

**OUTSOURCING RISK MANAGEMENT FRAMEWORK
OF
NORTH EAST HIRE PURCHASE CO. (INDIA) PRIVATE
LIMITED**

**Approved by the Board of Directors of
North East Hire Purchase Co. (India) Private Limited
On
15th April, 2024**

OUTSOURCING RISK MANAGEMENT FRAMEWORK

Document Information

<u>Name:</u>	Outsourcing Risk Management Framework
<u>Type:</u>	Policy
<u>Area:</u>	Risk Management
<u>Key concepts:</u>	Outsourcing including IT Outsourcing, Outsourcing Risk Management, Material Outsourcing, Operational Risk
<u>Responsible department/person:</u>	Compliance Department

Objective

This Policy Sets Outsourcing management strategy, defines phases of the Outsourcing management, formulates binding requirements for each phase of the Outsourcing management, and describes the responsibilities and requirements imposed upon relevant departments and functions of the Company to comply with RBI prudential regulations as well as any other applicable laws, rules, or regulations that may be enacted or amended from time to time.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

1 Objective and Purpose

1.1 Objective and Purpose

This Policy describes the approach of North East Hire Purchase Co. (India) Private Limited (the “Company”) for the management of outsourcing risk and serves to define outsourcing risk management strategy, outsourcing governance model, outsourcing risk management phases and formulates binding requirements for each phase of the Outsourcing. The Policy is approved and regularly reviewed by the Board of Directors of the Company. Regular review should be done at least once a year.

The Policy describes the rules for Outsourcing risk management in order to maintain Outsourcing management effective, coherent and proportionate to the nature, scale and complexity of the risks associated with the Company business model.

The Policy reflects the key principle of the Outsourcing that the quality of the management and control system for any Outsourced Activity should be at least at the level the Company would apply when performing the activity itself. The Company should have sufficient resources and sufficient knowledge of the Outsourced Activity to be able to monitor it effectively.

The Policy establishes the approach to particular phases of Outsourcing risk management phases, including Outsourcing identification, preparation of Outsourcing, mitigation of the risks of Outsourcing, contracting on Outsourcing, Outsourcing approval process and monitoring of Outsourcing.

The Policy describes the responsibilities and requirements imposed upon relevant departments and functions of the Company to fulfil their Outsourcing management duties. This Policy does not cover requirements related to data protection which may be regulated in separate policies.

Outsourcing arrangements shall not affect the rights of a customer against the Company, including the ability of the customer to obtain redress as applicable under relevant laws. In cases where the customers are required to deal with the Outsourcing Providers in the process of dealing with the Company, the Company shall incorporate a clause in the relative 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.

1.2 Related Documents

The Policy represents an integral part of the overall risk management of the Company.

1.3 Regulatory Context

The Policy takes into account regulatory documents published by regulatory bodies, as and when become applicable, in particular:

- Guidelines issued by Reserve Bank of India on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs
- Guidelines issued by the Reserve Bank of India on Information Technology Framework for the NBFC Sector

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- Guidelines issued by Reserve Bank of India on outsourcing of Information Technology Services for the NBFCs

1.4 Definitions and Abbreviations

The meaning of capitalised terms and abbreviations used in this Policy is set out in Annex 1.

Definition of Outsourcing

2.1 Definition of Outsourcing

Outsourcing is an arrangement where a company engages a third-party service provider to perform a function, service, or activity that the company would normally handle internally. The essence of outsourcing lies in delegating tasks that are either part of the core business or supporting processes to external experts, enabling the company to focus on its main activities, reduce costs, or tap into specialized skills.

To determine whether an arrangement qualifies as outsourcing, the following two criteria are considered:

Recurrent or Ongoing Nature: The function or activity is performed by the service provider on a continuous or regular basis.

Scope of Work: The outsourced function is something the company could realistically perform itself, even if it has not done so in the past.

2.2 Activities That Will Be Considered as Outsourcing:

The following are examples of activities that will fall under the category of outsourcing, as they meet the above criteria:

Sourcing, Lead Generation, and Borrower Recommendations: Activities related to identifying prospective borrowers or clients, which are essential for financial institutions and lending companies.

Collection of Loans from Borrowers/Defaulting Borrowers: Outsourcing the collection of payments or debt recovery from borrowers who are in default.

Field Investigation and Risk Containment: External providers conducting investigations on behalf of the company to verify customers and mitigate risks.

Verification of Documents, Fraud Control, Customer Profile, and Credit Checks: Engaging third-party services to verify customer information, check for fraud, and run credit checks for potential borrowers or clients.

Managing Customer Queries: Outsourcing customer service operations, including handling inquiries and resolving issues related to products or services.

Marketing of the Company's Products: Delegating the promotion and marketing efforts of a company's products to external marketing agencies or partners.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

Recruitment, Selection, and Training of Personnel: Using third-party agencies to recruit, hire, and train employees on behalf of the company.

Background Verification of Personnel for Employment: Conducting background checks on potential employees through specialized external providers.

Administration of Payroll and Taxation: Outsourcing payroll processing and tax-related functions to external agencies or service providers.

Technology Infrastructure Management, Maintenance, and Support: Outsourcing IT services such as server management, network administration, and tech support to third-party vendors.

Application Development, Maintenance, and Testing: Engaging external IT service providers for software development, maintenance, and testing.

Storage, Movement, and Archiving of Records: Outsourcing physical or digital records management, including their secure storage and retrieval.

Use of Courier Services and Travel Agents: Utilizing external courier services or travel agencies for transportation of documents or managing travel arrangements for the company.

2.3 Outsourcing of IT Services

Outsourcing of IT services refers to the engagement of external service providers to manage specific IT functions and infrastructure that a company would otherwise perform in-house. This includes critical areas like IT infrastructure management, which encompasses the maintenance and support of hardware, software, or firmware. Companies may also outsource network and security solutions, which involve the upkeep of IT security and networking systems to ensure business continuity and data protection. Furthermore, activities such as application development, maintenance, and testing—crucial for ensuring that software systems operate effectively—are often outsourced to specialized third-party vendors. Data center operations and cloud computing services are also common aspects of IT outsourcing, where companies rely on external providers for secure storage, processing power, and scalability. Lastly, the management of IT infrastructure and technology services related to payment systems is frequently outsourced to ensure compliance and security within financial ecosystems.

