

Catalyst Trusteeship Limited

Policies for empanelment of external agencies And Mitigation of conflict of interest 2022

I. Background:

SEBI has issued guidelines vide circular dated November 03 and November 12, 2020 for effective due diligence by debenture trustee to perform its duties effectively. For the purpose, it can engage the services of external agencies like Chartered Accountant, Valuer, Advocate. Further, vide circular dated August 04, 2022 SEBI has issued enhanced guidelines, inter-alia, directing to formulate a policy for empanelment of such external agencies and also a policy on mitigating conflict of interest while empaneling and / or entrusting the matters to such external agencies. Further, SEBI has issued guidelines on outsourcing of activities by its intermediaries vide its circular No. CIR/MIRSD/24/2011 dated 15th December, 2011. Catalyst being one of intermediaries registered with SEBI formulates this policy with a view to ensure that outsourcing arrangements are made in such manner that the role and responsibility as trustee is more effectively discharged.

II. Definition:

“External entities”, shall mean professionals such Advocates or firm of Advocates / Chartered Accountants or firm of Chartered Accountants / Valuers / Assayers / other similar agencies engaged for carrying out due diligence in terms of SEBI guidelines.

“Issuer” shall mean an entity issuing the listed debentures.

“Conflict of interest” shall mean any event / situation in which the interests of Catalyst and or the constituents it represents, in an assignment to a Consultant in a listed debenture transaction, is adversely impacted due to past / existing relationship of such Consultant with the Issuer / Issuer Group.

Conflict of interest would also mean any event / situation that results in acts of omission / commission / dilution in integrity of the due diligence tasks assigned to the Consultant at the time of the assignment and / or during the currency of the transaction documents. This would include events / situations on account of professional / personal relationship with the Issuer and / or pecuniary and / or any undue gain and / or promise of such advantage that induces the Consultant into acts of omission / commission / dilution in integrity of performance of their responsibilities in the undertaken assignment. Further, the said agency should not have any pecuniary relationship with the issuer company at least 3 years prior to the NCD issuance.

III. Outsourcing Principles:

Chapter III of SEBI (Debenture Trustees) Regulations, 1993 and also various guidelines / circulars issued from time to time describe the responsibilities and obligations of Debenture Trustees. The geographical spread of debenture issuing companies vis-à-vis requirement of expertise in different fields for discharging the responsibilities as debenture trustee, it is necessary for engaging the experts in respective fields at different locations is necessary. At the same time, it needs to be kept in mind that such service providers, though governed by their respective Regulators like Bar Association for Advocates, ICAI for CAs or ICSI for Company Secretaries, they are not subject to the SEBI Regulations.

The broad principles in this behalf shall be as follows:

- (1) To exercise due care, skill and diligence in selection of such experts / entities / service providers.
- (2) To establish appropriate processes and procedure for monitoring the performance of the such service providers on an ongoing basis to ensure that such entities retain the ability and capacity to continue to provide the outsourced tasks.

- (3) The selection, assessment and monitoring of such outsourced entities shall be undertaken by the Managing Director, in consultation of Team Leaders and placed before the Board of Directors, once in year for its comments / views. Such lists / activities shall be changes / modified and implemented as per the instructions of Board of Directors upon such review.

IV. Policy for outsourcing risk management:

1. The parameters mentioned herein for empanelment of external agencies and monitoring their ongoing performances should be strictly followed.
2. Appropriate written agreement or letter of engagement, with acceptance by the external agency, providing the nature and the details of assignment should be obtained.
3. It should be ensured by way of exchange of letters or engagement letters that the confidentiality of information made available either by Catalyst or its clients, is maintained by them.
4. The engagement letters should provide for termination of outsourced tasks with appropriate exit strategies.

V. Policy for empanelment of external agencies:

Considering the role and responsibility of the debenture trustee, for the present, it is following external agencies are considered as necessary and the parameters for engaging their services shall be as under.

(1) Advocate / Firm of Advocates:

The services of Advocates are required mainly at the time of creation of security at the time of issuance of debentures proposed to be secured with immovable property of the issuer company. With a view to get the 'Title and Search Report' in respect of immovable properties of the issuer company situate at different locations, adequate number of advocates need to be empaneled considering the volume of assignments, broadly considering the following:

- a) The individual advocate or partners of the firm should be of good repute and have experience in work relating to Title and Search Reports and well versed with laws relating to transfer of property, succession, registration and should have experience of minimum two years in handling such matters.
- b) The advocate should be willing to abide by Company's terms and conditions as to fees, charges, formats of reports and timelines for submission of reports etc.
- c) The advocate / firm should not have undertaken any assignment of the issuer company during three preceding years and also shall not attend to its matters during continuance on panel.
- d) The firm/any partners of the firm should not have any disciplinary matters against them and / or they should not have suffered any disqualification, during last three years.
- e) Advocates already on panel of advocates of nationalized shall be given preference.

