Avanti Microfinance Private Limited

Outsourcing Policy

This document was:

Version	Drafted by	Reviewed by	Board approval and adoption date
Version 1	-	-	October 30, 2017
Version 2	Mr. Nagaraj Subrahmanya, Director	Mr. Manish Thakkar, Director	March 13, 2023
Version 3	Mr. Nagaraj Subrahmanya, Director	Mr. Manish Thakkar, Director	December 16, 2024
Version 4	Mr. Nagaraj Subrahmanya, Director	Mr. Rahul Gupta, Director	August 01, 2025

Document Classification: **Public**

Table of Contents

1. Objectives of the Policy

‘Outsourcing’ may be defined as a Company's use of a third party (either an affiliated entity within the corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the company itself, now or in the future. Continuing basis would include agreements for a limited period.

Company that outsource various activities are exposed to various risks as Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk etc. Further, the outsourcing activities are to be brought within regulatory purview to:

- Protect the interest of the customers, and
- To ensure that the Company and the Reserve Bank of India have access to all books, records and information available with service provider.

The key objective of the Outsourcing Policy aims at the following:

- Assign clear accountability and responsibility for management of Outsourcing activities,
- Provide guidance on the types of activities that can or cannot be outsourced by to external vendors,
- Assist in managing various risks associated with outsourcing and the techniques the company needs to employ to mitigate the risks, and
- Designing a methodology for selection of activities to outsource, selection and monitoring of vendors and assess the materiality of the outsourced activity.

2. Governance Structure

The overall control over outsourcing of non-core activities by Company as well as approval of overall expenses for outsourcing activities will rest with the board of directors of Company (“Board”). Any functions and/or activities delegated by the Board will also be carried out within the approved budget.

The Company will follow the 2-tier governance structure based on various thresholds as follows:

Threshold	Approving Authority
Upto INR 100 Lakh	Outsourcing and Procurement Committee
> INR 100 Lakh	Board

A. Outsourcing and Procurement Committee

Outsoucing and Procurement Committee ("OPC"), administered and complied at the consolidated group level by Avanti Finance Private Limited, the holding company.

Approval Limit will be exercised when the expenditure proposal is recommended by department head and 2 other senior employees approving the Outsourcing arrangement. One of the approving members must be the Chief Executive Officer (CEO) .

The Outsourcing and Procurement Committee will comprise of the representatives of following areas as its permanent members:

Authorised signatory for conveying approval	Role of Committee Member
Rahul Gupta	Chairperson of the Committee
Manish Thakkar	Committee Member
Sunil Tadepalli	Committee Member
Nagaraj S	Committee Member

B. Board of Directors

The Board of Directors: Approval Limit will be exercised when the outsourcing proposal is recommended by the Outsourcing and Procurement Committee and approved by at least 2 Committee members.

C. Periodicity of Meeting

The Committee will periodically review and assess Outsourcing arrangement. The Committee may also meet the vendors at periodic intervals to understand difficulties faced by them and to get feedback on ways to improve the Outsourced process.

D. Roles and Responsibilities

The Board or Committee will be responsible for the following:

(i) approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;

(ii) laying down appropriate approval authorities for outsourcing depending on risks and materiality;

(iii) setting up suitable administrative framework of senior management for the purpose of directions issued by the RBI;

(iv) undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness; and

(v) deciding on business activities of a material nature to be outsourced and approving such arrangements.

The senior management of the Company will be responsible for the following:

(i) evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;

(ii) developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;

(iii) reviewing periodically the effectiveness of policies and procedures;

(iv) communicating information pertaining to material outsourcing risks to the Board in a timely manner;

(v) ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;

(vi) ensuring that there is independent review and audit for compliance with set policies; and

(vii) undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

E. Internal Audit department

Regular audits by either the internal auditors or external auditors of the Company should assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the Company's compliance with its risk management framework and the requirements of the regulatory guidelines at appropriate interventions.

3. Outsourcing Process

A. Identification of Core and Non-core activities

Company should not outsource core management functions including Internal Audit, Strategic and Compliance functions and decision-making functions like determining compliance with KYC norms for opening deposit accounts, according sanction for loans and management of investment portfolio. The primary servers of the service providers should be located within India.