IT Services Considered as Outsourcing:

- IT infrastructure management, maintenance, and support (hardware, software, or firmware)
- Network and security solutions (hardware, software, or firmware)
- Application development, maintenance, and testing
- Services and operations related to data centers
- Cloud computing services
- Managed security services
- Management of IT infrastructure and technology services related to payment systems

IT Activities That Are Not Considered Outsourcing

OUTSOURCING RISK MANAGEMENT FRAMEWORK

Certain IT-related activities, while performed by external service providers, do not fall under the category of outsourcing because they are routine or involve little customization. These include the procurement of IT hardware or appliances, where the company simply purchases necessary equipment without handing over management. Similarly, the acquisition of software licenses or subscription-based services (such as databases or security solutions) with minimal or no customization does not qualify as outsourcing. External audits, such as vulnerability assessments, penetration testing, and security reviews, are also excluded, as they are standard evaluation services. Other activities that fall outside the definition of IT outsourcing include telecom services like leased lines, SMS gateways, and applications provided by financial regulators (e.g., from stock exchanges or depositories). Additionally, routine tasks like data entry, statement printing, or business correspondent (BC) services are also excluded, as they do not form part of the company's core IT management.

IT Services Not Considered as Outsourcing:

- Corporate internet banking services obtained as a corporate customer/sub-member of another regulated entity
- External audits (vulnerability assessments, penetration testing, information systems audit, security review)
- SMS gateways (bulk SMS service providers)
- Procurement of IT hardware or appliances
- Acquisition of IT software/product/application on a licensed or subscription basis (including upgrades or changes requested by the company)
- Maintenance services provided by OEMs (e.g., security patches, bug fixes)
- Applications provided by financial regulators or institutions (e.g., stock exchange, depository)
- Platforms provided by entities like Reuters, Bloomberg, SWIFT
- Off-the-shelf software products (e.g., anti-virus, email solutions) with no/minimal customization
- Telecom services (e.g., leased lines for data transmission)
- Business Correspondent (BC) services, payroll processing, statement printing
- Payment system services from operators authorized by the RBI under the Payment and Settlement Systems Act, 2007
- Data retrieval, validation, and verification services (e.g., bank statement analysis, GST returns analysis, digital document execution)
- Telecom infrastructure used for data transmission

2.4 Activities That Will Not Be Considered Outsourcing

According to the Reserve Bank of India's (RBI) guidelines, companies are strictly prohibited from outsourcing core management functions or activities that are critical to the company's operations. These core functions include strategic and compliance responsibilities that are essential to maintaining the company's governance and regulatory adherence. One of the most important functions that must remain within the company is compliance with Know Your Customer (KYC) norms, especially when sanctioning loans. Decision-making processes related to these norms must be controlled and monitored by the company's internal team, ensuring that compliance and risk management are directly managed by the company. By retaining control over these crucial areas, the company can safeguard its integrity and ensure compliance with regulatory standards.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

Furthermore, the internal audit function, which is a vital component of internal control, is classified as a management process under the RBI guidelines. While companies are allowed to contract external personnel to conduct internal audits, this function must remain within the group structure to ensure accountability and compliance with RBI requirements. Outsourcing the internal audit function to external service providers outside the group is strictly prohibited. This regulation ensures that internal oversight remains within the company, reinforcing the importance of maintaining robust internal governance. Companies must ensure that these activities adhere to the RBI's instructions to preserve the integrity of their operations.

Activities That Cannot Be Outsourced (As per RBI Guidelines):

- a) Core Management Functions:
 - a) Strategic decision-making processes.
- b) Compliance Functions:
 - a) Ensuring compliance with regulatory norms such as KYC (Know Your Customer) norms for sanctioning loans.
- c) Internal Audit: Classified as a management process, which must be performed within the group. While internal auditors can be on contract, the function must not be outsourced outside the group.
- d) Decision-Making Functions: Strategic and compliance decisions that impact the overall governance and functioning of the company.

2.5 Definition of Material Outsourcing

Material Outsourcing¹ is defined as an activity which, if disrupted, has the potential to significantly impact the business operations, reputation, profitability, or customer service. An outsourcing to be considered material should meet any of the following conditions:

- a) Outsourcing any activity whose shortcomings or failure may significantly affect the capability to meet the prudential regulation requirements or the capability of the Company to provide critical services.
- b) Defect or failure in its performance would materially impair the Company's financial performance (means outsourcing risks within the risk category critical).
- c) Outsourcing of any activity whose failure may have a significant adverse impact on the risk management of the Company or other control functions.
- d) the cost of the outsourcing as a proportion of the total operating costs of Company
- e) the aggregate exposure to a particular service provider, in cases where COMPANY outsources various functions to the same service provider.
- f) the significance of activities outsourced in the context of customer service and protection
- g) IT services which may have a material impact on the Company customers in the event of any unauthorised access, loss or theft of customer information.
- h) Outsourcing of any other activity designated as significant by the Risk Management Committee.

Ability to transfer proposed Outsourcing activity to another service provider, including impediments to business continuity, costs and time frame, and reputational impact and potential impact of a confidentiality breach should be considered.

¹ Examples of services which are considered as Material Outsourcing:

- Extensive sale of loans through a third party;
- Extensive loan repayment services through systems of a third party;
- Extensive collection services provided by a third party;
- IT cloud computing with extensive confidential client data which is business critical;

OUTSOURCING RISK MANAGEMENT FRAMEWORK

3 Outsourcing Management Strategy

The Company carries out activities through its own staff unless the performance of these activities (including IT activities) through Outsourcing is more favourable for the Company. The “more favourable” condition should not be based only on costs evaluation principle. The Company’s decision to outsource IT & all other activities should fit into the institution’s overall strategic plan and corporate objectives.

The cases when a Company might decide to use Outsourcing can be based on any of the following reasons:

- a) The Company does not have adequate personnel or technical capacity for particular activities.
- b) The activity is rare or specialised.
- c) The use of outsourcing will provide the Company with a demonstrable economic benefit compared to the realisation of the same activity by its own personnel or technical capabilities.
- d) The use of Outsourcing will result in a higher quality of the activity in comparison to the realisation of the same activity by its own staff or technical capabilities.
- e) The use of Outsourcing will lead to a demonstrable reduction of the risks to which the company is exposed.

The Company considers and ensures that:

- a) The competencies of the management body and its members are not impaired by an inadequate scope or form of Outsourcing;
- b) The use of Outsourcing does not constitute a material change in the circumstances, which formed the basis for granting the regulatory license, in particular an inappropriate change in the material, organisational or other prerequisites for the performance of the licensed activity;
- c) Sufficient professional capacities and authorizations to ensure the possibility to perform control over the Outsourced Activities and to manage Outsourcing risk to a sufficient extent and adequate quality are retained;
- d) The strategic and managerial decision-making of the management body in its management function and the control function of the management body in its supervisory function is never outsourced;
- e) The Company maintains responsibility even when using Outsourcing and cannot outsource most activities to become a shell corporation;
- f) The Outsourcing does not impair the ability of internal governance bodies to fulfil their oversight tasks in relation to the senior management;
- g) The Outsourcing is not used if it would mean a breach of regulatory requirements;
- h) If a legal regulation sets out requirements for the competence, experience or trustworthiness of the persons who are to perform a certain activity of the Company, the Company shall ensure that such other natural person or legal entity who/ which in fact performs the relevant activity complies with the relevant requirements also when using Outsourcing.
- i) the service provider employs the same high standard of care in performing the services as would have been employed by the Company, if the same activity was not outsourced.
- j) the engagement of a service provider would not result in the reputation of the Company being compromised or weakened

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- k) Notwithstanding whether the service provider is located in India or abroad, the outsourcing should neither impede nor interfere with the ability of the Company to effectively oversee and manage its activities.
- l) the outsourcing does not impede the RBI in carrying out its supervisory functions and objectives.
- m) the service provider, if not a group company, shall not be owned or controlled by any director, or key managerial personnel, or approver of the outsourcing arrangement of the Company, or their relatives².
- n) Outsourcing arrangements shall not affect the rights of a customer against the Company, including the ability of the customer to obtain redressal as applicable under relevant laws.

