

CONFLICT OF INTEREST POLICY

1.1 PREFACE

Onicra Credit Rating Agency of India Limited is regarded as one of the prominent credit assessment service providers in India. It is an active player in the Credit and Performance Assessment space. It takes pride in the fact that its services add value by helping to improve transparency, trust and consistency of business processes. Managing conflict of interest is one of the key areas for a Credit Rating Agency.

Public interest, fair treatment and accountability are the major principles for the appointed and elected officials in office. Pursuing private interest in an office undermine public interest and results in conflict of interest. While conflicts of interest can never be fully eliminated, ONICRA firmly believes that they need to, and can, be managed effectively. This document outlines the nature of the conflicts that ONICRA faces and its treatment of those conflicts

1.2 THE BASIC APPROACH

Onicra shall endeavor to issue opinions that help reduce the asymmetry of information that exists between borrowers and debt and debt-like securities issuers, on one side, and lenders and the purchasers of debt and debt-like securities on the other. Conflict of interest & other undue factors, that might, or even appear to, impinge upon the independence of a rating decision can seriously undermine Onicra's credibility.

1.3 NATURE OF CONFLICT OF INTEREST

Two types of conflicts of interest are inherent in ONICRA's operations are:

- *Pecuniary interests* involving an actual or potential financial gain. They may result from a member of the rating team or a member of his or her family by holding shares or a position in a company, accepting gifts or hospitality from the rated company.
- *Non-pecuniary interests* do not have a financial component. They may arise from personal or family relationships with clients requesting rating. Family engagements with rating clients could lead to more favorable ratings being assigned to the client.

ONICRA believes that conflicts of interests need to be managed well rather than attempt to completely eliminate them. The success of the ratings business model is driven by the credibility enjoyed by the agency in the eyes of investors. Any attempt to assign higher than warranted ratings to issuers will result in a clear loss of credibility. This, in turn, will severely impact the market reputation and credibility of the company and will erode the rating agency's future business from issuers.

INDEPENDENCE AND AVOIDANCE OF CONFLICTS OF INTEREST

A) General

1. ONICRA does not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on the Company, issuer, investor, or other market participant.
2. ONICRA and its analysts care and take professional judgment to maintain both the substance and appearance of independence and objectivity.
3. The determination of a credit rating is influenced only by factors relevant to the credit assessment.
4. Ratings assigned to an issuer or issue shall not be affected by the existence of, or potential for, a business relationship between ONICRA Ratings (or any Non-Ratings Business) and the issuer (or its affiliates) or any other party, or the non-existence of such a relationship.
5. ONICRA's credit rating business and analysts are operationally separate, from any other division of ONICRA that may present a conflict of interest. ONICRA ensures that ancillary business operations which do not necessarily present conflicts of interest with ONICRA's rating business have in place procedures and mechanisms designed to minimize the likelihood that conflicts of interest will arise.

B) Rating Procedures and Policies

1. ONICRA adopts written internal procedures and mechanisms to identify, eliminate or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinion and analysis ONICRA makes or the judgment and

analyses of the individuals ONICRA employs who have an influence on ratings decisions. Onicra has published these procedures on the website.

2. ONICRA's disclosures of actual and potential conflicts of interest are complete, timely, clear, concise, specific and prominent.
3. ONICRA discloses the general nature of its compensation arrangements with rated entities. In other words, where ONICRA receives from a rated entity compensation unrelated to its ratings service, such as compensation for consulting services, it discloses the proportion of such non-rating fees constituting against the fees ONICRA receives from the entity for ratings services.
4. ONICRA and its employees do not engage in any securities or derivatives trading presenting conflicts of interest with ONICRA's rating activities. The restriction is only for the rating team.

C) Analyst and Employee Independence

1. Reporting lines for ONICRA employees and their compensation arrangements are structured to eliminate or effectively manage actual and potential conflicts of interest.
2. An ONICRA analyst is not compensated or evaluated on the basis of the amount of revenue that ONICRA derives from issuers that the analyst rates or with whom the analyst regularly interacts.
3. ONICRA conducts formal and periodic reviews of compensation policies and practices for analysts and other employees who participate in, or who might otherwise have an effect on the rating process to ensure that these policies and practices do not compromise the objectivity of ONICRA's rating process.
4. ONICRA does not permit employees who are directly involved in the rating process to initiate or participate in discussions regarding fees or payments with any entity they rate.
5. ONICRA has separate teams for business development, for developing criteria and for executing assignments. Rating mandates are not solicited by promising specific ratings to issuers.
6. No ONICRA employee participates in or otherwise influence the determination of ONICRA's rating of any particular entity or obligation if the employee:

- a. Owns securities or derivative instruments of the rated entity, other than holdings in diversified collective investment schemes.
 - b. Owns securities or derivative instruments of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes.
 - c. Has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest.
 - d. Has an immediate relation (i.e., a spouse, partner, parent, child, or sibling) who currently works for the rated entity.
 - e. Has, or had, any other relationship, for the last 3 years, with the rated entity or any related entity thereof that may cause or may be perceived as causing a conflict of interest.
7. ONICRA's analysts and anyone involved in the rating process (or their spouse, partner or minor children) are not allowed to buy or sell or engage in any transaction in any security or derivative instrument based on a security issued, guaranteed, or otherwise supported by any entity within such analyst's area of primary analytical responsibility, other than holdings in diversified collective investment schemes. If any stock needs to be purchased or sold, explicit approval needs to be taken from the board.
 8. No ONICRA employee, nor any member of an employee's Immediate Family, can accept or solicit, nor extend any tangible gift, money or favors of any form in connection with any ratings-related or other work performed at ONICRA, except to the extent explicitly permitted herein.
 9. Any ONICRA analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a rated entity or agent of such entity within his or her area of analytic responsibility), shall be required to disclose such relationship to the appropriate manager or officer of ONICRA, as determined by ONICRA's compliance policies.
 10. ONICRA has established policies and procedures for reviewing the past work of analysts who leave and join an issuer with whom the analyst has been involved in rating, or a financial firm with which the analyst has had significant dealings as part of his or her duties at ONICRA.

ONICRA believes that maintaining the credibility of its ratings activity is an ongoing process. ONICRA remains committed to taking all the necessary steps to insulate its ratings activity from any emerging situation that could create a potential conflict of interest.

ONICRA has put in place a rigorous firewall policy to endeavor that the ratings and non-ratings businesses do not have access to each other's resources.

In order to disclose this document to the public, this document is available to the public on ONICRA's public website, www.onicra.com.

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