



Brickwork Ratings
**Functioning of Rating
Committees**

December 2024

FUNCTIONING OF RATING COMMITTEES

Details	
Primary Owner	Compliance Department
Effective Date	December 2024
Version	2.0
Review Cycle of the Document	Annual and on Need Basis

Table of Contents

1. Functioning of Rating Committees/Other Committees	3
2. Eligibility for Becoming Rating Committee Members.....	3
3. Composition of Committee/Other Committee	3
4. Quorum	4
5. Duties of the Rating Committee Members	4
6. System of Voting and Recording of Dissent	6
7. Managing Conflict of Interest	6

Functioning of Rating Committees

1. Functioning of Rating Committees/Other Committees

All rating decisions are taken by Committees and not by individuals. Rating Committees are forums where the rating analysts present their study of the case with relevant facts and figures in support of the rating recommended by them. BWR has multiple Rating Committees to deal with debts of different types, size and complexity

The Committee critically evaluates the rating proposal and arrives at an unbiased and independent rating decision either by unanimous agreement of all members present or by way of majority members agreeing to the rating decision.

As per the SEBI Master Circular dated May 16, 2024, the Rating Committees of BWR Ratings shall report to the Chief Ratings Officer (CRO) in their capacity as committee members. The CRO, in turn, shall report directly to the Ratings Sub-Committee (RSC) of the Board of BWR.

2. Eligibility for Becoming Rating Committee Members.

- 2.1. Senior finance professionals working in the rating division of Brickwork Ratings (BWR) with a minimum of 5 years experience in domains of banking/finance/industry or company analysis with high analytical skills are eligible to be members of the Rating Committee.
- 2.2. BWR also has external members who are senior professionals with extensive experience in finance, banking, or related fields, recognized for their expertise, independence, and objectivity.
- 2.3. BWR prioritizes diversity in sector exposure among committee members, ensuring that no member holds business responsibilities within BWR, thereby maintaining a clear separation between business operations and the rating process. The Managing Director or Chief Executive Officer (CEO) of BWR, as well as any personnel with business responsibilities, do not serve as members of the Rating Committees. The Business Development team members shall also not attend or participate in the Rating Committee Meetings.

3. Composition of Committee/Other Committee

- 3.1. The composition of the BWR's Rating Committee is detailed in BWR's Rating Process Manual. The members of a particular Committee are drawn from a pool of eligible Rating Committee members in consultation with the CRO. The composition of BWR's Rating Committee may be revised from time to time in consultation with the CRO.

4. Quorum

- 4.1. All Committees, will have a quorum of three members.
- 4.2. The Rating Committee handling appeals by issuers shall have a minimum quorum of three members. Among these, one member must be independent, and at least two members (constituting the majority) must not have participated in the prior rating decision, as per the requirements of SEBI circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/130. Duties of Committee Members

5. Duties of the Rating Committee Members

Rating Committee members play a vital role in delivering high-quality ratings by maintaining independence, offering critical insights, and upholding our standards and ethical guidelines. Each committee member is responsible for the following duties throughout the rating process:

5.1 Staying Informed

Committee members are responsible for staying updated on rating criteria, policies, regulatory guidelines, and financial market trends. They must also continuously learn about developments in economies, sectors, corporate entities, and financial institutions to ensure informed decision-making about issuers and borrowers.

5.2 Preparation and Engagement

Members must thoroughly prepare for Rating Committee meetings, ensuring meaningful and well-informed credit discussions. They should actively engage in committee deliberations, offering unbiased perspectives and remaining open to differing opinions.

5.3 Review and Analysis

Each member must carefully review rating cases, identify shortcomings, and request additional information when necessary. They must ensure the consistent application of credit rating methodology and criteria and make certain all relevant factors are considered for each rating.

5.4 Expertise and Mentorship

Committee members provide mentorship to the analytical team, offering direction on the correct rating approach and the application of relevant criteria, thereby improving the quality of analysis and ratings assigned.

5.5 Encouraging Participation

Members should foster broad-based participation, encouraging diverse viewpoints and respectful dissent during committee discussions.

5.6 Adherence to Processes

Members must ensure the rating process complies with BWR's Rating Process Manual (RPM) and that credit rating methodology is consistently applied across all entities and obligations.

5.7 Conflict of Interest

Members must disclose any actual or potential conflicts of interest related to cases under review. If a conflict arises, they should recuse themselves from the discussion and decision-making process for that case.

5.8 Feedback and Evaluation

Members are expected to evaluate the quality of analytical reports and presentations, offering constructive feedback to analysts to improve the rating process.

5.9 Confidentiality

Committee members must maintain strict confidentiality of classified information related to issuers and borrowers. They should not disclose any rating decisions outside the committee.

5.10 Professional Conduct

Members must uphold professionalism at all times, avoiding foul language, displays of temper, or the assertion of power. Mutual respect, regardless of age, seniority, or designation, is mandatory.

5.11. Attendance and Flexibility

Members are expected to attend meetings regularly and remain flexible for critical cases or schedule disruptions. Advance notice must be given in cases of unavailability.

5.12. Adherence to the Code of Conduct

All members are bound by BWR's Code of Conduct and Non-Disclosure Agreement (for independent members), ensuring the protection of client confidentiality, internal notes, and discussions.

5.13. Voicing and Respecting Dissent

Members are encouraged to voice their dissent freely and provide clear reasons for their differing views. It is equally important for all committee members to respect and consider the dissenting opinions, fostering a collaborative and open decision-making process.

6. System of Voting and Recording of Dissent

Final rating decisions at BWR are determined by the Rating Committees through a voting process, which follows these guidelines:

- 6.1 Each committee member, including the Chairperson, has an equal voting right.
- 6.2 Decisions are either reached through unanimous agreement or by a majority vote. In the event of a tie, the Chairperson has the casting vote.
- 6.3 Any dissenting opinions, along with the names of the members and their reasons for dissent, are documented.

The Chairman shall ensure that proceedings in the meeting are appropriately captured in the minutes.

7. Managing Conflict of Interest

In the event of a conflict of interest as outlined in BWR's Policy on Managing Conflict of Interest, the Rating Committee member must recuse themselves from the proceedings for the specific case by physically exiting the meeting or logging out of the virtual calls. The meeting minutes must explicitly record that the members recused themselves due to a conflict of interest. If this recusal results in the quorum not being met, the facilitator is responsible for arranging an alternate member to maintain the quorum.

<https://www.brickworkratings.com/download/BWR%20Policy%20on%20Conflict%20of%20Interest-May2024.pdf>