The management of the risks of Outsourcing is part of the operational risk management. The Company has in place and maintains principles and procedures for the management, monitoring and assessment of Outsourcing risks.

The Company establishes processes and procedures within all phases of Outsourcing risk management, which are commensurate with the nature, scale and complexity of the Outsourced Activities and which are in line with general principles of Outsourcing risk management as prescribed by this Policy.

The Company limits the potential adverse impact of Outsourcing on the risk profile of the Company. The Company ensures that when using Outsourcing, all appropriate measures to prevent occurrence of shortcomings or damage resulting from the violation of any of the Company's duties shall be taken, in particular, prevention of unauthorised disclosure or use of any information relating to the client and being subject to protection, which is available to the Outsourcing Provider.

Requirements and procedures which are applied on Outsourcing, can be used even on standard services (normally not in the scope of Outsourcing) with extent which is suitable to mitigate identified risks. For example, aspects of due diligence, analysis of Outsourcing Provider's risks, monitoring of the Outsourcing Provider, requirements on business continuity management or specific contractual requirements. All additional requirements should have an added value and should be proportionate to the identified risks.

4 Roles and Responsibilities

a. Board of Directors of the Company

Within the Outsourcing management process, the Company BoD in particular:

- a) Decides about the organisation of the Outsourcing risk management in the Company. (i.e. appropriate approval authorities)
- b) Approves policies related to Outsourcing in the Company, including any amendment thereof;
- c) Approve an exception to the engagement of the service provider who is owned or controlled by any director or their relatives, followed by appropriate disclosure, oversight and monitoring of such arrangements.

² The terms 'control', 'director', 'key managerial personnel', and 'relative' have the same meaning as assigned under the Companies Act, 2013 and the Rules framed thereunder from time to time.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- d) Delegate the power, role or responsibility regarding implementation, monitoring and/ or review of outsourcing in the Company.

b. Risk Management Committee (RMC) of the Company

Within the Outsourcing management process, the RMC in particular:

- a) Recommend policy changes related to Outsourcing in the Company to the BoD
- b) Approve procedures related to Outsourcing in the Company, including any amendment thereof;
- c) Ensures implementation of the Policy in the Company;
- d) Identification, measurement, monitoring, mitigation of outsourcing risk and reporting to BoD in a timely manner;
- e) To approve the appointment of an Outsourcing Head/ Manager.
- f) Approve transactions not aligned with this Policy;
- g) Approves any Material Outsourcing at the level of the Company;
- h) Approve an exception to the engagement of the service provider who is owned or controlled by any key managerial personnel, or approver of the outsourcing arrangement of the Company, or their relatives, followed by appropriate disclosure, oversight and monitoring of such arrangements. The Committee shall inter-alia ensure that there is no conflict of interest arising out of third-party engagements.
- i) Is the escalation level for the cases there is disagreement in Outsourcing identification/ classification decision.

c. Outsourcing Head/ Manager

The Company is obliged to establish the role of an Outsourcing Head/ Manager who may be a part of either Risk Function or Compliance Function as recommended by the Board. The Outsourcing Head/ Manager, in particular:

- a) Implements relevant procedures related to Outsourcing in the Company and monitors compliance with such policies and procedures;
- b) Provides regular annual review of internal policies and relevant processes related to Outsourcing in the Company and proposes changes and improvements;
- c) Provide clarification for deciding about Outsourcing (an activity is or is not identified as Outsourcing), including assessment of the Outsourcing significance;
- d) Supports Outsourcing Requestor in the Due Diligence process by verification of questions related to the risk control system of the provider, overall completeness and quality of provided information;
- e) Provides expert advice on Outsourcing;
- f) Ensures completeness and correctness of all required Outsourcing documents as stated in this Policy;
- g) Classify if an activity is to be considered as Outsourcing, or Material Outsourcing, as the case may be;
- h) Monitors Outsourcing process and controls fulfilment of requirements of this Policy;
- i) Performs periodic (yearly and as & when required) review of Outsourcing;
- j) put in place necessary documentation required for contractual agreements including service level management, monitoring of vendor operations, key risk indicators and classifying the vendors as per the determined risk and maintain information in the Outsourcing register up to date;
- k) Prepares justification materials in case of necessity of deviation or exception from the requirements of this Policy provisions; and

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- l) Ensures that a central database of all outsourcing arrangements is maintained and is accessible by concerned functions, directors, members of RMC, auditors and Regulators.

The Outsourcing Head/ Manager shall not be in the role of the Outsourcing Requestor to avoid conflict of interest.

d. Outsourcing Requestor

The Outsourcing Requestor must be designated for every Outsourcing activity in the Company. The Outsourcing Requestor is a Business Line Manager who is responsible for the area in which the Outsourcing takes place. The Outsourcing Requestor in particular:

