

**S GUPTA HOLDING PRIVATE LIMITED**  
***(Formerly known as APL Infrastructure Private Limited)***

**OUTSOURCING POLICY**

**(Version.SG-01)**

**(Approved by Board of Directors on 26.10.2024 )**

## **OUTSOURCING POLICY**

### **1. INTRODUCTION**

It is observed that companies involved in outsourcing are exposed to various risks. The Reserve Bank of India (RBI) via notification (Number RBI/2017-18/87, DNBR.PD.CC.Number 090/03.10.001/2017- 18) dated November 9, 2017, has put in place the Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs to address the risks that NBFCs would be exposed to in outsourcing activities.

Therefore, it is essential to frame a comprehensive policy on outsourcing of services in order to bring S Gupta Holding Private Limited (hereinafter referred to as “SGHPL” or “the Company”) within regulatory purview as well as to protect the interest of the customers. This Policy is approved by SGHPL’s Board of Directors (the “Board”).

### **2. OBJECTIVE OF THE POLICY**

The objective of this policy is to identify the criteria for selection of such activities that may be outsourced as well as selection of Service Provider(s), delegation of authority depending on risks arising out of outsourcing, materiality and systems to monitor, review the operations and management of these risks.

### **3. OUTSOURCING**

Outsourcing is defined as a company's use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities that would normally be undertaken by that Company, now or in the future. Included in this definition are vendors providing IT systems or processing data.

#### **3.1 ACTIVITIES THAT CAN BE OUTSOURCED**

The services that may be outsourced by the Company may generally include application processing (loan origination), document processing, marketing and research, supervision of loans, data processing and back office-related activities etc. An indicative list of activities that may be considered for outsourcing shall be as under:

- Sourcing/Lead Generation/ Recommendation of Prospective Borrowers;
- Collection of Loans from Borrowers / Defaulting Borrowers’
- Field Investigation, Risk Containment Unit;
- Verification of Documents, Fraud Control, Customer profile, and credit checks;
- Managing customer queries
- Marketing of Company’s products
- Recruitment, selection and training of personnel;
- Background verification of personnel for employment;
- Administration of Payroll and Taxation;
- Technology infrastructure management, maintenance and support
- Application development, maintenance and testing
- Storage, movement and archiving of records
- Use of courier services, travel agents

- Housekeeping and maintenance services

The above list is indicative and not exhaustive.

### **3.2 ACTIVITIES THAT SHALL NOT BE OUTSOURCED**

SGHPL shall not outsource core management functions including internal audit, strategic and compliance functions and decision-making functions such as like determining compliance with KYC norms, and management of investment portfolio. However, these functions may be outsourced within the SGHPL to the conditions below. Further, while Internal Audit function itself is a management process, the internal auditors can be on contract.

- i) SGHPL 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, the Company shall have a Board approved policy and service level agreements/ arrangements with their group entities, which shall also cover demarcation of sharing resources (i.e. premises, personnel, etc.)
- ii) While entering into such arrangements, SGHPL shall ensure that these:
  - a) are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
  - b) do not lead to any confusion to the customers on whose products/ services they are availing by clear physical demarcation of the physical space where the activities of SGHPL and those of its other group entities are undertaken;
  - 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.
- iii) SGHPL shall ensure via service-level agreements (SLA) that its ability to carry out 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.
- iv) If the premises of the Company are shared with group entities for the purpose of cross selling, SGHPL shall take measures to ensure that the entity's identification is distinctly displayed. Any marketing communication undertaken by the group entities and verbal communication by its staff / agent in SGHPL premises shall clarify the nature of arrangement of the entity with SGHPL to the customer.

- v) The Company will ensure that it does not publish any advertisement or enter into any agreement that denotes or gives impression that it is in any way responsible for the obligations of its group entities.

### **3.3 MATERIAL OUTSOURCING**

- i) The essence of outsourcing arrangements lies in their effective implementation. The RBI has emphasized the need for review of the outsourcing arrangement in order to address risks and assess the quality of related risk management system, particularly in respect of “Material Outsourcing.”
- ii) All those outsourcing arrangements, which if disrupted, have the potential to significantly impact the business operations, reputation or profitability of SGHPL is considered as “material.”
- iii) Any service outsourced may be treated as “material” where any of following applies:
  - Default on the part of service provider is likely to have impact on SGHPL’s reputation and brand value and ability to achieve its business objectives, strategy, and plan;
  - More than one outsourcing arrangement is assigned to the same party; and Access to customer profile and other confidential information is given to the service provider.
  - The cost of the outsourcing as a proportion of total operating costs of SGHPL is significant.

