the employees of the Company shall be accountable to implement this policy.

## 10. Responsibility Matrix

Sr. No.	Activity	Frequency	Responsible Unit
1	Obtaining self-declaration from each CXOs / Head of the Department on Compliance to this policy.	Half-yearly	Compliance
2	Maintain the note on extent of sharing of resources and list of individual team members shared between Company and group entities, to be updated periodically.	Quarterly	Human Resources
3	Internal Audit of the compliance to the policy, SEBI circular and requirements of separation / firewall with the group entities.	Yearly	Operational Audit
4	Maintain fully updated agreements between the Company and its group entities to ensure arm length and allocation of cost	As & when	Finance
5	Sourcing the ESG rating mandates from the issuers/companies	Permanent	Business Development Team of CARE Ratings Limited



### 11. Extent of sharing of Resources with group entities:

- Employees:**

Resources belonging to CARE Ratings Limited will support CARE ESG Ratings Limited in areas such as Accounts & Finance, Human Resources including Payroll, HRMS and Labour Law related Compliances, Recruitment/Talent Acquisition, Learning and Development, Employee Engagement etc., Information Technology, Facilities Management and Administration, Legal etc. on a fixed monthly payment basis.

Resources of Business Development function of CARE Ratings Limited shall be shared with the Company as per RPT approval in compliance with the aforesaid SEBI circular.

- Office Space:**

Location	Sharing with	Purpose	Nature
Currently at Company's offices in Andheri & Sion	CARE Ratings Limited	To provide the office premises on Rental basis as per RPT approval with physical firewalls and access controls.	Permanent

- Technology:**

Technology	Sharing with	Purpose	Nature
Microsoft O365	CARE Ratings Limited	Email, data collaboration and productivity tools	Permanent
Trellix DLP	CARE Ratings Limited	Data leak prevention tool on endpoint	Permanent
Netskope	CARE Ratings Limited	Zero trust secure remote access and web-filtering	Permanent
CrowdStrike	CARE Ratings Limited	Next generation antimalware and endpoint detection and response tool	Permanent
Fortinet, Cisco	CARE Ratings Limited	Stateful inspection firewall	Permanent
Zoho – ManageEngine	CARE Ratings Limited	IT Service Management, Patching and Vulnerability Management	Permanent
Fortinet NAC	CARE Ratings Limited	Network Access Control	Permanent
HGS	CARE Ratings Limited	Payroll	Permanent

### 12. Review

The policy shall be reviewed and approved by the Board of Directors of the Company at least annually.

Changes, if any with respect to para 11 of the policy shall be approved by the Chief Executive Officer and shall be ratified by the Board of Directors of the Company in ensuing meeting.

### 13. Overriding Effect

If any provision of this Policy is found to be inconsistent with the applicable laws/directives/guidelines/circulars/regulations/rules issued by SEBI from time to time then the provisions of such laws/directives/guidelines/circulars/regulations/rules, as may be issued, shall prevail over this policy and the policy to the extent of such inconsistency shall have no validity.