- a) Prepares launching and implementation of the Outsourcing, including a tender if relevant, and conclusion of the contract with the Outsourcing Provider;
- b) Involve concerned stakeholders/ departments, including procurement, legal and IT Security, to evaluate the agreement.
- c) Ensures compliance of the Outsourcing with requirements stipulated by this Policy as well as applicable legal requirements;
- d) Identifies areas where a conflict of interests may arise, including possible conflicts between the interests of the Company and its clients;
- e) Is responsible for the management of the Outsourced Activity as if it were carried out by the Company itself;
- f) Is responsible for the proposal, preparation, completion and regular update of:
 - Outsourcing identification and classification,
 - Outsourcing Provider assessment and financial Due Diligence,
 - Outsourcing expectation, outcome and success factors
 - Outsourcing Risk Analysis,
 - Company Business Continuity Plan (hereinafter "BCP"), if applicable, and Exit Strategy,
 - Documentation for Outsourcing approval, including Risk Advice if applicable,
 - Monitoring Plan;
- g) Regularly monitors whether the Outsourcing Provider meets all contractual commitments and other requirements stipulated in this Policy, including Outsourcing Providers' subcontractors, throughout the period of Outsourced Activities;
- h) Performs regular monitoring of Outsourcing (new information related to Outsourcing Provider, quality of service activities defined in the Monitoring Plan);
- i) Reports all relevant information, including any negative development, of Outsourcing to the Outsourcing Head/ Manager (new risks, incidents, change of sub-providers etc.);
- j) Ensures regular updates of Outsourcing Risk Analysis in cooperation with the Outsourcing Head/ Manager;
- k) Monitors if triggers set up within Exit Strategy did not occur;
- l) Ensures BCP for the Outsourced Activity is available and up to date;
- m) Communicates with the Outsourcing Provider (requests of documentation, information relevant to Outsourcing management);
- n) Reports the completion of the Outsourcing review within the regular monitoring process and its results to the Outsourcing Head/ Manager;
- o) ensure (i) effective oversight over service provider for data confidentiality and (ii) appropriate redressal of customer grievances in a timely manner
- p) ensure to publicize the termination of the outsourcing agreement specifically for Outsourcing Providers interacting with COMPANY's customers.
- q) assess the economic benefits of Outsourcing for the Company and to prepare the cost-benefit analysis (hereinafter "CBA").

OUTSOURCING RISK MANAGEMENT FRAMEWORK

e. IT Function

The IT function in the Company in particular:

- a) Assesses IT questionnaires and cloud questionnaires, including further security-related documentation provided by the Outsourcing Provider;
- b) Supports the Outsourcing Requestor with the preparation of the Outsourcing Risk Analysis;
- c) Proposes and implements mitigations of risks in the IT Security area;
- d) Supports the Outsourcing Requestor in the classification of data, as described in the Asset Classification and Data Protection Policy;
- e) Cooperates in case of on-site inspection of Outsourcing Provider by checking that security processes and standards of the Outsourcing Provider are adequate with regard to the level of security within the Company;
- f) Defines minimal standard of security requirements for the use of cloud computing;
- g) Participates in Outsourcing monitoring in-line with the Outsourcing Monitoring Plan.
- h) Is responsible for review and approval of proposed IT Architecture of the solution (Cloud Services and IT related Outsourcing).
- i) Assist Outsourcing Requestor or Outsourcing Head/ Manager in the identification, measurement, monitoring and mitigation of IT services outsourcing risk
- j) Coordinate with the Outsourcing Head/ Manager on effective monitoring and supervising of the outsourced IT activity to ensure that the service providers meet the laid down performance standards and provide uninterrupted services
- k) Ensure that cyber incidents reporting process is part of the agreement to the Company by the service providers to ensure no delay so that the incident is reported by the Company to the RBI and other authorities within timeline of applicable regulations prescribed from time to time.
- l) review and monitor the control processes and security practices of the service provider to disclose IT security breaches and immediately notify RBI in the event of breach of security and leakage of confidential customer-related information. In these eventualities, the Company shall adhere to the extant instructions issued by RBI from time to time on Incident Response and Recovery Management.

f. Legal & Compliance Function

The Legal & Compliance function in the Company in particular:

- a) Is responsible for the compliance of the Outsourcing contracts with the applicable requirements on the Outsourcing contracts imposed upon the Company;
- b) Informs the Outsourcing Head/ Manager about gaps and specific local requirements which are stricter than the Outsourcing framework within the Policy.
- c) Share the relevant laws, regulations, guidelines etc. and conditions of approval, licensing or registration upon request by the Outsourcing Head/ Manager/ Outsourcing Requestor, when performing due diligence in relation to outsourcing of services

g. Internal Auditor

The Internal Auditor is responsible for the independent and objective examination of the Company's Outsourced Activities, in particular of the functionality and effectiveness of the management and control system of Outsourced Activities and the use of Outsourcing. Internal auditor in the Company in particular:

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- a) Verifies the overall functionality and efficiency of Outsourcing from the point of view of the Company;
- b) Verifies that the internal policies and procedures adopted by the company for the use of Outsourcing are up to date & followed by stakeholders.
- c) Verifies that the internal control system ensures early identification of deficiencies in the use of Outsourcing and the adoption of corrective actions, in particular for Material Outsourcing;
- d) Verifies that any remedial measures are taken without undue delay and that they are effective.

h. Customer Care Department

The Grievance Redressal Officer shall ensure that the grievance redressal mechanism shall not be compromised in any manner on account of outsourcing, i.e. responsibility for redressal of customers' grievances related to outsourced services shall rest with the Company.

5 Outsourcing Management

The Outsourcing management process includes six phases:

a. Identification of Outsourcing

The Outsourcing Head/ Manager is accountable for the Company implementing a process for the identification of the Outsourcing, i.e. assessment of every activity intended to be provided by the 3rd party shall be executed. As an activity should be considered also intention to significantly change content of agreement with the current Outsourcing Provider as well as the performance of existing activity by different provider.

The Outsourcing Requestor is responsible for the gathering of the information for the Outsourcing identification, i.e. collects information for the activity identification and classification, assessment of Outsourcing significance and assessment of Cloud Services, if applicable and ensures completion of the Outsourcing identification template. The Outsourcing Requestor shall evaluate the need for the Outsourcing of services based on:

- a. need for outsourcing based on the criticality of activity to be outsourced;
- b. expectations and outcomes from outsourcing;
- c. success factors and cost-benefit analysis; and
- d. deciding the model for outsourcing

The Outsourcing Head/ Manager should provide necessary clarification for deciding whether the activity fulfils the definition of Outsourcing and for Classification of the Outsourcing. The outcome of the assessment is a decision about:

- a) Identification of the activity as Outsourcing;
- a) Classification of the Outsourcing as Material Outsourcing or Non- Material Outsourcing;
- b) Classification of the Outsourcing as Out-of-Group Outsourcing or Intra-Group Outsourcing.
- c) Deciding the model for Outsourcing: Outsourcing parameters are defined in IT questionnaire and cloud questionnaire templates which takes into account the data classification, protection, monitoring etc.

The assessment must be conducted in the early stage of each Outsourcing intention, so that Outsourcing preparation and its approval can be done before the contract is signed by the Company. The following contracts can be excluded from the assessment:

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- Client contracts, funding contracts, NDA; and
- Contracts based on standardised templates if the assessment was already done for the template.

The Identification of Outsourcing and Classification of Outsourcing should be done in a conservative manner. This means that in case of any doubt, the performance of the activity is identified as an Outsourcing/ classified as Material Outsourcing and the relevant requirements are applied. Classification of same or very similar activities provided by multiple providers can be covered by one joint Outsourcing Identification template if agreed on with the Outsourcing Head/ Manager.