## **4. MANAGEMENT OF RISK**

**4.1** The various risks involved in Outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systemic Risk.

**4.2** The Key risks to be evaluated by the Company are: -

**(a) Strategic Risk**

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

**(b) Reputation Risk**

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

**(c) Compliance Risk**

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

**(d) Operational Risk**

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

**(e) 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.

**(f) Exit Strategy Risk**

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

**(g) Counterparty Risk**

Where there is inappropriate underwriting or credit assessments.

**(h) Contractual Risk**

Where the Company may not have the ability to enforce the contract.

**(i) 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.

**(j) Country Risk**

Due to the political, social or legal climate creating added risk.

**4.3** The Company shall ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from the outsourced activities to avoid systemic risks and financial losses or loss of reputation for the Company in the event of failure of the service provider to provide a specified service, breach in security/ confidentiality, or non-compliance with legal and regulatory requirements by the service provider.

**4.4** The departments of the Company availing outsourcing activity shall look into the above broadly classified risks and also look into any other incidental risks attributable to it along with risk mitigation views and submit the same to the Risk Management Committee for their necessary evaluation and clearance before final award of contract.

**5. EVALUATION OF THE SERVICE PROVIDER**

- a. While outsourcing any financial & non-financial services, it shall be ensured by the respective department(s) that:
  - i.the relevant laws, regulations, guidelines and conditions of approval, licensing or registration are considered;
  - ii.the service provider employs the high standard of care in performing the services as would be ordinarily done by the Company, if the activities were not outsourced;
  - iii.outsourcing arrangements neither diminish the Company's ability to fulfill its obligations to customers and the Reserve Bank of India nor impede effective supervision by RBI;

- iv. outsourcing shall not result in compromising or weakening of internal control, business conduct or reputation;
  - v. the service provider is not in a position to impede or interfere with the ability of the Company to effectively oversee and manage its activities nor should it impede the RBI in carrying out its supervisory functions and objectives.
  - vi. the service provider firm/entity is not owned or controlled by any director or officer/employee of SGHPL or their relatives;
  - vii. the service provider has infrastructure/capability to comply with obligations in the outsourcing agreement. Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors;
  - viii. the service providers' systems are compatible with SGHPL and their standards of performance including in the area of customer service are acceptable;
  - ix. issues relating to undue concentration of outsourcing arrangements with a single service provider are taken into consideration;
  - x. independent reviews and market feedback on the service provider shall be taken to supplement SGHPL's own findings; and
  - xi. the name of the service provider is not in the caution list of defaulters in providing service, maintained by India Bankers Association (IBA).
- b) In addition to above, the evaluation of service providers shall involve:
- 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. external factors like political, economic, social and legal environment of the jurisdiction in which the service provider operates and other events that may influence service performance.

## **6. *OUTSOURCING AGREEMENT***

- a. The Draft Outsourcing Agreement shall be prepared and reviewed by the concerned department. The terms and conditions governing the contract between SGHPL and the service provider, carefully defined in written agreements, shall be examined and approved by SGHPL legal team, after only that any kind of service will be rendered and outsourced.
- b. The agreement shall be sufficiently flexible to allow the 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.
- c. The agreement shall also bring out the nature of legal relationship between the parties (i.e. whether agent, principal or otherwise).
- d. Some of the key provisions of the outsourcing contract would be:
  - i. the contract should clearly define what activities are going to be outsourced by SGHPL, including appropriate service and performance standards.

- ii. In this respect, the RBI has advised that the outsourcing contract should provide for prior approval/consent by the company of the use of subcontractors by the service provider for all or part of an outsourced activity. Before consenting, the Company will review the subcontracting arrangements and ensure that these arrangements are compliant with the extant guidelines on outsourcing.
- iii. The contract shall provide for continuous monitoring and assessment by the Company of the service provider so that any necessary corrective measure can be taken immediately.
- iv. A termination clause and minimum periods to execute a termination provision, if deemed necessary, shall be included.
- v. Contingency plans to ensure a Business Continuity and Management of Disaster Recovery Plan to be defined before allowing outsourcing.
- vi. The Company shall ensure that it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider.
- vii. The company shall exercise controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information.
- e. The outsourcing agreement shall:
  - i. Provide SGHPL 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 the company.
  - ii. Outsourcing agreements shall include clauses to allow the RBI or persons authorized by it to access the Company's documents, records of transactions, and other necessary information given to, stored or processed by the service provider within a reasonable time.
  - iii. Outsourcing agreement shall also include clause to recognize the right of the RBI to cause an inspection to be made of a service provider of the Company and its books and account by one or more of its officers or employees or other persons.
  - iv. The outsourcing agreement shall provide that confidentiality of customer's information  
Shall be maintained even after the contract expires or is terminated.
  - v. The outsourcing agreement shall provide for the preservation of documents and data by the service provider as mandated by law, while ensuring that the Company's interests are upheld even post termination of the services.