B. Pre-outsourcing activities

The business unit / operating unit can propose to outsource an activity after considering factors like:

- Increase in volumes;
- Best practices in the industry;
- Lack of skilled manpower available in-house;
- Lack of adequate infrastructure e.g. systems, space etc;
- Perceived cost benefits ; and
- Any other factor as determined.

While deciding on scope of activities to be outsourced, the following considerations should be kept in purview:

- The activity should be such which could be performed efficiently by an external agency, however the ultimate responsibility will be with the Company;
- Such outsourcing should result in maintaining, if not enhancing the quality of customer service;
- Outsourced persons should not have access to the 'core software' except for the purpose of limited enquiry and data entry, subject to authorization of the officials; and
- Such outsourced activities should be covered under a Outsourcing Agreement spelling out the responsibilities and liabilities of the vendor.

Evaluation of the Risks in Outsourcing Activity

The Company shall evaluate and guard against the following risks in outsourcing:

i. Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the Company.

ii. Reputation Risk – Where the service provided is poor and customer interaction is not consistent with the overall standards expected of the Company.

iii. Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.

iv. Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.

v. Legal Risk – Where the Company is subjected to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.

vi. Exit Strategy Risk – Where the Company is over-reliant on one firm, the loss of relevant skills in the Company itself preventing it from bringing the activity back in-house and where the Company has entered into contracts that make speedy exits prohibitively expensive.

vii. Counter party Risk – Where there is inappropriate underwriting or credit assessments.

viii. Contractual Risk – Where the Company may not have the ability to enforce the contract.

ix. Concentration and Systemic Risk – Where the overall industry has considerable exposure to one service provider and hence the Company may lack control over the service provider.

x. Country Risk – Due to the political, social or legal climate creating added risk.

5.4 Evaluating the Capability of the Service Provider

a) In considering or renewing an outsourcing arrangement, appropriate due diligence will be performed to assess the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors.

b) The Company will consider whether the service providers' systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it.

c) The Company will also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider.

d) The Company will obtain independent reviews and market feedback on the service provider to supplement its own findings, if necessary.

e) The Company will evaluate the business continuity and recovery procedures of the service provider at the time of onboarding.

f) Due diligence shall involve an evaluation of all available information about the service provider, including but not limited to the following:

i. past experience and competence to implement and support the proposed activity over the contracted period;

ii. financial soundness and ability to service commitments even under adverse conditions;

iii. business reputation and culture, compliance, complaints and outstanding or potential litigation;

iv. security and internal control, audit coverage, reporting and monitoring environment, business continuity management; and

v. ensuring due diligence by service provider of its employees.

The process for approval for outsourcing an activity has been documented below:

Activity	Responsibility

1. Head of the respective Business unit / operational unit will give in principle approval to outsource an activity[1], and designate a staff member ("proposer of outsourcing arrangement") to initiate the process.	Head - Respective Business / Operating unit
2. Initiate the preparation of the Outsourcing Note and the Request for Proposal (RFP) for vendor selection. The Outsourcing Note will document details for the proposed outsourcing activity such as: ● Description of the activity ● Justification for outsourcing ● Risk factors involved in the outsourcing process such as Strategic Risk, Reputation Risk, Legal Risk, Compliance Risk, Operational Risk, Counterparty Risk, Concentration and Systemic Risk etc. ● Common industry practices ● Regulatory compliances ● Parameters of materiality of outsourcing as per **Annexure 1**	Proposer of the outsourcing arrangement
3. Note will be circulated to the following 'Chief Risk & Compliance Officer' for their comments, and approval by the committee within 3 working days	Proposer of the outsourcing arrangement
4. Initiate the process to finalize the budget for outsourcing the activity, and get it approved by the Head of the respective Business unit / operational unit	Proposer of the outsourcing arrangement and Head of the respective Business unit / operational unit
5. Note and the budget for outsourcing will be circulated to the CEO for review of cost benefit analysis exercise.	Proposer of the outsourcing arrangement
6. CEO provides approval for the budget allocated for outsourcing the activity. Concerns or recommendations (as appropriate) will be documented in the note and raised in the Outsourcing and procurement Committee meeting.	Head – Finance / CFO
7. Circulate the Outsourcing note, outsourcing budget and the RFP to the Outsourcing and Procurement Committee members for their review.	Proposer of the outsourcing arrangement
8. Convene a meeting of the Outsourcing and Procurement Committee	Proposer of the outsourcing arrangement
9. Outsourcing and Procurement Committee will carry out one of the following actions: ● Approve the outsourcing arrangement ● Approve the outsourcing arrangement subject to resolution of follow-up items	Outsourcing and Procurement Committee