All activities performed via a particular Cloud Service shall be assessed on an individual basis as defined in the section 1.

b. Preparation of Outsourcing and Identification of Risks

This phase follows the Identification of Outsourcing and describes key activities, which outputs serve as inputs for the mitigation of the Outsourcing risks phase and contracting on Outsourcing phase. The outcome of the preparation phase:

- i. Evaluation of the Economic Efficiency of Outsourcing - The Outsourcing Requestor is responsible for the analysis of the economic efficiency of the Outsourcing.

When preparing the analysis of the economic efficiency of Outsourcing, the Outsourcing Requestor compares the efficiency of Outsourcing with the situation if the activity was performed by the Company itself or by an alternative Outsourcing Provider. In the comparison, the price offered by the Outsourcing Provider and the level of Outsourced Activities characterized by indicators of the quantity and quality of the activity performed by the Outsourcing Provider be considered. At the conclusion of the analysis, it should be indicated whether the Outsourcing is or is not to be concluded under favourable terms for the Company. However, too low (well below the market) price should be also avoided as it could bias the level of quality of provided services.

- ii. Assessment of the Outsourcing Provider - The Outsourcing Requestor is accountable for the assessment of the Outsourcing Provider. The Outsourcing Provider's Questionnaire serves as one of the main sources of information for the assessment of the Outsourcing Provider and the provided service. IT Security department is responsible for assessment of the IT questionnaire and cloud questionnaire.

A risk-based approach shall be adopted in conducting such due diligence activities. Due diligence shall take into consideration qualitative, quantitative, financial, operational, legal and reputational factors i.e.

- i. obtain independent reviews and market feedback on the service provider to supplement its own assessment;
- ii. while evaluating the capability of the service provider, risks arising from concentration of outsourcing arrangements with a single or a few service provider/s;
- iii. past experience and demonstrated competence to implement and support the proposed activity over the contract period;
- iv. financial soundness and ability to service commitments even under adverse conditions;

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- v. business reputation and culture, compliance, complaints and outstanding or potential litigations;
- vi. ensuring background verification by Outsourcing Provider of its employees;
- vii. conflict of interest, if any;
- viii. external factors like political, economic, social and legal environment of the jurisdiction in which the service provider operates and other events that may impact data security and service performance;
- ix. details of the technology, infrastructure stability, security and internal control, audit coverage, reporting and monitoring procedures, data backup arrangements, business continuity management and disaster recovery plan;
- x. capability to identify and segregate Company data;
- xi. quality of due diligence exercised by the service provider with respect to its employees and sub-contractors;
- xii. capability to comply with the regulatory and legal requirements of the Outsourcing;
- xiii. information/ cyber security risk assessment;
- xiv. ensuring that appropriate controls, assurance requirements and possible contractual arrangements are in place to ensure data protection and Company's access to the data which is processed, managed or stored by the service provider;
- xv. ability to effectively service all the customers while maintaining confidentiality, especially where a service provider has exposure to multiple entities; and
- xvi. ability to enforce agreements and the rights available thereunder including those relating to aspects such as data storage, data protection and confidentiality.

Outsourcing Head/ Manager may decide to enlarge the Outsourcing Provider's Questionnaire by adding specific questions to improve the quality and scope of the assessment.

Verification of the financial stability of the Outsourcing Provider is an important part of the due diligence process. The Company shall set up a process to verify the financial stability of their Outsourcing Providers, which meet the criteria for Material Outsourcing. If financial situation of the Outsourcing Provider was identified as a potential problem, verification of financial stability shall be incorporated in the Monitoring Plan of particular Outsourcing.

Assessment of the Outsourcing Provider includes verification, that:

- a) The Outsourcing Provider and its subcontractors are authorised to perform the services (have the relevant business license) and have the prerequisites for proper performance of the service;
 - b) Regulatory requirements are met;
 - c) The Outsourcing Provider and its subcontractors have established an internal risk management system and ensure quality and reliability of the service at the level comparable with the level, which would be achieved internally;
 - d) The Outsourcing Provider is financially stable.
- iii. Outsourcing Risk Analysis - The Outsourcing Risk Analysis serves for assessment of the risks associated with the planned Outsourcing and evaluates the possible adverse impacts of the Outsourcing on the Company, its functions, management and controls.

The Outsourcing Requestor prepares the Outsourcing Risk Analysis. The completion of the Outsourcing Risk Analysis is mandatory before the approval of the Outsourcing. Outsourcing Risk Analysis is based on due diligence of the Outsourcing provider.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

The Outsourcing Risk Analysis shall be performed as a joint effort of all involved parties and relevant specialists³. Particular attention should be paid to the following points:

- a) Risk associated with Outsourced Activity (impact on critical services if service can't be performed by Outsourcing Provider);
- b) Risk related to prerequisites for the Outsourcing Provider(s) and its subcontractors to perform the Outsourced Activity;
- c) Risk associated with Outsourcing Provider's control and management system;
- d) Risk associated with IT and Cloud Services (data and system security requirements);
- e) Risk associated with changes in the external environment (including forthcoming regulatory changes);
- f) Assessment of Outsourcing Providers from foreign countries (including legal environment);
- g) Assessment of Outsourcing concentration risk;
- h) Assessment of conflict of interest;
- i) Risk associated with the Outsourcing Provider's failure and business continuity including the possibility of the Outsourcing termination (financial impact, penalties, issues related to licenses, client and reputational impact etc.);
- j) Within assessing the identified risks related mitigation measures taken by the Company including their adequacy and effectiveness have to be taken into account;
- k) Whether the Company has enough resources and knowledge to monitor and control the Outsourced Activity.
- l) The confidentiality and integrity of data and information pertaining to the customers that is available to the service provider be maintained. Access to data at the Company's location/data centre by service providers shall be on a need-to-know basis or the location shall be located within India, with appropriate controls to prevent security breaches and/or data misuse.
- m) Where the service provider acts as an outsourcing agent for multiple companies, care shall be taken to build adequate safeguards so that there is no combining of information, documents, records and assets.

Within the execution of the Outsourcing Risk Analysis, the following steps are covered for every particular risk:

- a) Risk identification,
- b) Risk assessment based on the scaling methodology stated in the Operational Risk Management Framework,
- c) Risk-reducing measures,
- d) Acceptance / non-acceptance of risk in accordance with the decision-making rules updated from time to time

The result of the Outsourcing Risk Analysis, definition of risk-reducing measures and risk acceptance shall be documented in an auditable way. The depth of analysis and the degree of detail should reflect the significance and complexity of Outsourcing. The Outsourcing Head/ Manager shall ensure completeness of the Outsourcing Risk Analysis with regard to the scope recommended by this Policy.

The Outsourcing Risk Analysis for all existing Outsourcing shall be reviewed and updated on a yearly basis.

³Minimally a Legal specialist, Compliance specialist, IT Security specialist, or other relevant functions covering respective areas.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

c. Mitigation of Outsourcing Risks

This phase builds on the preparation phase and is focused on mitigation of risks identified in Outsourcing Risk Analysis. The Outsourcing Requestor is accountable for the mitigation of risks of Outsourcing.