## **7. CONFIDENTIALITY AND SECURITY**

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

- b. Access to customer information by staff of the service provider shall be on 'need to know' basis (i.e. limited to those areas where the information is required in order to perform the outsourced function).
- c. SHPL shall ensure that the service provider is able to isolate and clearly identify the Company's customer information, documents, records and assets to protect the confidentiality of the information.
- d. In instances, where service provider acts as an outsourcing agent for multiple companies, care shall be taken to build strong safeguards so that there is no co-mingling of information/documents, records and assets. All such clauses and covenants shall be made part of the outsourcing agreement.
- e. SGHPL shall 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.
- f. SGHPL shall immediately notify RBI in the event of any breach of security and leakage of confidential customer related information, as in these eventualities, the Company would be liable to its customers for any damage.
- g. Such information shall be maintained by the Operations Manager and will be presented to the Board of Directors.

## **8. ROLE OF THE BOARD AND SENIOR MANAGEMENT**

### **Role of the Board**

The Board of the Company or Committee of the Board to which powers have been delegated shall be responsible *inter alia* for the following:

- (a) Approval of framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements
- (b) Laying down appropriate authorities for outsourcing depending on risks and materiality
- (c) Setting up suitable administrative framework of senior management for the purpose of these directions
- (d) Undertaking regular reviews of outsourcing strategies and arrangements for their continued relevance, safety and soundness; and
- (e) Deciding on business activities of a material nature to be outsourced and approving such arrangements.
- (f) Have the overall responsibility to settle the Company's approach towards outsourcing, especially any material outsourcing, the administrative framework for the same and evaluation and migration of any risks inherent in material outsourcing
- (g) Review this policy and seek reports on the implementation hereof or exceptions to the same
- (h) Undertake a regular review of outsourcing strategies and arrangements for their continued relevance, safety and soundness.
- (i) Have the right to ratify any deviations from the policy.



### **Responsibilities of the Senior Management**

- (a)** Evaluate the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
- (b)** Develop and implement sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
- (c)** Review periodically the effectiveness of policies and procedures;
- (d)** Communicate information pertaining to material outsourcing risks to the Board in a timely manner;
- (e)** Ensure that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
- (f)** Ensure that there is an independent review and audit for compliance with set policies; and
- (g)** Undertake periodic reviews of outsourcing arrangements to identify new material outsourcing risks as they arise.

### **9. *LEGAL OBLIGATIONS AND REGULATORY AND SUPERVISORY REQUIREMENTS:***

(1) It should be ensured that the ultimate control of the outsourced activity rests with the Company. The following factors, inter alia, need to be specially looked into:

1. Contingency arrangements are in place for critical supplies, services and the outsourcing activity itself;
2. Documentation of contingency plan available, if any;
3. If contingency plan is not available:
  - a) identify alternative third-party service providers;
  - b) prescribe detailed arrangements; and
  - c) initiate actions and alternative approaches, should the service provider's contingency arrangements fail or be delayed or the service provider cease operations.

(2) It will be obligatory on the part of service provider / outsourcing agent to inform change in management and the key persons monitoring the arrangements, to ensure continuity of operations.

(3) Due diligence in relation to outsourcing, to consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration should be done. Outsourcing arrangements should not affect the rights of a customer against the Company, including the ability of the customer to obtain Redressal as applicable under relevant laws.

(4) Outsourcing arrangements shall neither diminish the Company's ability to fulfill its obligations to customers and RBI nor impede effective supervision by RBI. The Company shall, therefore, ensure that the service provider employs the same high standard of

care in performing the services as would be employed by the Company, if the activities were conducted within the Company and not outsourced.

(5) Outsourcing, whether the service provider is located in India or abroad should not impede or interfere with the ability of the Company to effectively oversee and manage its activities or impede the RBI in carrying out its supervisory functions and objectives.