[1] The list of activities which cannot be outsourced has been provided in **Annexure 2**

● Approve the outsourcing arrangement subjection to limitations and / or conditions ● Require the proposal to be re-submitted after additional working ● Decline the outsourcing arrangement	

If the outsourcing arrangement is approved in the meeting

Activity	Responsibility
1. Business unit / operational unit will complete the outsourcing related processes	Business unit / operational unit
2. CFO to include the budget for outsourcing this activity in the annual budget preparation exercise	Head Finance / CFO

If the outsourcing arrangement is declined / approved with modifications in the meeting

Activity	Responsibility
Comments / suggestions made by the Outsourcing and Procurement Committee will be included in the revised note	Proposer of the outsourcing arrangement

C. Outsourcing Agreement

The terms and conditions governing the contract between Company and the service provider will be carefully defined in written agreements and vetted by Company's legal counsel on their legal effect and enforceability. Every such agreement addresses the risks and risk mitigation strategies. The agreement should be sufficiently flexible to allow Company to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement should also bring out the nature of legal relationship between the parties i.e. whether agent, principal or otherwise. Some of the key provisions of the contract are as follows:

(a) the contract clearly defines what activities are going to be outsourced, including appropriate service and performance standards;

(b) Company will ensure that it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;

(c) the contract provides for continuous monitoring and assessment by Company of the service provider, so that any necessary corrective measure can be taken immediately;

(d) a termination clause and minimum periods to execute a termination provision, if deemed necessary, will be included;

(e) controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information will be incorporated;

(f) there must be contingency plans to ensure business continuity;

(g) the contract provides for the prior approval / consent by Company of the use of sub-contractors by the service provider for all or part of an outsourced activity;

(h) provide Company with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for Company;

(i) outsourcing agreements should include clauses to allow RBI or persons authorized by it to access Company's documents, records of transactions and other necessary information given to, stored or processed by the service provider, within a reasonable time;

(j) outsourcing agreement will also include a clause to recognize the right of RBI to cause an inspection to be made of a service provider of Company and its books and account by one or more of its officers or employees or other persons;

(k) the outsourcing agreement will also provide that confidentiality of customer's information should be maintained even after the contract expires or gets terminated; and

(l) Company will ensure it has necessary provisions to ensure that the service provider preserves documents and data as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

D. Post outsourcing activities:

a) Periodic Evaluation of Service Provider

The respective department will maintain a calendar for yearly review of outsourced activities by the Outsourcing and Procurement Committee. Respective department will review the vendor and place it before the Outsourcing and Procurement Committee. The Committee will perform a review of the service provider to assess the financial and operational condition, performance during the year and re-assess the capabilities of the service provider/vendor on the basis of:

- Past breaches of performance standards, confidentiality and security and business continuity preparedness, if any,
- Business practices and process,
- Instances of mis-selling and fraud,
- Instances and frequencies of customer grievances / presidential complaints related,
- Compliance with related manuals,
- Compliance with applicable laws and regulations,
- Compliance with post outsourcing evaluation form,
- A confirmation on the statutory registrations along with a declaration on statutory registrations to be obtained from the service provider,
- Service provider organization structure, infrastructure, management strength, and management controls should be reviewed,

- Feedback report of the reviews needs to be maintained and stored with local operations.

The Outsourcing and Procurement Committee is authorised to amend and suitably lay down evaluation criteria from time to time. The Outsourcing and Procurement Committee on a periodic basis may also authorise surprise checks and audits of the service provider by the authorised personnel from the Company.

In case the service provider does not perform satisfactorily during the period, the Company may decide to terminate the agreement in line with the clauses of the agreement executed with the service provider. The Company would maintain a list of terminated agencies and promoters.

b) Responsibilities of DSA / DMA / Recovery Agents

- Company will ensure that Direct Sales Agent (DSA) / Direct Marketing Agent (DMA) / Recovery Agents are properly trained to handle with care and sensitivity, their responsibilities, particularly aspects like soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer etc.