Outcomes of this phase:

- i. **Monitoring Plan** - The Monitoring Plan represents an overview of checks of various Outsourcing aspects that are to be performed regularly in order to ensure that the quality of the management and control system for any Outsourced Activity remains at least at the level of the Company as if it would perform the activity itself. Monitoring Plan sets up the scope and frequency of particular controls (including on-site inspection).
- ii. **Exit Strategy** - The Exit Strategy sets out the Company's response to the unilateral termination of the Outsourcing by the Outsourcing Provider, to the termination of the Outsourcing initiated by the Company or the exit requested by the regulators. The Company shall ensure that the agreement has necessary clauses on the safe removal/ destruction of data, hardware and all records (digital and physical), as applicable. However, the service provider shall be legally obliged to cooperate fully with both the Company and the new service provider(s) to ensure there is a smooth transition. Further, the agreement shall ensure that the service provider is prohibited from erasing, purging, revoking, altering or changing any data during the transition period, unless specifically advised by the regulator/ Company.
- iii. **Business Continuity Plan** - The BCP is prepared in line with requirements stated in the Business Continuity Management Policy to ensure efficient response to the disruption of the Outsourced Activity as well as to an emergency or crisis in order to stabilize the situation, to carry out recovery and to initiate standard operations in required timeframe. Creation of the BCP for Material Outsourcing is mandatory. While establishing a viable contingency plan, the Business Continuity Manager shall consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in an emergency, and the costs, time and resources that would be involved. The BCP is prepared for the Outsourced Activity which is classified as Non-Material Outsourcing in case the need results from the Outsourcing Risk Analysis exercise.
- iv. **Provider's Contingency Plans** - Provider's Contingency Plans are requested for the Outsourced Activity in case the need for the plans results from the Outsourcing Risk Analysis. Provider's Contingency Plan should meet the following requirements:
 - a) Outsourcing Provider should establish the recovery procedure and shall demonstrate enough capacity to restore the provided service.
 - b) The plan is regularly tested, evaluated and updated by the Outsourcing Provider.
 - c) The Provider's Contingency Plan and its reviews are available to the Company.

Above stated outcomes should be prepared before concluding the Outsourcing contract. Reasonable adjustments to extend and the depth of the BCP, Exit Strategy and Monitoring Plan for Non-Material Outsourcing are admitted.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

d. Contracting on Outsourcing

- e. All requirements imposed on the Outsourcing Provider have to be incorporated in the Outsourcing contract. The Outsourcing Requestor is accountable for ensuring that contractual requirements, which are specific for Outsourcing, are materially incorporated into the Outsourcing contract. Practical incorporation is within the responsibility of the Company's Legal & Compliance Function
- f. The Legal & Compliance Function shall ensure that their rights and obligations and those of each of their service providers are clearly defined and set out in a legally binding written agreement. In principle, the provisions of the agreement should appropriately reckon the criticality of the outsourced task to the business of the Company, the associated risks and the strategies for mitigating or managing them. The terms and conditions governing the contract shall be carefully defined and vetted for their legal effect and enforceability. The agreement shall be sufficiently flexible to allow the Company to retain adequate control over the outsourced activity and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement shall also bring out the nature of the legal relationship between the parties.

g. Outsourcing Approval Processes

This phase describes the Outsourcing approval and notification to the Outsourcing Head/ Manager after completion of the previous phases. Outcomes of this phase:

- i. **Risk Advice** - The Outsourcing Head/ Manager is responsible for the preparation of Risk Advice on Material Outsourcing. Risk Advice is a document, which independently assesses the proposal on Material Outsourcing and related documents prepared by the Outsourcing Requestor. The Risk Advice is prepared by the Outsourcing Head/ Manager in cooperation with other functions such as legal, compliance and IT Security. The Risk Advice results in suggestions regarding the approval of the Outsourcing and it is a mandatory part of documentation for approval of the Material Outsourcing. It is recommended that the Risk Advice is prepared for Non-Material Outsourcing as well, to ensure better auditability of the process.
- ii. **Approval Process** – For Material Outsourcing, the approval of RMC shall be required. For Non-Material Outsourcing, the approval of the Outsourcing Head/ Manager will be sufficient.

The Outsourcing Requestor is responsible for the collection of all relevant documentation for Outsourcing approval and providing it to the Outsourcing Head/ Manager. Complete documentation shall consist of the following:

- a) Outsourcing Identification template;
- b) Evaluation of the economic efficiency of Outsourcing (CBA);
- c) Inputs for due diligence (Outsourcing Provider's Questionnaire, IT questionnaire, cloud questionnaire etc.);
- d) Outsourcing Risk Analysis including mitigation measures;
- e) Monitoring Plan;
- f) BCP, Exit Strategy and Provider's Contingency Plans (if applicable);
- g) Risk Advice document if applicable;
- h) Draft of the Outsourcing contract.

The Outsourcing Head/ Manager is obliged to:

- a) Obtain the relevant documentation for approval from the Outsourcing Requestor;

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- b) Prepare the Risk Advice document if applicable;
- c) After receiving the Advice on Material Outsourcing, submit documents to the relevant Company decision-making body for final approval;
- d) Inform the Outsourcing Requestor, that the contract with Outsourcing Provider can be signed;
- e) Check, that all Outsourcing documentation is complete and properly archived.

iii. **Approval of Deviations** - In case when, for objective reasons, it is not possible to meet some of the requirements of this Policy the specific approval process for Deviation of requirements for a concrete Outsourced Activity/ Outsourcing Provider can be applied. Any such Deviation from this Policy can be applied only in case it does not impair the level of the risk management and control system of the Company. Deviation shall be suggested together with an approach alternative to the one stipulated in this Policy so that the efficiency, comprehensiveness and adequacy of the prerequisites for sound corporate governance, risk management and internal control system, including the compliance with legal duties, in particular with the prudential requirements are not jeopardized.

The Outsourcing Head/ Manager is responsible for preparation of justification materials with regard to Deviation from requirements for a concrete Outsourced Activity/ Outsourcing Provider and its distribution together with relevant underlying materials to IRMC for pre approval.

Further, properly justified Deviation from this Policy shall be approved by the Chief Compliance Officer. All Deviations from this Policy should be properly documented and must be available upon request.

h. **Monitoring of Outsourcing**

This phase describes the requirements for monitoring concluded Outsourcing. The Outsourcing Requestor shall verify, that the control system of the provider is the same as described within the Outsourcing Provider's Questionnaire,

The Monitoring Plan of each Material Outsourcing shall be conducted regularly at least on yearly basis. Some controls must be done continuously or in shorter regular periods and a yearly review shall confirm if control procedures are in place and in line with the Monitoring Plan.

