ANANYA FINANCE FOR INCLUSIVE GROWTH PVT. LTD.

OUTSOURCING POLICY

May 2023

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Approved By	Board of Directors
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CONTENTS:

1. **INTRODUCTION:**

Ananya Finance for Inclusive Growth Private Limited ("the Company" or "Ananya") is a Non-Banking Finance Company - Systemically Important - Non-Deposit taking (NBFC- ND-SI) registered with RBI. This policy is required to be formed under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and shall be termed as Outsourcing policy of the Company. The terms in this policy shall be considered as defined by the Reserve Bank of India in its various directions, guidelines as issued and may be issued from time to time and, or as defined herein below.

Due to speedy development of finance industry, NBFCs have been outsourcing various activities to affiliated person within its group or a third party and are hence exposed to various risks such as 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. The failure of a service provider in providing a specified service, a breach in security/ confidentiality, or non-compliance with legal and regulatory requirements bythe service provider can lead to financial losses or loss of reputation for the Company and could also lead to systemic risks.

An NBFC intending to outsource any of its financial activities shall put in place a comprehensive outsourcing policy, approved by its Board. The Company had in its meeting of the Board of Directors of the Company held on 14th February 2023 has approved this Outsourcing Policy.

2. **OBJECTIVES:**

This policy is concerned with activities that can be outsourced, selection of Service Provider(s), delegation of authority depending on risks arising out of outsourcing, materiality and systems to monitor, review the operations and managing risks in outsourcing of financial services.

3. **ACTIVITIES THAT SHALL NOT BE OUTSOURCED:**

The Company shall not outsource core management functions including Internal Audit, Strategic and Compliance functions and decision-making functions such as determining compliance with KYC norms for opening deposit accounts, according sanction for loans (including retail loans) and management of investment portfolio. However, the Company may outsource these functions within the group subject to point 14 of this policy. Further, while internal audit function itself is a management process, the internal auditors can be on contract.

4. **MATERIAL OUTSOURCING POLICY:** For the purpose of these directions, material outsourcing arrangements are those which, if disrupted, have the potential to significantly impact the business operation, 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.

5. **COMPANY'S ROLE AND REGULATORY AND SUPERVISORY REQUIREMENTS:**

- The outsourcing of any activity by Company does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. Company shall 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 customersthat is available with the service provider. Company shall retain ultimate control of the outsourced activity.
- The Company, when performing its due diligence in relation to outsourcing, 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, 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.
- Company shall have 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.

6. **ROLE OF THE BOARD AND SENIOR MANAGEMENT**

- **Role of the Board**

The Board of the Company, or a Committee of the Board to which powers have been delegated shall be responsible for the following:

i. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
ii. Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
iii. Setting up suitable administrative framework of senior management for the purpose of these directions;
iv. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
v. Deciding on business activities of a material nature to be outsourced and approving such arrangements.

- **Responsibilities of the Senior Management:**

1. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
2. Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing activity;
3. Reviewing periodically the effectiveness of policies and procedures;
4. Communicating information pertaining to material outsourcing risks to the Board in a timely manner;
5. Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;

6. Ensuring that there is independent review and audit for compliance with set policies; and

7. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks as they arise.

7. EVALUATION OF 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 poor 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.

8. SELECTION OF THE SERVICE PROVIDER:

The Company shall perform appropriate due diligence 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. Company shall consider whether the service providers' systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it. Company shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration ofoutsourcing arrangements with a single service provider. The Company shall obtain independent reviews and market feedback on the service provider to supplement its own findings.

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

- Service provider's resources and capabilities including past experience and competence to implement and support the proposed activity over the contracted period;
- Financial soundness and ability to service commitments even under adverseconditions;
- Business reputation and culture, compliance, complaints and outstanding orpotential litigation;
- Security and internal control, audit coverage, reporting and monitoring environment, business continuity management and
- Ensuring due diligence by service provider of its employees.

9. 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 service provider shall be 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 Company's, 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.

10. BUSINESS CONTINUITY AND MANAGEMENT OF DISASTER RECOVERY PLAN

The Company shall ensure that:

- The Service Providers have developed and established a robust documented and tested framework for business continuity and recovery procedures which shall be reviewed on annual basis;
- A notice period is incorporated in the Outsourcing Arrangement in order to mitigate the risk of unexpected termination thereof or liquidation of the Service Provider. To deal with such situation, an appropriate level of control and right to intervene shall be retained in the Outsourcing Arrangement with appropriate measures to continue the business operations of the Company without incurring prohibitive expenses and without any break in services to the customers of the Company;
- Alternative Service Providers are available or there is a possibility of bringing the outsourced activity back in-house in case of emergency.
- The Service Providers are able to isolate the Company's information, documents and records, and other assets, and to ensure this, a clause may be incorporated in the Outsourcing Arrangement that after termination of the contract, the Company can take back all the documents, records of transactions and information given to the Service Provider in order to continue its business operations, or otherwise delete, destroy or render unusable the same.

11. 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 Companyshall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the Company 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 bethe customers so as to ensure that the customers do not continueto deal with the service provider.
- 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.
- A robust system of internal audit of all outsourced activities shall also be put in place and monitored by the ACB of the Company.

12. GRIEVANCE REDRESSAL MACHINERY:

Company shall constitute Grievance Redressal Machinery. 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. The Company's Grievance Redressal Machinery shall also deal with the issue relating to services provided by the outsourced agency.

A time limit of 30 days may be given to the customers for preferringtheir 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.

13. OUTSOURCING WITHIN A GROUP/ CONGLOMERATE:

- The Company may outsource its activity to any of its Group Companies to act as the Service Provider.
- The Company shall ensure that an arm's length distance is maintained in terms of manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests between the Company and Group Companies and accordingly necessary disclosures in this regard shall be made as part of the outsourcing agreement. Before entering into such arrangements with group entities, the Company shall have a Board approved policy and also service level agreements/ arrangements with the group entities, which shall also cover demarcation of sharing resources i.e., premises, personnel, etc.
- 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.
- While entering into such arrangements, Company shall ensure that these:

- are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
- do not lead to any confusion to the customers on whose products/services they are availing by clear physical demarcation of the space where the activities of the Company and those of its other group entities are undertaken;

- do not compromise the ability to identify and manage risk of the Company on a stand-alone basis;
- 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
- incorporate a clause under the written agreements that there is a clear obligationfor any service

- If the premises of the Company are shared with the group entities for the purposeof cross-selling, 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 premises shall mention nature of arrangement of the entity with the company so that the customers are clear on the seller of the product.
- Company shall not publish any advertisement or enter into any agreementstating or suggesting or giving tacit impression that they are in any way responsible for the obligations of its group entities.

14. OFFSHORE OUTSOURCING OF FINANCIAL SERVICES

- 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.
- The company shall have appropriate contingency and exit strategies.
- The 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 offshore outsourcing of financial services relating to Indian Operations, company shall additionally ensure that
- 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 internal and external auditors.
- The availability of records to management and the RBI will withstand the liquidation of either the offshore custodian or the company in India.
- The regulatory authority of the offshore location does not have access to thedata relating to Indian operations of the company simply on the ground that the processing is being undertaken there (not applicable if offshore processing is done in the home country of the company).
- The jurisdiction of the courts in the offshore location where data is maintained does not extend to the operations of the company on the strength of the fact that the data is being processed there even though the actual transactions are undertaken in India and
- All original records shall continue to be maintained in India.

15. REPORTING REQUIREMENT:

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

16. REVIEW:

This policy shall be reviewed at regular intervals ,from time to time or as and when considered necessary by Board of Directors of the Company.