(2) Chartered Accountant:

- a) The Firm of Chartered Accountants (including LLP) should have and should have experience of minimum one years
- b) The Firm should have necessary office set-up and adequate personnel to ensure proper deployment and timely completion of the assignments.
- c) The partner of the Firm / Firm should not have undertaken any assignment of the issuer company during three preceding year and also shall not attend to its matters during continuance on panel.
- d) The Firm or any of its partner CAs should not have any disciplinary action initiated by ICAI or any other Govt. Authority / Organization, during last three years.

- e) The Firm should give a declaration that it will inform Catalyst if there is any conflict of interest with issuer company at the time of accepting any assignment.

(3) Practicing Company Secretaries

- a) Practicing Company Secretary (PCS) / Firms registered with the Institute of Company Secretaries of India (ICSI) having minimum one years' experience in full time practice will be eligible.
- b) The PCS / Firm should not have been penalized by the ICSI / MCA / ROC or any other Regulatory Authority in any Disciplinary Proceedings during last three years.
- c) The Firm should have not been banned / blacklisted / de-barred from business by any PSU / Govt. Department during last three years.
- d) The Firm or its partners should not be related to Directors or Key Managerial Personnel of the Issuer Companies. The Firm should give a declaration that it will inform Catalyst if there is any conflict of interest with issuer company at the time of accepting any assignment.

(4) Valuers

- a) The Valuer / Firm shall be eligible to be empanelled, it is on the panel Valuer Associations viz. IBBI, PSU / Scheduled Banks, Institute of Valuers (IOV), Institution of Estate Managers & Appraisers (IESMA), Practicing Valuers Association (India) (PVAI), The Institute of Company Secretaries of India (ICSI), The Indian Institute of Valuers (IIV), The Institute of Cost Accountants of India (ICMAI), The Institute of Chartered Accountants of India (ICAI), Association of or any other association registered as RVO with IBBI.
- b) The Valuer / Firm - Associates / Partners should not have been disqualified by any Forum / Authority or Regulatory Authorities. No disciplinary measures should have been taken against the Valuer / Firm - Associates / Partners, during last three years.

VI. Policy on mitigating Conflict of Interest

It is considered as utmost important to ensure the integrity of the empaneled external agencies engaged by the Company for undertaking the due diligence in respect of the assignments of debenture trusteeship. With a view identify, consider and manage the potential conflict of interest, the officials of Company and also the empaneled external agencies shall comply with this policy while rendering their services of due diligence and periodical monitoring services.

01. The dealing / Handling Officer shall / get confirmation:

- a) The external agency has system and processes in place to prevent conflict of interest.
- b) The external agency has no transactions/pecuniary relationship that could create conflict of interest for the proposed assignment.
- c) Confirm from websites of professional monitoring bodies of the profession concerned, about disciplinary actions pending / proposed / taken against the proposed external agency / its principal constituents / dealing employee.

02. The external agency shall have / put in place the following systems / arrangements:

- a) Maintain high standards of integrity in the conduct of its business.
- b) Ensure fair treatment of the Issuers.
- c) Ensure that its personal / professional interests, does not at any time, conflict with its duty / responsibility towards Catalyst and the constituents it represents, and their interest always takes primacy in its advice.
- d) Make appropriate disclosure to Catalyst of possible source or potential areas on conflict of interest which may impair the ability to render fair, objective and unbiased services / reports / statements.
- e) Endeavour to reduce opportunities for conflict through prescriptive

measures such as through information barriers to block or hinder the flow of information from one department to another etc.

- f) Not to deal in securities while in possession of material non-published information.
- g) Not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities.
- h) Not to utilize information received from Issuer / Catalyst or pertaining to them, obtained as a result of their dealings, for their personal interest
- i) To strictly implement and abide by the SEBI Regulations on Prohibition of Insider Trading which has inter-alia mandated the following:
 - Appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security.
 - Restrictions on communication of material unpublished information while dealing in securities on behalf of others.
 - Undertaking to that effect to be furnished to Catalyst.

03. Compliance Team to:

- a) Review the documents / factors examined by the Dealing / Handling Officer and the documents furnished by the Consultant and confirm its compliance with the guidelines, on random basis.
- b) Compliance officer may consider assignment / empanelment of consultants wherein element of conflict of interest are suspect after recording reasons for allowing the same. All such cases would be reported to Business Head for confirmation. While such cases should be very rare and may be considered only in case of existing client and where there is urgency. In such cases, report of another consultant should be obtained within shortest possible time.

