Keertana Finserv Private Limited

Name of Policy	Outsourcing Policy
Date of Last Approval/Review	NA
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Approving Authority	Board of Directors
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Contents

1. Introduction

Keertana Finserv Private Limited (‘Keertana” Or “Company”) is categorized under Middle Layer as per the RBI Master Direction Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. Outsourcing is defined as the 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 on a continuing basis that could be undertaken by the Company itself, now or in the future. 'Continuing basis' includes agreements for a limited period.

The underlying principles behind this policy are to lay down guidelines for the Company which shall ensure that outsourcing arrangements by no means diminish its ability to fulfil its obligations to customers and stakeholders. The Company, therefore, shall take steps to ensure that the service provider employs the same high standard of care and caution in performing the services as is expected to be employed by us, if the activities were conducted within the Company and not outsourced. Accordingly, the Company shall not engage in outsourcing that would result in weakening of internal controls, result in inferior quality of service to customers, result in not completing transactions within TAT or reputation being compromised or weakened.

Further, the outsourced activities are to be brought within regulatory purview to:

a) protect the interest of the customers of the Company; and
b) to ensure that the Company and the Reserve Bank of India ("RBI") have access to all relevant books, records and information available with service provider.

2. Applicability

This Policy applies to all functions of the Company. Further, the Policy will also extend its cover to all processes and other stakeholders of The Company.

3. Core Principle

The Company will take all steps to ensure that the service provider employs the same high standard of care in performing the services as is expected to be employed by the Company.

Accordingly, the Company shall not engage in outsourcing that would result in its internal control, business conduct or reputation being compromised or weakened.

4. Managing Risks

The failure of a service provider in providing a specified service, a breach in security/ confidentiality, or non-compliance with legal and regulatory requirements by the service provider can lead to financial losses or loss of reputation for the Company and could also lead to systemic risks.

It is therefore imperative for the Company to ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities. The service provider may either be a member of the group/ conglomerate to which the Company belongs, or an unrelated party.

5. Guiding Principles

Following activities which are part of core functions will not be outsourced:

- Compliance function
- Strategic Planning, however, any firm / individual may be hired to advise
- Determining compliance with KYC norms
- Credit decisioning
- Management of Investment Portfolio; advisory firms may be hired

Key tenets of Outsourcing Activities are as mentioned below-

- To the extent possible, all the Activities are to be outsourced to non-related parties.
- In case the outsourcing is to be done to related or associate concerns of Directors, KMPs and
- Senior Management Team – Entire transaction to be done on arm's length basis; however this requires to be approved by the Audit Committee and Board
- The Company shall retain ultimate control of the outsourced activity.
- Outsourcing arrangements should not affect the rights of a customer against the Company, including the ability of the customer to obtain redress as applicable under relevant laws.
- The service provider shall not impede or interfere with the ability of the Company to effectively oversee and manage its activities nor shall it impede the RBI in carrying out its supervisory functions and objectives.
- The Company has a robust grievance redressal mechanism, which in no way shall be compromised because of outsourcing.
- It shall do business in a lawful and ethical manner, consistent with highest business standards.
- Service Provider shall at all times maintain the confidentiality of the customer data even after the expiry of the outsourcing contract.
- Service Provider shall not infringe the Intellectual Property of The Company in any way. Further, the Company shall have ownership of Intellectual Property created by the Service Provider's Personnel which are developed during performance of services for The Company.

6. Material Outsourcing

Material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the business operations, reputation, profitability or customer service. Materiality of outsourcing would be based on:

- the level of importance to the Company of the activity being outsourced as well as the significance of the risk posed by the same;
- the potential impact of the outsourcing on the Company on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
- the likely impact on the Company's reputation and brand value, and ability to achieve its business objectives, strategy and plans, should the service provider fail to perform the service;
- the cost of the outsourcing as a proportion of total operating costs of the Company;
- the aggregate exposure to that particular service provider, in cases where the Company outsources various functions to the same service provider and
- the significance of activities outsourced in context of customer service and protection.

1. Role and Regulatory / Supervisory Requirements

- The outsourcing of any activity does not diminish the Company's obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. The Company shall therefore be responsible for the actions of their service provider including Direct Sales Agents/ Direct Marketing Agents and Recovery Agents and the confidentiality of information pertaining to the customers that is available with the service provider. The Company shall retain ultimate control of the outsourced activity.
- While performing due diligence in relation to outsourcing, the Company shall consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration.
- 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 service providers in the process of dealing with 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 shall be indicated in broad terms.