#### **10. AUDIT AND CONTROL MONITORING AND CONTROL OF OUTSOURCED ACTIVITIES**

- i. The Purchasing Department to co-ordinate amongst all departments, outsourcing activities, while monitoring and control shall vest with the respective departments.
- ii. The Purchasing Department shall maintain a central record of all outsourcing activities that is readily accessible for review by the Board of Directors.
- iii. The records shall be updated promptly and annual reviews shall be placed before the Board.
- iv. The Board of Directors shall deliberate, evaluate, decide and approve (including renewal, cancellation, modification), the proposals relating to outsourcing of financial and non-financial services, recommended by the respective department wishing to outsource such services.
- v. The Operations Manager shall ensure that the department has identified alternate service provider and / or has a contingency plan to meet any situation arising by virtue of deficiency in service or failure on the part of service provider.
- vi. The Board of Directors shall endeavor to spread the jobs/services among different service providers, to the greatest extent possible and shall review the performance of different services outsourced on annual basis.
- vii. The respective department(s) shall recommend approval, renewal, modification, cancellation, etc. of outsourcing of services to the Board. The respective department(s) shall also review the performance of the service provider on an ongoing basis.
- viii. Regular audits by either the internal team or external auditors of SGHPL shall 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 these guidelines. A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the Audit Committee.
- ix. SGHPL shall, at least on 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, shall be based on all available information about the service provider and shall highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.
- x. In the event of termination of the agreement for any reason, the same shall be publicized by displaying at a prominent place in the branch, posting it on the website, and informing the customer to ensure that the customers do not continue to entertain the service provider.
- xi. Certain cases, like outsourcing of cash management, might involve reconciliation of transactions between the company, the service provider and its sub-contractors. In such cases, the company shall ensure that reconciliation of transactions between the

company and the service provider (and/ or its sub-contractor), are carried out in a timely manner. An ageing analysis of entries pending reconciliation with outsourced vendors shall be placed before the Audit Committee and the company shall make efforts to reduce the old outstanding items therein at the earliest.

#### **11. GRIEVANCE REDRESSAL MECHANISM**

- a. The Company shall constitute Grievance Redressal Committee within the Company and give publicity about it through electronic and print media. The name and contact details of designated Grievance Redressal Officer of SGHPL shall be made known and published. The designated officer should ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that the Company's Grievance Redressal Machinery would also deal with the issue relating to services provided by the outsourced agency.
- b. Generally, a time limit of 30-days may be given to the customers for preferring their complaints/grievances. The grievance redressal procedure and the period fixed for responding to complaints shall be placed in the Company's website.

#### **12. REPORTING TO FIU AND OTHER AUTHORITIES**

The Company shall make Currency Transactions Reports and Suspicious Transactions Reports to Financial Intelligence Unit (FIU) or any other competent authority in respect of the Company's customer related activities carried out by the service providers.

#### **13. OFF-SHORE OUTSOURCING OF FINANCIAL SERVICES**

- a. Where the services outsourced are being provided in a foreign country, SGHPL shall take into account and closely monitor government policies and political, social, economic and legal conditions in countries where the service provider is based, during the risk assessment process and on a continuous basis, and establish sound procedures for dealing with country risk problems, including having appropriate contingency and exit strategies.
- b. The activities outsourced outside India shall be conducted in a manner so as not to hinder efforts to supervise or reconstruct the India activities of the Company in a timely manner.
- c. In principle, arrangements shall only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement shall be clearly mentioned.
- d. For offshore outsourcing of financial services relating to Indian Operations, the company shall additionally ensure that:
- e. Where the offshore service provider is a regulated entity, the relevant offshore regulator will neither obstruct the arrangement nor object to RBI inspection visits/visits of the Company's internal and external auditors;
- f. The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or SGHPL;
- g. The regulatory authority of the offshore location does not have access to the data relating to Indian operations of the Company simply on the ground that the

- processing is being undertaken there (not applicable if off shore processing is done in the home country of SGHPL);
- h. The jurisdiction of the courts in the off shore location where data is maintained does not extend to the operations of SGHPL 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
  - i. All original records continue to be maintained in India.

#### **14. DELEGATION OF AUTHORITY**

- a. All activities proposed to be outsourced shall be approved by the following authority:
  - 1. Board of Directors
  - 2. Thereafter the Board shall review the performance of all services outsourced on a annual basis.
  - 3. The Board or a Committee of the Board shall also be responsible for the following:
    - approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
    - laying down appropriate approval authorities for outsourcing depending on risks and materiality;
    - setting up suitable administrative framework of senior management for the purpose of this policy;
    - undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
    - Deciding on business activities of a material nature to be outsourced, and approving such arrangements. Responsibilities of the Senior Management.
    - Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
    - developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
    - reviewing periodically the effectiveness of policies and procedures;
    - communicating information pertaining to material outsourcing risks to the Board in a timely manner;
    - ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
    - ensuring that there is independent review and audit for compliance with set policies and
    - Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

#### ***15. AMENDMENT TO THE POLICY***

This policy should always be read in conjunction with the RBI guidelines, directives and instructions. The company will apply best practices so long as such practices do not conflict with or violate the RBI guidelines.

The above policy is not an exhaustive policy and is subject to modifications on the basis of requirements of the company from time to time, subject to the approval of the Board.

An exception to this policy shall be noted in writing and be approved by the Board.