- Company shall put in place a Board-approved Code of Conduct for DSA / DMA / Recovery Agents and obtain their undertaking to abide by the code. In addition, Recovery Agents shall adhere to extant instructions on Fair Practice Code for Non-Banking Financial Companies as also their own code for collection of dues and repossession of security. It is essential that the Recovery Agents refrain from action that could damage the integrity and reputation of Company and that they observe strict customer confidentiality.

- Company and their agents should not resort to intimidation or harassment of any kind either verbal or physical against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and anonymous calls, persistently calling the borrower and/or calling the borrower before 8:00 am and after 7:00 p.m. for recovery of overdue loans or making false and misleading representations.

c) Business Continuity and Management of Disaster Recovery Plan

- Company requires its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. Company needs to ensure that the service provider periodically tests the Business Continuity and Recovery Plan and company may also consider occasional joint testing and recovery exercises with the service provider.

- In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, Company should retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the company and its services to the customers.

- In establishing a viable contingency plan, Company will consider the availability of alternative service providers or the possibility of bringing the outsourced activity back inhouse, in an emergency and the costs, time and resources that would be involved.

- Outsourcing often leads to the sharing of facilities operated by the service provider. Company will ensure that service providers are able to isolate Company's information, documents, records and other assets. This is to ensure that in adverse conditions, all documents, records of transactions and information given to the service provider, and assets of Company, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

d) Monitoring and Control of Outsourced Activities

- Company will have in place, a management structure to monitor and control its outsourcing activities. It should ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.

- A central record of all material outsourcing that is readily accessible for review by the Board and senior management of Company will be maintained. The records will be updated promptly and half yearly reviews should be placed before the Board or Risk Management Committee ("RMC"), administered and complied at the consolidated group level by Avanti Finance Private Limited, the holding company

- Regular audits by either the internal auditors or external auditors of Company will assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, Company's compliance with its risk management framework and the requirements of RBI Directions.

- Company will, at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

- In the event of termination of outsourcing agreement for any reason in cases where service provider deals with the customers, the same will be publicized by displaying at a prominent place in the branch, posting it on the website and informing the customers so as to ensure that the customers do not continue to entertain or deal with the service provider.

- Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between Company, the service provider and its sub-contractors. In such cases, Company will ensure that reconciliation of transaction between Company and the service provider (and / or its sub-contract) are carried out in a timely manner. An ageing analysis of entries pending reconciliation with outsourced vendors will be placed before the Board / Outsourcing & Procurement Committee and Company will make efforts to reduce the old outstanding items therein at the earliest.

- A robust system of internal audit of all outsourced activities will also be put in place and monitored by the Board / Outsourcing & Procurement Committee .

e) Redressal of Grievances related to Outsourced Services

- Company has constituted a Grievance Redressal Machinery as contained in RBI's circular on Grievance Redressal Mechanism vide DNBS.CC.PD.No.320/03.10.01/2012-13 dated February 18, 2013. At the operational level, Company has displayed the name and contact details (telephone/mobile numbers and email address) of the Grievance Redressal Officer prominently at their branches / places where business is transacted. The designated officer ensures that genuine grievances of customers are redressed promptly without involving delay including the issues relating to services provided by outsourced agency.

- Generally, a time limit of 30 days may be given to the customers for preferring their complaints/grievances. The grievance redressal procedure of Company and the time frame fixed for responding to the complaints will be placed on Company's website.

f) Reporting of Transactions to FIU or other Competent Authorities

The company is responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU or any other competent authority in respect of Company's customer related activities carried out by the service providers.

4. Outsourcing within a Group / Conglomerate

- In a group structure, Company may have back-office and service arrangements / agreements with group entities e.g. sharing of premises, legal and other professional services, hardware and software applications, centralize back-office functions, outsourcing certain financial services to other group entities, etc. Before entering into such arrangements with group entities, Company will frame a Board approved policy and also service level agreements / arrangements with its group entities, which also covers demarcation of sharing resources i.e. premises, personnel, etc. Moreover, the customers will be informed specifically about the company which is actually offering the product / service, wherever there are multiple group entities involved or any cross selling observed.