- The service provider shall not impede or interfere with the ability of the Company to effectively oversee and manage its activities nor shall it impede the RBI in carrying out its supervisory functions and objectives.
- The Company has a robust grievance redress mechanism, which in no way shall be compromised on account of outsourcing.

The service provider, if not a group company of the Company, shall not be owned or controlled by any director of the Company or their relatives; these terms have the same meaning as assigned under Companies Act, 2013. In case any related party, approval of Audit Committee to be obtained.

7. Risk Management practices for Outsourced Financial Services

a. Outsourcing Policy

The company shall put in place a comprehensive outsourcing policy, approved by its Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities.

b. Role of the Board

The Board, or a Committee of the Board to which powers have been delegated shall be responsible inter alia 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 these directions
- 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.

All the approval under the Outsourcing policy shall also follow the approved delegation matrix by the board.

c. Responsibility 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.

d. Evaluation of the Risks

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

- Strategic Risk – Where the service provider conducts business on its own behalf, inconsistent with the overall strategic goals of the Company.
- Reputation Risk – Where the service provided is of poor quality and customer interaction is not consistent with the overall standards expected of the Company.
- Compliance Risk – Where privacy, consumer and prudential laws are not adequately complied with by the service provider.
- Operational Risk- Arising out of technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/ or to provide remedies.
- 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.
- Exit Strategy Risk – Where the Company is over-reliant on one firm, the loss of relevant skills in the Company itself preventing it from bringing the activity back in-house and where Company has entered into contracts that make speedy exits prohibitively expensive.
- Counter party Risk – Where there is inappropriate underwriting or credit assessments.
- Contractual Risk – Where the Company may not have the ability to enforce the contract.
- 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.
- Country Risk – Due to the political, social or legal climate creating added risk.

e. Evaluating the Capability of the Service Provider

In considering or renewing an outsourcing arrangement, appropriate due diligence shall be performed to assess the capability of the service provider to comply with obligations in the outsourcing agreement.

Due diligence shall take into consideration qualitative and quantitative, financial, operational and reputational factors. The Company shall consider whether the service providers' systems are compatible with their own and whether their standards of performance including in the area of customer service are acceptable to it.

The Company shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider. Where possible, the Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

Due diligence may involve an evaluation of all available information about the service provider:

- Experience and competence to implement and support the proposed activity over the contracted period;
- Financial soundness and ability to service commitments even under adverse conditions;
- Business reputation and culture, compliance, complaints and outstanding or potential litigation;
- Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- Ensuring due diligence by service provider of its employees

f. Outsourcing Agreement

The terms and conditions governing the contract between the Company and the service provider shall be carefully defined in written agreements and vetted by Company on their legal effect and enforceability. Every such agreement shall address the risks and risk mitigation strategies. 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. The agreement shall also bring out the nature of legal relationship between the parties - i.e. whether agent, principal or otherwise. Some of the key provisions of the contract shall be the following:

- the contract shall clearly define what activities are going to be outsourced including appropriate service and performance standards;
- the Company must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
- 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;
- a termination clause and minimum period to execute a termination provision, if deemed necessary, shall be included;
- controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information shall be incorporated;
- there must be contingency plans to ensure business continuity;
- the contract shall provide for the prior approval/ consent by the Company of the use of subcontractors by the service provider for all or part of an outsourced activity; it shall provide the Company with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the Company;
- outsourcing agreements shall include clauses to allow the RBI or persons authorised 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;
- outsourcing agreement shall also include a clause to recognise 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;
- the outsourcing agreement shall also provide that confidentiality of customer's information shall be maintained even after the contract expires or gets terminated;
- the Company shall have necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

g. Confidentiality and Security

- Public confidence and customer trust in the Company is a prerequisite for the stability and reputation of the Company. Hence 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.