The Outsourcing Requestor is accountable for reviewing all obligatory areas, paying special attention to the following points:

- a) Whether the Outsourced Activity is executed in line with the legal and contractual requirements and the Outsourcing Provider meets all contractual commitments including, but not limited to, its performance parameters and reporting obligations;
- b) The Company has enough resources (people, expertise) to monitor the Outsourcing;
- c) Each identified deficiency has been sorted out or has an action plan to mitigate such a deficiency in place;
- d) Necessity to re-assess classification of the Outsourcing arrangement (if there was a change in the scope of provided services or a relevant change in the scope of Prudential Consolidation);
- e) The Outsourcing relationship is still efficient (economic) for the Company;
- f) Necessity to update relevant documentation e.g. Outsourcing Provider's Questionnaire, Outsourcing Risk Analysis, Company BCP and Exit Strategy and Provider's Contingency Plans;

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- g) Ensuring that monitoring of Outsourcing is properly executed including, but not limited to, on-site inspection conducted by a qualified person (an employee or a third party);
- h) The Company shall include indicators that can trigger the Exit Strategy in its ongoing monitoring of the Outsourced Activity.

If any deficiencies are identified, the Outsourcing Requestor is accountable for ensuring the remediation without undue delay.

Any change in the Monitoring Plan shall be properly documented and approved by the Outsourcing Head/ Manager.

The Outsourcing Head/ Manager controls and reviews the Monitoring Plans of all Material Outsourcings at least on yearly basis, to ensure, that all necessary checks from Monitoring Plans have been performed.

i. On-site Inspection

An on-site inspection shall be considered if there is insufficient information from the Outsourcing Provider or as an outcome of Outsourcing Risk Analysis.

The Company shall conduct regular audits (as applicable to the scope of Outsourcing of Services) of service providers (including sub-contractors) with regard to the activity outsourced by it. The audits shall assess the performance of the service provider, adequacy of the risk management practices adopted by the service provider, compliance with laws and regulations, etc. The frequency of the audit shall be determined based on the nature and extent of risk and impact to the Company from the outsourcing arrangements. Reports on the monitoring and control activities shall be reviewed periodically by the RMC and in case of any adverse development, the same shall be put up to the Board for information. COMPANY may, depending upon the risk assessment carried out for a service provider, may consider relying upon globally recognised third-party certifications made available by the service provider in lieu of conducting independent audits/ inspection, subject to assurance on the controls and procedures required to safeguard data security (including the availability of systems) at the service provider's end.

Inspection of the services provided by the service provider and of the implemented technical and security mechanisms, with access to all relevant data and information, including but not limited to its security practices, control processes, business records, books and accounts, directly relevant to the services, may be conducted by the Company, or any affiliate, consultants, advisors of the Company or by Reserve Bank of India or other regulatory authority having jurisdiction upon the Company or by any authorized representative of such regulatory authority. The Company shall ensure that suitable provisions are incorporated in agreement with the Outsourcing Provider to ensure that the Outsourcing Provider shall fully cooperate with, and shall provide with required access to, the competent authorities, as well as the Company and its auditor, in connection with the audit/ inspection.

The Outsourcing Requestor prepares, in cooperation with the Outsourcing Head/ Manager and other staff members, the design of the on-site inspection scope, the composition of the control team, the timing of the on-site inspection and the overview of the areas to be reviewed. After the on-site inspection is completed, the Outsourcing Requestor prepares a written summary of the on-site inspection results. If any deficiencies within the on-site inspection are identified, the Outsourcing Requestor is accountable for ensuring the remediation without undue delay.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

The Company shall ensure that the service provider grants unrestricted and effective access to a) data related to the outsourced activities; b) the relevant business premises of the service provider; subject to appropriate security protocols, for the purpose of effective oversight use by the Company, their auditors, regulators and other relevant competent authorities, as authorised under law.

ii. Outsourcing within a Group

This policy and service level arrangements with group entities cover the demarcation of sharing resources and shall ensure:

- a) Company's identification under the arrangement is distinctly visible and clear to the customers
- b) Arrangements are appropriately documented in written agreements with details like the scope of services, charges for the services and maintaining the confidentiality of the customer's data;
- c) do not compromise the ability to identify and manage risk of the Company on a stand-alone basis;
- d) do not prevent the RBI from being able to obtain information required for the supervision of the Company or pertaining to the group as a whole; and
- e) 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 the Company.
- f) The selection of a group entity shall be based on objective reasons that are similar to selection of a third-party, and any conflicts of interest that such an outsourcing arrangement may entail shall be appropriately dealt with.
- g) Maintain an arm's length relationship in dealings with their group entities.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

6 OUTSOURCING AGREEMENTS:

- a) All outsourcing arrangements shall be executed only through a clearly defined and legally binding written agreement with each Service Provider, which must be vetted by the Company's legal counsel for its legal effect and enforceability.
- b) The agreement shall be sufficiently flexible to allow the Company to retain an appropriate level of control over the outsourcing and provide the right to intervene with appropriate measures to meet legal and regulatory obligations.
- c) The agreement shall clearly define the nature of the legal relationship between the parties—whether as agent, principal, or otherwise.
- d) Due care shall be taken to ensure that the Outsourcing Agreement:
 - Clearly defines the activities to be outsourced, including service and performance levels.
 - Ensures the Company has access to all books, records, and information relevant to the outsourced activity from the Service Provider.
 - Provides for mutual rights, obligations, and responsibilities of both the Company and the Service Provider, including indemnity provisions.
 - Specifies the Service Provider's liability to the Company for unsatisfactory performance or breach of contract.
 - Includes provisions for continuous monitoring and assessment of the Service Provider by the Company, allowing for corrective measures to be taken when necessary.
 - Allows for prior approval or consent by the Company if the Service Provider intends to subcontract part or all of the outsourced activity.
 - Contains clear confidentiality clauses to protect proprietary and customer data during and after the contract, with the service provider's liability for breaches of security and information leakage.
 - Specifies the responsibilities of the Service Provider in terms of IT security, contingency plans, insurance coverage, business continuity, and disaster recovery plans, including a force majeure clause.
 - Ensures the Service Provider preserves documents and data as required by law, and protects the Company's interests post-termination of the services.
 - Includes mechanisms for resolving disputes arising from the implementation of the outsourcing contract.
 - Provides for a termination clause with a minimum period for executing termination, and addresses termination rights, transfer of information, and exit strategies.
 - Addresses additional issues related to country risks, including choice-of-law provisions and jurisdictional covenants when outsourcing to foreign Service Providers.
 - Ensures the Company's regulatory obligations are not impeded and allows regulators to exercise their powers.
 - Grants the Company and/or regulators the right to inspect, conduct audits, and access relevant information, records, and reports related to the outsourced activity.