    - While entering into such arrangements, Company will ensure that these:

        - are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;

        - do not lead to any confusion to the customers on whose products/ services they are availing by clear physical demarcation of the space where the activities of Company and those of its other group entities are undertaken;

        - do not compromise the ability to identify and manage risk of Company on a stand-alone basis;

        - do not prevent RBI from being able to obtain information required for the supervision of Company or pertaining to the group as a whole; and

- o incorporate a clause under the written agreements that there is a clear obligation for any service provider to comply with directions given by the RBI in relation to the activities of Company.

- Company will ensure that its ability to carry out their operations in a sound fashion would not be affected if premises or other services (such as IT systems, support staff) provided by the group entities become unavailable.

- If the premises of Company are shared with the group entities for the purpose of cross-selling, Company will take measures to ensure that the entity's identification is distinctly visible and clear to the customers. The marketing brochure used by the group entity and verbal communication by its staff / agent in Company's premises will mention nature of arrangement of the entity with Company so that the customers are clear on the seller of the product.

- Company will not publish any advertisement or enter into any agreement stating or suggesting or giving tacit impression that they are in any way responsible for the obligations of its group entities.

- The risk management practices expected to be adopted by Company while outsourcing to a related party (i.e. party within the Group / Conglomerate) would be identical to those specified in Clause 3 of this Policy.

5. Off-Shore Outsourcing of Financial Services

- The engagement of service providers in a foreign country exposes Company to country risk -economic, social and political conditions and events in a foreign country that may adversely affect Company. Such conditions and events could prevent the service provider from carrying out the terms of its agreement with Company. To manage the country risk involved in such outsourcing activities, Company will take into account and closely monitor government policies and political, social, economic and legal conditions in countries where the service provider is based, both during the risk assessment process and on a continuous basis, and establish sound procedures for dealing with country risk problems. This includes having appropriate contingency and exit strategies. In principle, arrangements will only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement will also be clearly specified.

- The activities outsourced outside India will be conducted in a manner so as not to hinder efforts to supervise or reconstruct the India activities of Company in a timely manner.

- As regards the off-shore outsourcing of financial services relating to Indian operations, Company will additionally ensure that:

  (a) where the off-shore service provider is a regulated entity, the relevant off-shore regulator will neither obstruct the arrangement nor object to RBI inspection visits / visits of Company's internal and external auditors;

  (b) the availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or Company in India;

(c) the regulatory authority of the offshore location does not have access to the data relating to Indian operations of Company simply on the ground that the processing is being undertaken there (not applicable if off shore processing is done in the Company's home country);

(d) the jurisdiction of the courts in the off-shore location where data is maintained does not extend to the operations of Company in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India; and

(e) all original records continue to be maintained in India.

6. Confidentiality and Security

- Public confidence and customer trust in Company is a prerequisite for the stability and reputation of Company. Hence, Company seeks to ensure the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider.

- Access to customer information by staff of the service provider should be on 'need to know' basis, i.e. limited to those areas where the information is required in order to perform the outsourced function.

- Company will ensure that the service provider is able to isolate and clearly identify Company's customer information, documents, records and assets to protect the confidentiality of the information. In instances, where service provider acts as an outsourcing agent for multiple companies, care should be taken to build strong safeguards so that there is no co-mingling of information / documents, records and assets.

- Company will review and monitor the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches.

- Company will immediately notify RBI in the event of any breach of security and leakage of confidential customer related information. In these eventualities, Company would be liable to its customers for any damage.

7. Company's Role and Regulatory and Supervisory Requirements

- The outsourcing of any activity by Company does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. Company is, therefore, be responsible for the actions of its service provider including Direct Sales Agents ("DSA") / Direct Marketing Agents ("DMA") and Recovery Agents and the confidentiality of information pertaining to the customers that is available with the service provider. Company retains ultimate control of the outsourced activity.

- Company will, when performing its due diligence in relation to outsourcing, consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.

- Outsourcing arrangements will not affect the rights of a customer against Company, including the ability of the customer to obtain redress as applicable under relevant laws. Since the customers may be required to deal with the service providers in the process of dealing with Company, Company will incorporate a clause in the product literature / brochures etc., stating that they may use the services of agents in sales / marketing etc. of the products. The role of agents may be indicated in broad terms.

- Outsourcing, whether the service provider is located in India or abroad, should not impede or interfere with the ability of Company to effectively oversee and manage its activities nor should it impede RBI in carrying out its supervisory functions and objectives.

- Company will provide a robust grievance redressal mechanism, which in no way will be compromised on account of outsourcing.