- 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.
- 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 the confidentiality of the information. 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 comingling of information / documents, records and assets.
- The Company 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.
- The Company shall immediately notify RBI in the event of any breach of security and leakage of confidential customer related information. In these eventualities, the Company would be liable to its customers for any damages.

h. Business Continuity and Management of Disaster Recovery Plan

- The Company shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. The Company shall ensure that the service provider periodically tests the Business Continuity and Recovery Plan and may also consider occasional joint testing and recovery exercises with its service provider, wherever applicable.
- In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, the Company shall retain an appropriate level of control over their outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the NBFC and its services to the customers.
- In establishing a viable contingency plan, the Company shall consider the availability of alternative service providers or the possibility of bringing the outsourced activity back inhouse in an emergency and the costs, time and resources that would be involved.
- Outsourcing often leads to the sharing of facilities operated by the service provider. The Company shall ensure that service providers are able to isolate the Company's information, documents and records, and other assets. This is to ensure that in appropriate situations, all documents, records of transactions and information given to the service provider, and assets of the Company, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

i. Monitoring and Control of Outsourced Activities

- The Company shall have in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.
- A central record of all material outsourcing that is readily accessible for review by the Board and senior management of the Company shall be maintained. The records shall be updated promptly and half yearly reviews shall be placed before the Board or Risk Management Committee.
- Regular audits by either the internal auditors or external auditors of the Company 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 directions.
- Company shall at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider shall

highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

- In the event of termination of the outsourcing agreement for any reason in cases where the service provider deals with the customers, the same shall be publicized by displaying at a prominent place in the branch, posting it on the website, and informing the customers so as to ensure that the customers do not continue to deal with the service provider.
- 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 of the Board (ACB) and the Company shall make efforts to reduce the old outstanding items therein at the earliest.
- A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the ACB of the Company.

j. Redress of Grievances related to Outsourced Services

i. The Company has Grievance Redressal Machinery in line with the RBI guidelines. The company shall display the name and contact details (Telephone/ Mobile nos. as also email address) of the Grievance Redressal Officer prominently at their branches/ places where business is transacted. The designated officer shall ensure that genuine grievances of customers are redressed promptly without involving delay. It shall be clearly indicated that Company's Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.

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

k. Reporting of transactions to FIU or other competent authorities

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

8. Outsourcing within a Group/ Conglomerate

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

ii. While entering into such arrangements, the Company 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 space where the activities of the Company 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. The Company shall ensure that their ability to carry out their operations in a sound fashion would not be affected if premises or other services (such as IT systems, support staff) provided by the group entities become unavailable.

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

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

The risk management practices expected to be adopted by the Company while outsourcing to a related party (i.e. party within the Group / Conglomerate) would be identical to those specified in Clause 8 of this Policy.

9. Off-shore outsourcing of Financial Services

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

- 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.

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

  a. Where the off-shore service provider is a regulated entity, the relevant off-shore regulator will neither obstruct the arrangement nor object to RBI inspection visits/ visits of Company's internal and external auditors.
  b. The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or the Company in India.

c. 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 the Company).
d. The jurisdiction of the courts in the off shore location where data is maintained does not extend to the operations of the Company in India on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India and
e. All original records continue to be maintained in India.

10. Exclusions

These guidelines are concerned with managing risks in outsourcing of financial services and are not applicable to

- Technology-related issues
- Activities not related to financial services, such as
    - i. Usage of courier,
    - ii. Catering of staff,
    - iii. Housekeeping and janitorial services, iv. Security of the premises,
    - v. Movement and archiving of records, etc.

11. Services Outsourced by the Company

Keertana Finserv Private Limited can per the general operations of the company may outsource the following activities:

- Functions/Services
    - All Functions for Advisory Services
    - Human Resource Recruitment Firms
- Payroll Management
    - Employee Life Cycle Management
    - Training
- Administration Facility Management
    - Tour & Travels
    - Boarding & Lodging
    - Asset Management
    - Office Management
- Finance Audits
    - Valuation Services
    - Accounting Services
- Credit Technical Reports
    - Legal Search & Reports
    - Fraud Check Agencies
    - Credit Check Processes such as CIBIL
- Information Technology Software Development
    - Maintenance
    - Other IT Services
- Audit
    - Audit Firms
- Marketing
    - Marketing Agencies
- Call Centre
- Any other services in compliance with the policy from time to time.

12. Governance Structure

Policy Approval Outsourcing Policy will be presented to Board for approval. Delegation of Authority MD & CEO and / or CFO will have authority to interpret and & Exception Authority approve all decisions related to Outsourcing Policy.

Decision - Head of the Department may decide on the activity to be outsourced and the agency / person to whom it may be outsourced.

Accountability- Head of Department for the outsourced work will be held accountable for the work done by the outsourced agency.

Review Annual review of Policy will be done by the Board.

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