04. Reporting:

- a) Annual review of compliance be taken by Managing Director in respect of each of the empaneled external agency, with a view to take a decision about continuance or discontinuance in the respective lists of panels. Review will be taken based on guidelines / SOP approved by Compliance Officer in this regards.
- b) Quarterly reporting of cases of deviation from the guidelines while approving the certifications, if any using discretion exercised by Compliance Team, to the Managing Director.

05. Actions on events of conflict of interest:

- a) Opportunity be given to the empaneled external agency to furnish explanations / findings clarifications.
- b) Opportunity for personal hearing on the matter before the Managing Director.
- c) In case the findings of Managing Director are of serious nature, they shall be placed before the Board Directions for directions.

06. Assessment of empaneled external agencies:

The assessment of each of the empaneled external agencies shall be made once in a year, in the format Form-A attached to this Policy. The consolidated assessment of such agencies shall be placed before the Board of Directors in the specified format – Form-B, attached to this Policy, for comments and decision of changes and / or continuation of such agencies.

07. Review of policy:

The review of the policy will be taken once in year, taking into account the performance of such empaneled external agencies and the requirement of adequate number under each category.

FORM-A**Assessment of Empanelled External Agencies****Chartered Accountant****Information to be provided by the CA firm:**

Parameters	Particulars	To be filled by CA
01. Standing	Total Experience of the firm in years	
02. Partners	No of CA's as partners	
	Total Experience of the partners in years	
03. Interns & Employees	No of Employees (Qualified CAs) excluding admin staff. (Location wise)	
	Whether dedicated staff will be assigned	YES / NO
	If yes, no. of team members	
	No of Interns (location wise)	
04. Infrastructure	Software being used by the firm and if yes then brief details.	
	Software Security installed	YES / NO
	Cloud Connectivity	YES / NO
05. Revenue (Rs. In lakhs)	For Last three years	1.
		2.
		3.
06. Exposure to Debenture Issuances (If any)	Name of clients to which services related to debentures provided.	
	Brief Details of services provided and quantum of issue company wise.	
07. Past Association with Catalyst	If yes, please provide brief details of transactions.	YES / NO

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Catalyst Internal Assessment Format for CA firms:

Parameters for CA firm	Particulars	Total Issue Size outstanding of client as on last FY.			Marks*
		Up to Rs. 500 Cr.	Above Rs. 500 Cr. To Rs. 1500 Cr.	Above Rs. 1500 Cr.	
01. Standing	Minimum Experience	3 yrs.	5 yrs.	10 yrs.	
	Actual Experience in years				
02. Partners	Minimum no of partners	2	3	5	
	Actual no of partners				
03. Interns/ Employees (Qualified CAs)	No of Interns / Employees (Qualified CAs) excluding admin staff. (Location wise)				
	Whether dedicated staff will be assigned?				
	If yes, no. of team members				
	Multiple Location				
04. Infrastructure					
05. Revenue					
06. Exposure to Debenture Trusteeship					
07. Past Association with Catalyst					
08. Management Discretion on commercial Agreed					
09. Marks Scored					

***Guidance for Scoring:**

01. Experience : Per year 2 marks (Maximum 20 marks)
02. Partners : Per partner 2 marks (Maximum 10 marks)
03. Interns/ Employees (Qualified CAs)
- Up to 5 : 2 marks

Above 5-10 : 4 marks
 Above 10 : 8 marks
 For dedicated team : 5 marks.
 For Multiple location : 2 marks

04. Infrastructure

If all below 3 are Yes : 5 marks

Software
Software Security
Cloud Connectivity

05. Revenue

If rising consistently : 5 marks
 Stable : 3 marks
 Decline : 0 marks.

06. Exposure to Debenture Issuances

If YES : 10 marks
 If NO : 0 marks.

07. Past experience/association with Catalyst:

At discretion of officer : Maximum 10 marks.

08. Fees Agreed

At discretion of Approving Authority : Maximum 25 marks.

Emphasis would be on

- A. Ratings of the issuer company
- B. Marks obtained in above criteria.
- C. Assessment of capability of firm by Approving Authority.

09. To be eligible for empanelment minimum marks scored shall be 60% in total.

10. Allocation of CA firm to issuer companies on the basis of score:

Outstanding Issue size as on FY end.	Up to Rs. 500 Cr.	Above Rs. 500 Cr. To Rs. 1500 Cr.	Above Rs. 1500 Cr.
Marks Scored	60 - 65	66 - 75	Above 75

Catalyst Trusteeship Ltd

Format of Review of Empaneled Agencies:

Review For FY

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