7 CLIENT CONFIDENTIALITY & SECURITY:

- a) The Company must take appropriate steps to protect its proprietary and confidential customer information and ensure it is not misused or misappropriated.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

b) The Company shall require the Service Provider to ensure that its employees have limited access to customer data on a "need to know" basis and that adequate checks and balances are in place to enforce this.

c) The Company shall ensure that the Service Provider is able to isolate and clearly identify the Company's customer information, documents, records, and assets to protect confidentiality. If the Service Provider acts as an outsourcing agent for multiple NBFCs, strong safeguards must be established to prevent the commingling of information, documents, records, and assets.

d) When the Service Provider provides similar services to multiple entities, the Company must ensure that adequate care is taken by the Service Provider to maintain data security and confidentiality.

e) The Company shall regularly review and monitor the security practices and control processes of the Service Provider and require the disclosure of any security breaches.

f) The Company must immediately notify the RBI of any breach of security or leakage of confidential customer information. In such cases, the Company would be liable to its customers for any resulting damages.

8 Archiving, Reporting and Outsourcing Register

a. Archiving

The Company assigns a responsible person for archiving of Outsourcing related documentation. It can be either the Outsourcing Requestor or the responsible employee nominated by the Outsourcing Requestor. The list of all necessary underlying materials for the Outsourcing process is set as follows:

- a) Documents described in the Outsourcing approval process;
- b) Signed Outsourcing contract (including all amendments);
- c) Other relevant materials (such as approval emails, requests for proposal, on-site inspection protocols etc.).

No later than 1 week after the approval of Material or Non-Material Outsourcing, all underlying materials should be uploaded by the designated responsible person in a Company repository, where both the Outsourcing Requestor and the Outsourcing Head/ Manager have access to. Such record of all material/ non-material Outsourcing shall be readily accessible for review by the Board and senior management of the Company.

This process is valid for all relevant documents including their new versions. All documents shall be stored in such a way that changes and development of the documentation are auditable. The Outsourcing Head/ Manager is responsible for maintaining a centralised repository for all archived documentation and verification and checking that archived documentation for Outsourcing is complete and up to date.

b. Reporting

The purpose of the reporting is to build Outsourcing awareness and enable management of Outsourcing risks. The Company must implement regular internal Outsourcing reporting in order to inform all responsible and decision-making bodies.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

- i. The Outsourcing Head/ Manager prepares an aggregated Outsourcing report including all relevant information about the status, news and issues in the Outsourcing process happening in the Company. The records shall be updated promptly, and half-yearly reviews shall be placed before the Board or Risk Management Committee, as the case may be. The report shall consist of the following components:
 - a) Number of Outsourced Activities including their classification;
 - b) Development of expenses in the area of Outsourcing (validation of efficiency);
 - c) Confirmation of compliance with requirements of this Policy and its local implementation (including information about approved Deviations and identified gaps);
 - d) Summary of findings from the annual review of Outsourced Activities performed by the Outsourcing Head/ Manager, including any high risks identified and status of related action plans;
 - e) Overview of internal or external audits in the Outsourcing are performed within the last year, including open findings and their status;
 - f) Most relevant achievements of the year and plan for the next year.

Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between the Company and the service provider. In such cases, the Company shall ensure that reconciliation of these transactions is carried out in a timely manner.

c. Outsourcing Register

The company is obliged to maintain a register of all Outsourcing arrangements. The structure of the Outsourcing register is prepared and maintained by the Outsourcing Head/ Manager, which is in compliance with regulatory requirements. Outsourcing Head/ Manager is responsible for regular update of the Company-related records in the Outsourcing register at least on a monthly basis.

7. REVIEW:

The policy shall be reviewed at regular intervals or as and when considered necessary by the management/ Board of Directors of the Company.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

Annex 1 – Definitions of Terms and Abbreviations

In this Policy:

“**BCP**” or “**Business Continuity Plan**” means a document that describes prerequisites for an organised response to an emergency or crisis situation in order to stabilise the situation, to carry out the recovery and to initiate the standard operations.

“**BoD**” means Board of Directors of Company.

“**Business Impact Analysis**” means a process of analysing key business processes and the effect that a disruption might have upon them. For more details see the Business Continuity Management Policy.

“**Classification of Outsourcing**” means the decision about the type of Outsourcing. Outsourcing shall be classified as Out-of-Group/ Intra-Group and Material / Non- Material.

“**Cloud Services**” means services provided using cloud computing, that is, a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

“**Deviations**” means a deviation of requirements of this Policy for a concrete Outsourced Activity / Outsourcing Provider in case when for objective reasons it is not possible to meet some of the requirements and that is subject of specific approval process.

“**Exit Strategy**” sets out the Company's response to the unilateral termination of the Outsourcing by the Outsourcing Provider, to the termination of the Outsourcing initiated by the Company and to the termination of the Outsourcing required by the regulators.

“**Group**” means and includes the holding company of the Company till the ultimate beneficial owner, the subsidiary company of the Company and the associate company of the Company time to time. The terms ‘holding company’, ‘subsidiary company’ and the ‘associate company’ are defined under the provisions of the Companies Act, 2013 amended time to time.

OUTSOURCING RISK MANAGEMENT FRAMEWORK

“Identification of Outsourcing” means the decision whether the activity is or is not an Outsourcing, i.e. if it is meeting the definition of Outsourcing.

“Intra-Group Outsourcing” Intra-Group Outsourcing is defined as any Outsourcing realised by the Company from an entity within the Group.

“Monitoring Plan” means document prepared by the Outsourcing Requestor in cooperation with the Outsourcing Head/ Manager, which specifies necessary controls for particular Outsourcing.

“Non-Material Outsourcing” means the Outsourced Activity does not meet the conditions of Material Outsourcing.

“Out-of-Group Outsourcing” means Outsourcing realised by the Company from an entity outside the Group.

“Outsourced Activity” means activity that is a subject of Outsourcing.

“Outsourcing Provider”/ ‘Service Provider’ means a third-party entity that is undertaking an outsourced process, service or activity, or parts of thereof, under an Outsourcing arrangement.

“Outsourcing Risk Analysis” means an analysis of risks associated with the planned Outsourcing and evaluation of the possible adverse impacts of the Outsourcing on COMPANY, its functions, management and controls.

“Provider’s Contingency Plan” means assessment of the risk mitigation measures adopted by the Outsourcing Provider.

“Request for Information” means a market research when several suppliers are questioned about their capabilities or the same commodities. Request for Information might be a part of the tender process.

“Request for Proposal” means a competitive form of placing request to suppliers for defining the best price, solutions, delivery of commodities.

“Risk Advice” means an advice as defined in the section 5.5.1 of this Policy.

“Outsourcing Provider's Questionnaire” means the questionnaire used to identify and collect the necessary information about the Outsourcing Provider.