



ICRA Rating Feature

Functioning of ICRA's Rating Committee (RC)

Overview

ICRA is committed to providing independent, well-researched, forward-looking and timely credit risk opinions on borrowers and their borrowing programmes. Towards meeting this objective, ICRA's analytical resources as well as the RC play complementary roles. The focus of this document is to outline standards applicable for the functioning of ICRA's Rating Committee ("RC") in terms of its conduct, composition and responsibilities, in the broader context of ensuring that the credit rating process stays robust, objective and consistent.

Role of the Rating Committee:

The role of ICRA's RC involves taking rating decisions on the creditworthiness of rated entities based on credit issues examined by the agency's analytical resources as well as through independent judgment. Such rating decisions are taken in a manner that is consistent with ICRA's rating policies and practices and in accordance with the agency's established rating methodologies/criteria.

Organization of Rating Committee:

a. Selection criteria and eligibility for a Rating Committee member

Criteria for selecting a new RC member includes, inter alia, demonstrated ability to take up challenging organizational responsibilities, analytical grasp of credit issues, decision making abilities and maturity in the organization. ICRA also strives to maintain diversity in RC composition in terms of sector exposure of members. To become eligible to be considered as a potential RC member, a minimum of five years of analytical experience in ICRA or relevant experience other than ICRA is a must.

b. Composition of Rating Committee

ICRA's RC will comprise of not less than 7 members. The RC will be chaired by the designated Chairperson. RC members are inducted based on their experience, sector focus and demonstrated analytical abilities.

c. Quorum requirement and system of voting and recording dissent

For taking rating decisions, ICRA's RC has a defined quorum of 5 members. The vote of every RC member carries equal vote, including that of the Chairperson. In case there happens to be a 'tie' vote then the rating with the majority votes is considered for finalizing the rating decision. If an individual RC member strongly disagrees with the rating votes of the majority, such member gets a dissent vote recorded in the rating committee minutes.

Duties of Rating Committee members:

- Provide an unbiased perspective during RC discussions while being open to contrary views of other members
- Engage in meaningful credit discussions
- Stay updated with developments across economies, sectors, corporate entities and financial institutions; be adequately updated about Issuers/ Borrowers to be rated
- Evaluate the quality of analytical reports and presentation and provide feedback to analysts as appropriate
- Maintain confidentiality of classified information related to all Issuers/ Borrowers
- Not to participate in case discussions where the member has an actual or potential conflict of interest

Managing Conflict of Interest:

In case of any possible conflict of interest situation, the member of the RC concerned shall disclose such conflict of interest and shall not participate in any manner in formulating or arriving at a rating. Nevertheless, the person with a conflict of interest may be asked to be a resource person to give information or opinions useful for the consideration of others, but such person shall not participate in the voting process itself.



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