- The service provider, if it is not a group company of Company, will not be owned or controlled by any director or officer/employee of Company or their relatives; these terms have the same meaning as assigned under Companies Act, 2013.

8. Record Keeping

The Company will maintain all records, documents and other papers relating to outsourcing for a period of 8 years.

9. Policy Review and Updates

This Policy is intended to continue to evolve over time with business changes. The Policy should at least be reviewed on an annual basis by the Outsourcing and Procurement Committee.

10. Regulatory References

This Policy is framed according the following regulatory references:

- Annexure XIII, Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs under Master Direction- Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023

11. Annexure

Annexure 1:

Materiality of Outsourcing

The risk and materiality of any outsourcing arrangement will be identified and evaluated prior to entering into any outsourcing arrangement by the unit. The extent and degree to which this Policy is implemented is expected to be commensurate with the materiality of the outsourcing.

The Company will without limitation consider the following factors while assessing materiality of any outsourcing arrangement:

- Level of importance of the business activity to be outsourced,
- Potential impact of the outsourcing on the earnings, solvency, liquidity, funding capital and risk profile of the Company,
- Cost of outsourcing as a proportion of total operating costs of the Business/Unit,
- Nature and extent of data sharing involved, impact on data privacy and security,
- Aggregate exposure to a particular service provider, in case where various functions are outsourced to the same service provider.

Governance for Material Outsourcing Activities
If the activity to be outsourced is rated as material as per the materiality assessment template, the following additional measures should be adhered to:

- The outsourced service provider shortlisted outsourcing of activity must fulfil an additional requirement of having prior experience of providing a similar service in another organization for at least 12 months with a good feedback rating,
- The Outsourcing and Procurement Committee may recommend a more frequent performance review of the service provider.

Materiality Assessment Template
Name of the activity:
Description of the Activity:
Proposer of Outsourcing Arrangement:
Date of Assessment:

S. No.	Criteria	Yes / No	Rationale
I. Customer			
1	Will the outsourcing activity require the service provider to face the customer on behalf of the Company?		
2	Will the activity require the service provider to handle customer(s) financial instruments/contract documents directly on behalf of the Company?		
3	Is the service provider the only customer contact for the particular activity?		

II. Regulatory			
4	Are there any specific regulatory guidelines required to be followed for this activity other than the RBI guidelines on Outsourcing?		
5	Does the activity require the company to share customer information with the outsourced service provider **or whether it impacts on data privacy/security norms?**		
III. Exposure			
6	Will the failure of the service provider to perform this activity directly affects the income of the business group?		
7	Will the outsourcing of this activity have an impact on the solvency, liquidity, funding and capital of the Company?		
8	Cost of outsourcing of this activity (annualised) – value of the contract, fees to be paid to the outsourced agency, etc. (A)	Please put the value in INR lakh	
	Total operating cost of the Company (B)	Please put the value in INR lakh	
	Is the percentage of A on B greater than 2%?		
IV. Concentration			
9	Is there only a particular service provider available for this activity?		
V. Brand Reputation			
10	Will the failure or inadequate performance of the service provider impact the brand value/ reputation of the Company?		
11	Any adverse national level media report or strictures from the High Court or above or any financial sector regulator in the past six months against the activity?		
VI. Criticality (over-riding factors)			
12	Will the failure or inadequate performance by the service provider have a material impact in meeting its obligations to its stakeholders (customers, regulators and investors) including adverse impact on the customer service?		

13	Will the failure or inadequate performance by the service provider have a material impact in meeting the regulatory requirements by the Company?		
Total (number of "yes")			

Remarks: The activity would be termed as material if either
a) The number of rows marked under the "YES" column is 5 or more,
OR
b) Answer to either points 12 or 13 is marked as "YES"
(Positive answer to points 12 or 13 would override the scoring requirements)

Annexure 2:

List of Activities not to be outsourced

Core management functions including Internal Audit, Compliance functions and decision making functions like determining compliance with Know Your Customer (KYC) norms for account opening will not be outsourced.

Additions or deletions to the list of activities that cannot be outsourced needs to be approved by the Outsourcing and Procurement Committee.

Illustrations of activities currently outsourced / may be outsourced by the Company include:

- Customer creation and Loan Processing
- Quality check
- Storage and Management
- Scanning of documents by outsourced employees on company's premises;